November 15, 2007

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 2007 Performance and Accountability Report*. The report documents the Department's progress towards meeting its performance goals, which are aimed at providing America's veterans with the best in benefits and health care services.
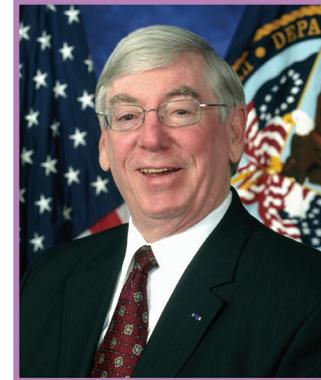
In 2007 with nearly $86 billion in obligations and approximately 230,000 employees, VA recorded numerous accomplishments that helped improve the quality of life for America's veterans and their families. Our major accomplishments are summarized below by major business line.

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 5.6 million in 2007. Our commitment to delivering timely, high-quality health care to America's veterans remains a top priority. In 2007 VA achieved the following key results in the health care area:

- Patient Satisfaction: With an inpatient satisfaction score of 84 out of 100 and an outpatient satisfaction score of 82 out of 100 on the American Customer Satisfaction Index, VA remains a leader in customer satisfaction. VA's scores are not only higher than last year, but the inpatient score is 5 points higher and the outpatient score is 4 points higher than the corresponding private sector scores.
- Vision Care: VA reorganized its vision rehabilitation services to provide care tailored to each veteran's needs with treatment provided at the site best prepared to address the need.
- Medical Devices and Technology: VA was recognized as a leader in prosthetics and amputee care by ensuring that new devices and technology have practical applications for patients. VA's innovative program involves not only improving technology and teaching amputees to walk or use artificial arms and hands, but also providing long-term care to improve functioning months or years after amputation.
- Traumatic Brain Injury (TBI): VA led the way in care for TBI with the latest innovations for the newest generation of combat veterans returning from Iraq and Afghanistan. Accomplishments included the following:
  - o Developed a mandatory TBI training course for all VA health care professionals.
  - o Instituted a program to screen all patients who served in the combat theaters of Iraq or Afghanistan for TBI.
- Suicide Prevention: VA began operation of a national suicide prevention hotline. The hotline puts veterans in touch with trained, caring professionals who can help them cope with emotional crises. The hotline is available 365 days a year, 24 hours a day. To help support the hotline, VA hired suicide prevention counselors at each of its 153 facilities, further strengthening one of the Nation's largest mental health programs.
- HealthierUS Veterans: Enhanced the HealthierUS Veterans program, which is an initiative developed by VA and the Department of Health and Human Services to improve the health of veterans, their families, and others by providing education about obesity and diabetes prevention.

- Vet Centers: VA opened 23 more Vet Centers and announced plans to have a total of 232 by the end of 2008. As more newly returning combat veterans are turning to VA for health care, the Department continues to enhance services to provide veterans with world-class care. VA established 100 new patient advocate positions to help severely injured veterans and their families navigate the Department's systems for health care and financial benefits, and thereby provide for a smooth transition to VA health care facilities, while also cutting through red tape for other benefits.
- Medical Research: VA sustained its long track record of success in conducting research projects that lead to clinically useful interventions to improve the health and quality of life for veterans as well as the general population. Recent examples of VA research results that have direct application to improved clinical care include the use of a neuromotor prosthesis to help replace or restore lost movement in paralyzed patients; continued development of an artificial retina for those who have lost vision due to retinal damage; use of an inexpensive generic drug (prazosin) to improve sleep and reduce trauma nightmares for veterans with post-traumatic stress disorder; and advancements in identifying a new therapy to prevent or slow the progression of Alzheimer's disease.
- Infection Prevention: Clinicians at VA's Pittsburgh Health Care System dramatically reduced the number of cases of infection from methicillin-resistant Staphylococcus aureus (MRSA) at the Pittsburgh facility. MRSA is a dangerous infection that is difficult to eradicate and can cause pneumonia or infect wounds and the bloodstream. Based on the clinicians' success, VA has launched a national effort to eradicate staph infections in VA hospitals.
- Genomic Research: The Department created a blue ribbon Genomic Research Advisory Committee to use VA's expansive medical data holdings to advance the science of predictive medicine.
- Nursing Academy: VA created a new multi-campus Nursing Academy through partnerships with nursing schools throughout the country to help address a shortage of nurses within VA and nationwide.

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

VA is providing compensation and pension benefits and services to over 3.7 million veterans and beneficiaries. In 2007 VA processed nearly 805,000 claims for disability benefits and added almost 235,000 new beneficiaries to the compensation and pension rolls. As shown below, despite greater workload, VA achieved a number of significant positive performance results in the benefits delivery area:

- Adjusted compensation benefits to more than 57,000 veterans entitled to Combat Related Special Compensation or Concurrent Retired and Disability Pay to restore retired pay previously waived to receive compensation.
- VA's Benefits Delivery at Discharge (BDD) program is operated in close cooperation with DoD to assist separating disabled servicemembers in filing claims for benefits at or near their time of discharge in order to expedite the processing of their claims. Through July 2007, VA received more than 33,800 original compensation claims through BDD. In addition to those who file claims, many other servicemembers are assisted through the BDD program.
- Increased to 91 percent the national accuracy rate for authorization work for pension claims, compared to 88 percent in 2006.
- Continued to process insurance disbursements in an average of 1.7 workdays – significantly better than the industry average of 5.7 workdays.
- Provided education benefits to approximately 540,000 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 13 percent over the 2006 level to approximately 1.7 million in 2007.

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 2007 VA maintained more than 2.8 million gravesites at 158 properties, including 125 national cemeteries and 33 other cemeterial installations. To this end, the Department accomplished the following:

- Through the addition of two new cemeteries in Sacramento Valley California and South Florida, VA increased to 83.4 percent the proportion of veterans served by a burial option within a reasonable distance (75 miles) of their residence -- up from 80.2 percent in 2006.
- Achieved a 94 percent threshold of 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."

VA also continued to make progress towards completion of six new national cemeteries scheduled to open in 2009, representing one of the Department's largest expansions since the Civil War era.

Operation Iraqi Freedom and Operation Enduring Freedom (OIF/OEF)

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, not only in Iraq and Afghanistan, but throughout the world. In 2007 VA implemented various initiatives, shown below, to help ensure the successful transition of our returning military men and women to civilian life:

- Prioritized claims processing for veterans of the Global War on Terror, finalizing claims received in an average of 110 days.
- Hired 100 new outreach coordinators to provide services to returning OIF/OEF veterans. The new coordinators are located in Vet Centers throughout the country, especially new military processing stations.
- Created an Advisory Committee on OIF/OEF Veterans and Families to advise the Secretary on ways to improve programs servicing these veterans.
- Identified San Antonio, Texas, as the location of a fifth polytrauma center to assist severely injured OIF/OEF veterans.

President's Task Force on Returning Global War on Terror Heroes

On March 6, 2007, President Bush established the interagency Task Force on Returning Global War on Terror (GWOT) Heroes to improve the delivery of federal services and benefits to GWOT servicemembers and veterans. The Task Force submitted its report to the President on April 19, 2007. The Task Force report includes 25 recommendations that focus on enhancing the delivery of services and benefits to GWOT servicemembers and veterans within existing authority and resource levels. A Governmentwide action plan contains implementation strategies and target dates for each recommendation.

Organization Restructuring: *Better Services Delivery*

To meet the changing needs of America's veterans, VA adopts new ways of working and makes organizational changes to improve our ability to serve veterans. In this context, we:

- Completed the centralization of all information technology projects and staffing under the control of the Chief Information Officer.
- Created the Office of Operations, Security, and Preparedness to manage VA's security and disaster responses.
- Created the Office of Construction and Facilities Management to manage and provide oversight of VA's construction programs.

Finance: *Ensuring Proper Stewardship of Taxpayer Dollars*

VA is extremely proud to have obtained an unqualified audit opinion on our financial statements for the ninth consecutive year. VA remains committed to aggressively pursuing improvements in our business processes and remediating our material weaknesses. We have made significant strides in improving our financial systems and operations. VA continued to enhance its automated financial reporting capabilities, as well as implement the Financial Reporting Data Warehouse and Financial and Logistics Integrated Technology Enterprise (FLITE) systems initiatives. In addition, financial operational improvements were realized through our efforts to provide more definitive and consistent financial policies and guidance as well as to assess and improve financial and business processes and related internal controls. Initiatives such as these improve our efforts 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 program performance data. Management relies on these data to identify control deficiencies and material inadequacies in the financial and program performance areas and to identify corrective tasks needed to resolve them. My signed Statement of Qualified Assurance on internal controls may be found on page 94 in the section entitled Management Controls, Systems, and Compliance with Laws and Regulations.

Data Security: *Safeguarding Sensitive Information*

While much work remains to be done, VA made substantial progress in 2007 to safeguard sensitive information. VA centralized information technology management under the Office of Information and Technology. Progress was made towards standardizing the Department's information protection policies, processes, and procedures to provide a consistent approach to information security program management and to improve the effectiveness of VA's remediation of security vulnerabilities.

VA continued to strengthen its controls over sensitive information through its Data Security and Strengthening of Control Program, which involves completion of hundreds of specific actions related to the protection of information and information technology assets. As part of this program, VA encrypted over 25,000 laptops, distributed over 8,000 encrypted thumb drives to approved employees, and purchased and will complete deployment in 2008 of Rights Management Software to handle e-mail encryption as well as file and document encryption.

Our progress has been steady and our work continues to make a positive impact on the Nation's veterans. VA's workload continues to grow as evidenced by the delivery of medical treatment to more than a million patients a week, a 40 percent increase in disability claims, and more interments in national cemeteries. Yet, VA is up to the task. VA will keep its commitment to America's veterans; they deserve our compassion, respect, and support.

Gordon H. Mansfield
Acting Secretary of Veterans Affairs

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FY 2007 Performance and Accountability Report
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Part III. Financial Section

Part IV. Other Accompanying Information

Notes

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

[Note 2] For additional copies of this report, please call VA's Office of Budget at 202-461-6630. An electronic version is available on the World Wide Web at www.va.gov/budget/report

Performance Scorecard

Strategic Goals	Key Performance Measures (page references)	FY 2006 Recap		FY 2007 Recap		Target Achieved?		Improved From FY 2006?	Measure Type
		Targets	Results	Targets	Results	Yes	No	Yes/No/Same	
Strategic Goal #1 — RESTORATION AND IMPROVED QUALITY OF LIFE FOR DISABLED VETERANS	National accuracy rate for compensation core rating work (pp. 121, 204)	87%	88%	**89%**	**88%***		No	Same	Outcome
	Compensation and pension rating-related actions — average days to process (pp. 119, 204)	185	177	**160**	**183**		No	No	Efficiency
	Rating-related compensation actions — average days pending (pp. 120, 204)	150	130	**127**	**135**		No	No	Output
	Vocational rehabilitation and employment rehabilitation rate (pp. 124, 206)	69%	73%	**73%**	**73%**	Yes		Same	Outcome
	Average days to process Dependency and Indemnity Compensation actions (pp. 127, 206)	120	136	**125**	**132**		No	Yes	Efficiency
Strategic Goal #2 — SMOOTH TRANSITION TO CIVILIAN LIFE	Average days to complete education claims								
	- Original claims (pp. 134, 206)	27	40	**35**	**32.4**	Yes		Yes	Efficiency
	- Supplemental claims (pp. 134, 206)	13	40	**15**	**13.2**	Yes		Yes	Efficiency
Strategic Goal #3 — HONORING, SERVING, AND MEMORIALIZING VETERANS	Percent of patients rating VA health care service as very good or excellent: - Inpatient - Outpatient (pp. 140, 208)	74% 73%	78% 78%	**78%** **78%**	**77%*** **77%***		No No	No No	Outcome Outcome
	Percent of primary care appointments scheduled within 30 days of desired date (pp. 139, 208)	96%	96%	**96%**	**97.2%*(a)**	Yes		Yes	Outcome
	Percent of specialty care appointments scheduled within 30 days of desired date (pp. 139, 208)	93%	94%	**95%**	**95%*(a)**	Yes		Yes	Outcome
	Clinical Practice Guidelines Index II (pp. 138, 210)	77%	83%	**84%**	**83%***		No	Same	Outcome
	Prevention Index III (pp. 138, 210)	88%	88%	**88%**	**87%***		No	No	Outcome

Performance Scorecard

Strategic Goals		Key Performance Measures	FY 2006 Recap		FY 2007 Recap					Measure Type
							Target Achieved?		Improved From FY 2006?	
			Targets	Results	Targets	Results	Yes	No	Yes/No/Same	
Strategic Goal #3 *(continued)*	HONORING, SERVING, AND MEMORIALIZING VETERANS	Annual percent increase of non-institutional, long-term care average daily census (using 2006 as the baseline) (pp. 141, 212)	Baseline (43,325)		**26.3%**	**6.5%***		No	N/A	Output
		Non-rating pension actions — average days to process (pp. 145, 212)	66	92	**96**	**104**		No	No	Efficiency
		National accuracy rate for pension authorization work (pp. 146, 214)	88%	88%	**89%**	**91%***	Yes		Yes	Outcome
		Average number of days to process Traumatic Injury Protection Insurance disbursements (pp. 149, 214)	N/A	3.8	**5**	**3.0**	Yes		Yes	Efficiency
		Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence (pp. 153, 214)	81.6%	80.2%	**83.8%**	**83.4%**		No	Yes	Outcome
		Percent of respondents who rate the quality of service provided by the national cemeteries as excellent (pp.153, 216)	96%	94%	**97%**	**94%**		No	Same	Outcome
		Percent of graves in national cemeteries marked within 60 days of interment (pp. 157, 216)	90%	95%	**90%**	**94%**	Yes		No	Efficiency
		Foreclosure avoidance through servicing (FATS) ratio (pp. 161, 216)	47.0%	54.0%	**51.0%**	**57.0%**	Yes		Yes	Outcome
Strategic Goal #4	CONTRIBUTING TO THE NATION'S WELL-BEING	Progress towards development of one new treatment for post-traumatic stress disorder (5 milestones over 4 years) (pp. 167, 218)	60%	47%	**67%**	**67%***	Yes		Yes	Outcome
		Percent of respondents who rate national cemetery appearance as excellent (pp. 176, 218)	99%	97%	**99%**	**97%**		No	Same	Outcome

* Indicates partial or estimated actual data.

(a) Office of Inspector General (OIG) reports dated July 2005 and September 2007 found reported outpatient waiting times to be unreliable because of data integrity concerns associated with VHA's scheduling system. The Under Secretary for Health non-concurred with this one OIG finding in the September 2007 report due to disagreements with the OIG's methodology. VHA has obtained the services of an expert consultant to perform a thorough analysis and assessment of its scheduling and wait times reporting system.

Department Overview

Our Mission: *What we are Here to Do*

> **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.**

President Lincoln's immortal words – delivered in his Second Inaugural Address more than 140 years ago – describe better than any others the mission of the Department of Veterans Affairs. We care for veterans and their families – men and women who have responded when their Nation needed help. Our mission is clear-cut, direct, and historically significant. It is a mission that every employee is proud to fulfill.

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 approximately 230,000 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 Vet-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 or disease incurred in 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 benefits are monthly payments, specified by law, provided to veterans with nonservice-connected disabilities who served in a time of war. The veteran must meet specific income limitations and must be permanently and totally disabled or must have reached the age of 65. 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 Educational Opportunities

VA's education programs provide eligible veterans, servicemembers, reservists, survivors, and dependents the opportunity to achieve their educational or vocational goals. Education programs also assist the armed forces in their recruitment and retention efforts, and help veterans in their readjustment to civilian life.

These benefits serve to enhance the Nation's competitiveness through the development of a better educated and more productive workforce. VA administers a number of education programs, including the Montgomery GI Bill and a new program for Reserve and National Guard troops activated in support of the Global War on Terror.

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

Through loan guaranties, VA's Loan Guaranty program helps eligible veterans, active duty personnel, surviving spouses, and selected reservists to purchase homes. We also assist veterans in retaining their homes through foreclosure avoidance services. In addition, VA offers grants to veterans who have specific service-connected disabilities for the purpose of constructing an adapted dwelling, or modifying an existing one, to meet the veteran's needs.

The Loan Guaranty program also provides direct loans to Native American veterans living on Federal trust land and offers some loans to the public when buying homes owned by the Department as a result of foreclosure.

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 this context, the program continues to provide life insurance coverage to 1.3 million WWII and Korean War-era veterans.

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 shrine cemeteries that serve as lasting tributes to 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 information technology, human resources management, financial management, acquisition, and facilities management.

Our Programs: *Who We Serve*

As described on the previous pages, VA programs and services are as varied as the veterans and family members we serve. From space-age technology used in prosthetic devices that bring mobility to the severely disabled, to the pension benefits paid to three survivors of Civil War veterans, VA's commitment to those who have "borne the battle" continues. As shown below, VA is serving more veterans than ever before.

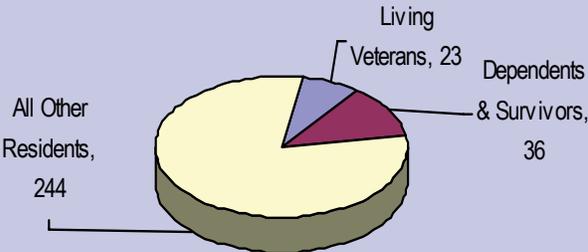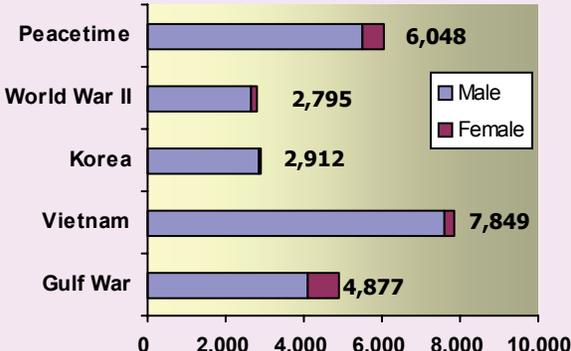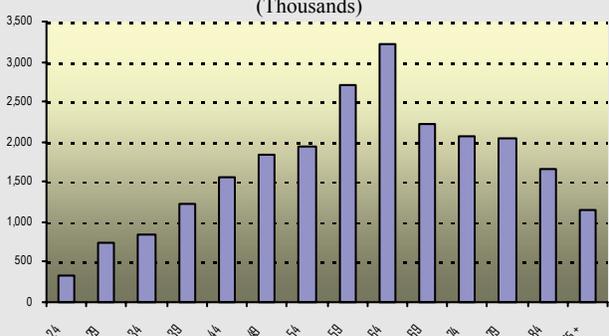| Program	Year-to-Year Comparison	
	FY 2006 Participants[1]	FY 2007 Participants[1]
Medical Care		
Unique Patients	5,495,400	**5,600,300**
Compensation		
Veterans	2,725,800	**2,839,700**
Survivors/Children	325,900	**329,700**
Pension		
Veterans	329,900	**322,900**
Survivors	200,600	**194,600**
Education		
Veterans/Servicemembers	332,200	**345,000**
Reservists	90,000	**101,700**
Survivors/Dependents	75,500	**77,300**
Vocational Rehabilitation[2]		
Program Participants	89,100	**90,600**
Housing		
Loans Guaranteed	142,700	**133,300**
Insurance		
Veterans	1,777,000	**1,695,000**
Servicemembers/Reservists	2,392,000	**2,354,000**
Spouses/Dependents	3,099,000	**3,075,000**
Burial		
Interments	96,800	**100,200**
Graves Maintained	2,774,100	**2,842,700**
Headstones/Markers (Processed)	336,300	**359,500**
Presidential Memorial Certificates	405,500	**423,100**

[1]Figures are rounded to nearest hundred.

[2]FY 2007 figure represents 12-month rolling data through September 2007.

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
Veteran Population Compared to Total U.S. Population (Millions)	• Currently there are about 23.5 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. • There are an estimated 36 million dependents (spouses and dependent children) of living veterans and survivors of deceased veterans in the U.S. • Together, veterans, dependents, and survivors make up about 20 percent of America's population.
Veteran Population by Period of Service* (Thousands) Peacetime: 6,048 World War II: 2,795 Korea: 2,912 Vietnam: 7,849 Gulf War: 4,877	• More than 17 million (74 percent) of America's veterans served during at least one wartime period. • The nearly 8 million Vietnam Era veterans account for the largest segment of the veteran population. • About 71 percent of all women veterans served during the post-Vietnam Era compared to 32 percent of men. • The number of women veterans enrolled in VA's health care system is 420,045 as of June 30, 2007 – up from 398,621 as of last September.
Age Distribution of the Veteran Population By 5-Year Age Groups (Thousands)	• As of September 2007, the median age of all living veterans was 60 years. • Men's median age was 61; women's 47. • The number of veterans 85 and older totaled about 1,146,000, compared to 164,000 in 1990. • Between 2007 and 2014, veterans 85 and older enrolled in VA's health care system are expected to increase from 481,000 to 760,000, or 58 percent.

*Notes: 1) There are too few living World War I veterans to estimate their number with an acceptable level of reliability. 2) The 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, 2007
(in thousands)

Veteran Population
- □ < 200
- ■ 200 - 500
- ■ 500 - 1,000
- ■ 1,000 - 1,500
- ■ > 1,500
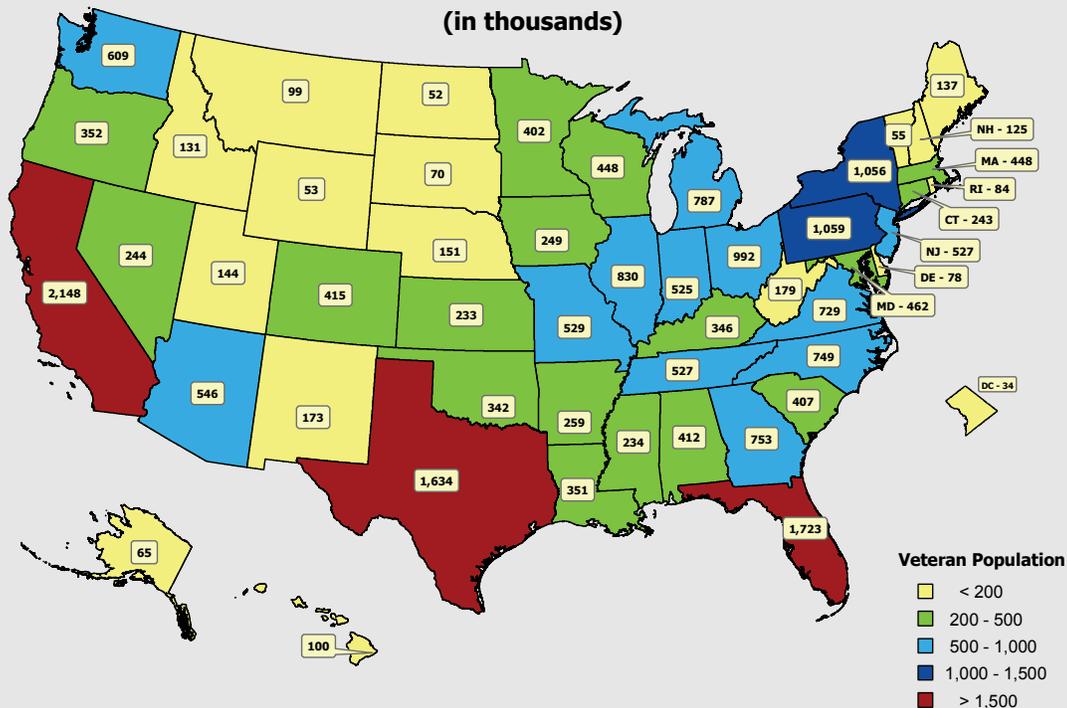
Analysis

- Veterans in just three states – California, Florida, and Texas – comprised almost 24 percent of the total number of veterans living in the U.S.
- The three next largest states in terms of veteran population are Pennsylvania, New York, and Ohio. These states account for 13 percent of the total number of veterans living in the U.S.
- Together, these six states account for about 37 percent of the total veteran population.

Resources: *Our People*

As of September 30, 2007, the Department employed approximately 230,000 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, 2007

Compensation & Pension, 9,925
All Other, 9,660
Medical Care and Research, 210,790

--Board of Vet. Appeals 444
--Insurance 451
--IG 470
--Education 958
--Housing 983
--Voc/Rehab 1,187
--Burial 1,541
--Management 3,626
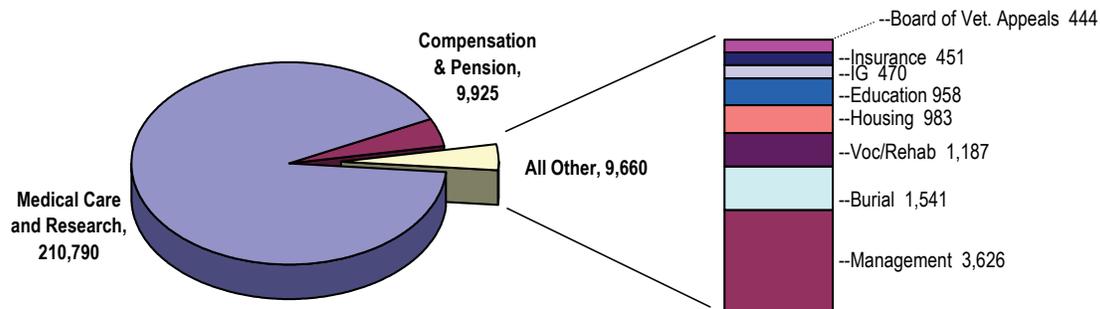
As shown above, more than 210,000 employees support VA's health care system, one of the largest in the world. Of the remaining employees, approximately 13,500 are involved with providing compensation and pension as well as other benefits to veterans and their families. More than 1,500 provide burial and memorial services for veterans and their eligible spouses and children, and about 3,600 employees, located primarily in the Washington, DC area, provide policy, administrative, and management support to the programs.

Resources: *Budgetary*

In 2007 VA obligated nearly $86 billion. Approximately 90 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 2007 Obligations
($ Millions)

Compensation & Pension, $39,129
Medical Care & Research, $37,300
All Other, $9,407

--IG $74
--Board of Vet. Appeals $54
--Housing $240
--Burial $465
--Voc/Rehab $771
--Management $1,531
--Education $3,080
--Insurance $3,192

Our Organization

Department of Veterans Affairs

Chief of Staff

Secretary

Deputy Secretary

General Counsel

Inspector General

Chairman, Board of Veterans' Appeals

Chairman, Board of Contract Appeals

Veterans Service Organization Liaison
Center for Minority Veterans
Center for Women Veterans
Office of Small & Disadvantaged Business Utilization
Office of Employment Discrimination Complaint Adjudication
Office of Regulation Policy and Management

Office of Construction and Facilities Management

Under Secretary for Health, Veterans Health Administration

Under Secretary for Benefits, Veterans Benefits Administration

Under Secretary for Memorial Affairs, National Cemetery Administration

Assistant Secretary for Management

Principal DAS for Management

- DAS for Budget
- DAS for Finance
- DAS for Acquisition & Logistics

Assistant Secretary for Information & Technology

Principal DAS for OI&T

- DAS for Information Protection & Risk Mgmt.
- DCIO for IT Enterprise Strategy, Policy, Plans, & Programs
- DAS for IT Resources Management
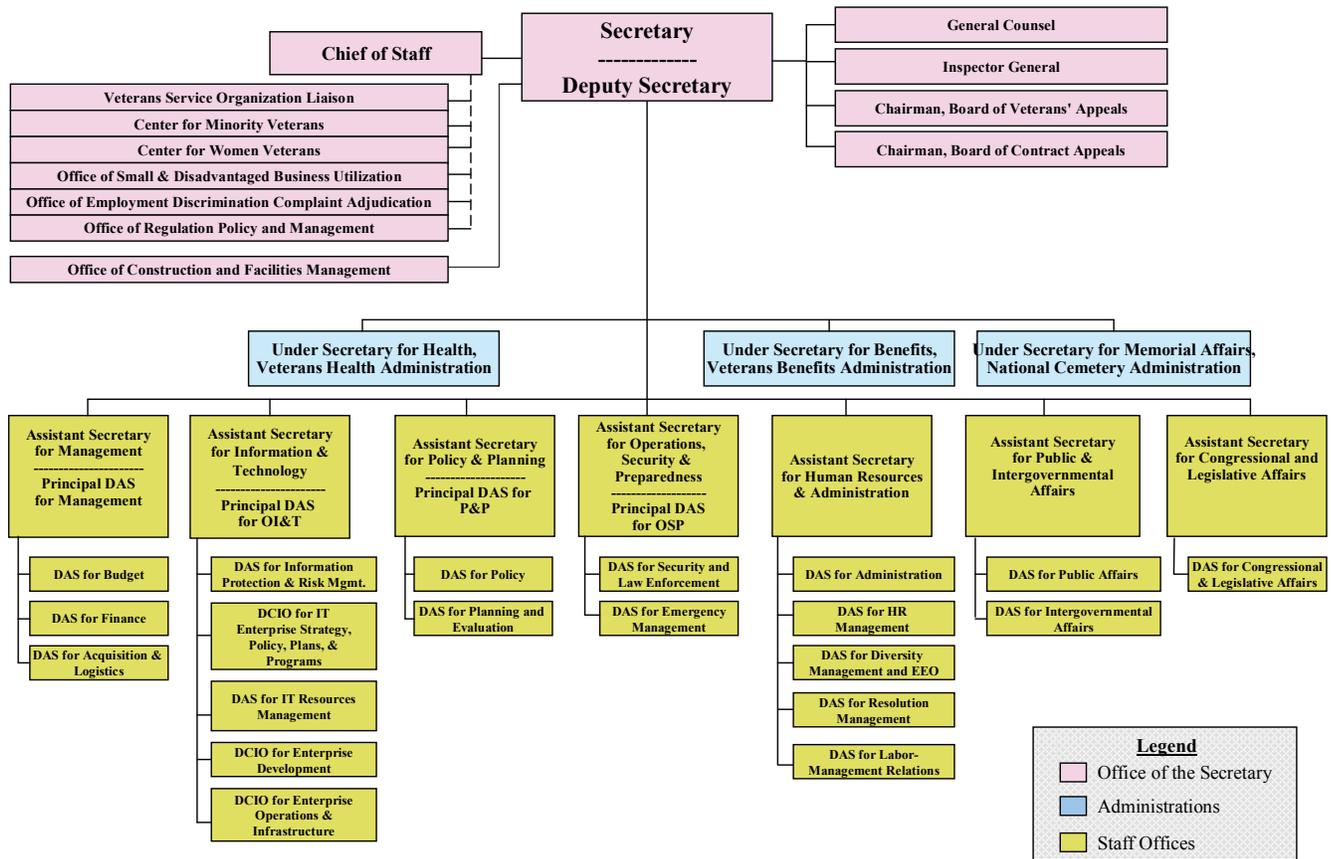- DCIO for Enterprise Development
- DCIO for Enterprise Operations & Infrastructure

Assistant Secretary for Policy & Planning

Principal DAS for P&P

- DAS for Policy
- DAS for Planning and Evaluation

Assistant Secretary for Operations, Security & Preparedness

Principal DAS for OSP

- DAS for Security and Law Enforcement
- DAS for Emergency Management

Assistant Secretary for Human Resources & Administration

- DAS for Administration
- DAS for HR Management
- DAS for Diversity Management and EEO
- DAS for Resolution Management
- DAS for Labor-Management Relations

Assistant Secretary for Public & Intergovernmental Affairs

- DAS for Public Affairs
- DAS for Intergovernmental Affairs

Assistant Secretary for Congressional and Legislative Affairs

- DAS for Congressional & Legislative Affairs

Legend
- Office of the Secretary
- Administrations
- Staff Offices

Leadership and Governance

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

Governance	Major FY 2007 Actions
Strategic Management Council	
Membership The Strategic Management Council (SMC) is chaired by the Deputy Secretary and includes VA's seven 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. **Purpose** The SMC serves as a collaborative and deliberative body that provides oversight and guidance on key strategic and operational issues that confront VA decision-makers.	• Approved VA's IT Governance Plan in support of the realigned Office of Information and Technology. The Governance Plan included the establishment of three boards: Information Technology Leadership Board; Business Needs and Investment Board; and Planning, Architecture, Technology and Services. • Reviewed and provided policy direction on a Department-wide effort to (1) identify criteria at the Department level for use in evaluating future medical facilities proposals for joint ventures and (2) develop a communications strategy for use during negotiations. The SMC reviewed and approved the products of a VA working group, including a draft VA Handbook, a communications strategy, and a new process for review and approval of future joint venture proposals between VA, DoD, academic affiliates, or other suitable public or private entities. • Reviewed and provided policy direction on distribution and next steps for research reports including *Employment of Recently Separated Servicemembers* and the results of the *Analysis of Differences in VA Disability Compensation*. • Reviewed VA's Regional Data Processing/National Data Program Migration Strategy and Telecommunication plan. • Reviewed the status of VA's labor agreements and pending negotiations.
Monthly Performance Reviews (MPRs)	

Membership
 	
 MPRs are chaired by the Deputy Secretary and are attended by principals from every VA organization.
 	
 Purpose
 	
 MPRs focus on financial and program performance. In this context, the leadership discusses and makes decisions on mission-critical issues within the context of performance, budget, and workload targets and associated results. Necessary corrective actions are identified and implemented to help ensure program goals and objectives are accomplished.
	• Each VA administration and staff office reported on progress in meeting established monthly and/or fiscal-year-to-date financial and performance goals. In this context, for 2007, more analytical depth was required and provided as follows:
	   ○ Created "special focus area" modules where program offices report on critical areas requiring the Deputy Secretary's near-term attention.
	   ○ Provided a more specific "budget object class" breakout of expense reporting allowing for more substantive discussions of VA expenditure patterns and potential transfer or reprogramming needs.
	   ○ Added detailed reporting on staff turnover in potential critical shortage areas and on IT project management and funding status.

Performance Overview

Purpose of This Report

VA's FY 2007 Performance and Accountability Report (PAR) describes VA's accomplishments and progress during FY 2007 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 **five-tiered performance management framework** to measure performance.

Term	Definition
Strategic Goals	The Department's long-term outcomes as detailed in its Strategic Plan and articulated through four strategic goals and one enabling goal.
Strategic Objectives	Broad operational focus areas designed to achieve strategic goals. The Department has 21 strategic objectives.
Performance Measures	Specific measurable indicators 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 and progress.
Performance Targets	Associated with specific performance measures, these are quantifiable expressions of desired performance/success levels to be achieved during a given fiscal year.
Strategic Targets	Also associated with specific performance measures, these are quantifiable expressions of optimum success levels to be achieved; they are "stretch goals" that VA strives for in the long-term.

VA's strategic objectives are supported by 130 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.
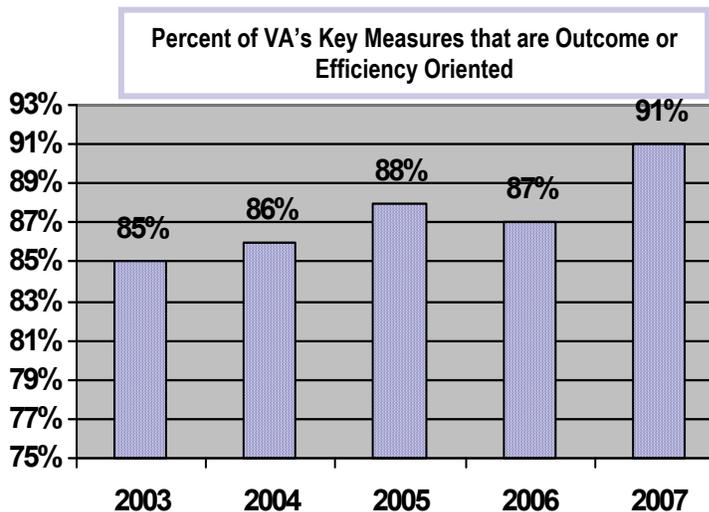
Improvements to the FY 2007 Report

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

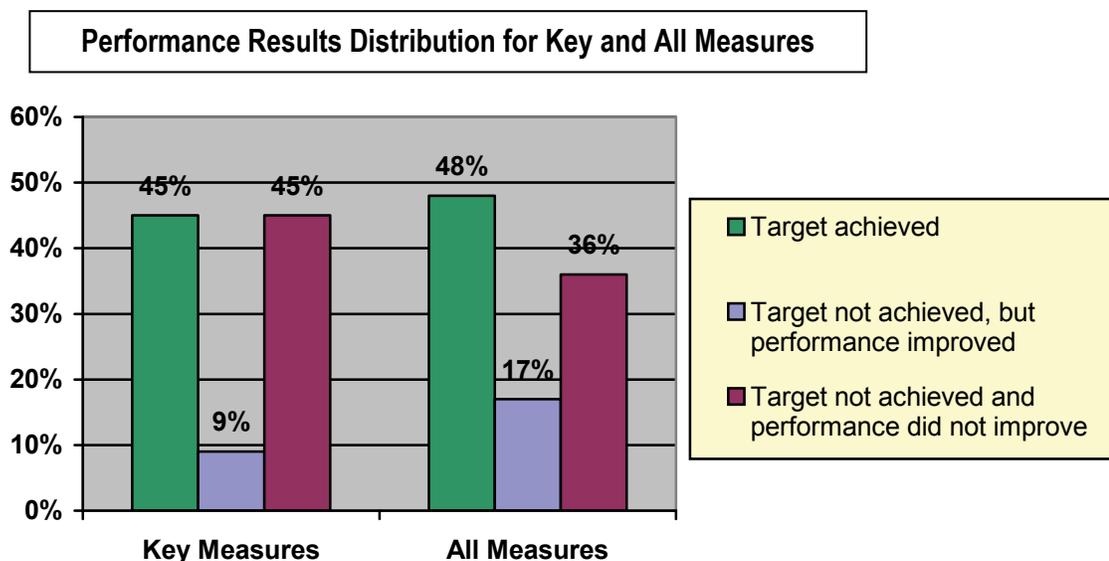| .	*Improvement*	*Benefit to VA's Stakeholders*
	Cost Per Measure Data	Consistent with the President's Management Agenda, the Department is furthering its integration of performance and budget information. As part of this effort, this year's PAR includes information on the cost of achieving performance targets for <u>four</u> measures. This is in addition to cost estimates provided by strategic goal and objective. We will expand our presentation of the cost to achieve individual performance goals in future reports.
	Major Management Challenges	This year's report improves how major management challenges are presented. For each challenge, in an easy-to-read tabular format, there is an estimated resolution date, a summary of actions taken, the next steps planned, and anticipated impacts of actions. Together these elements provide a comprehensive analysis of the challenges facing the Department and what VA is doing to address them.
	Performance Trends With Targets	For key and other important measures, in addition to the past five years' results (where available), we have added performance targets to provide the reader with a fuller context of progress. These data are accompanied by short narratives describing how management uses performance data to make operational program improvements and information on how performance results impact the veteran.

2007 Performance -- *A Department-Level Summary*

<u>**Key Measures -- *Continuity and Type***</u>: Key measures are those that measure mission-critical activities. As of FY 2007, 19 of VA's 23 key measures have been in place for at least 4 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.

Percent of VA's Key Measures that are Outcome or Efficiency Oriented

Year	Percent
2003	85%
2004	86%
2005	88%
2006	87%
2007	91%

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 45 percent of its key measures and 48 percent of all measures. In addition, for key measures, nine percent of the targets were not achieved, but performance improved from 2006. Further details on performance by goal and objective are provided on the following pages.

Performance Results Distribution for Key and All Measures

Chart: Bar chart showing Performance Results Distribution for Key and All Measures.

Key Measures: Target achieved 45%; Target not achieved, but performance improved 9%; Target not achieved and performance did not improve 45%.

All Measures: Target achieved 48%; Target not achieved, but performance improved 17%; Target not achieved and performance did not improve 36%.

Legend:
- Target achieved
- Target not achieved, but performance improved
- Target not achieved and performance did not improve

Cost to Achieve Performance Goals – *For 4 Selected Measures*

Last year, for the first time in the Performance and Accountability Report, the Department provided estimated cost information for three measures. As in the past, VA is also providing an estimate of costs devoted to achieve strategic goals and objectives. However, as a continuing part of the Department's overall effort to better identify resources required to achieve a certain level of performance, this year we show estimated costs to achieve a level of performance for four measures.

Measure	Fiscal Year 2007		Estimated Cost (Obligations) ($ in Millions)
	Performance		
	Target	Result	
Progress Towards Development of one new Treatment for Post-Traumatic Stress Disorder (pct. of milestones achieved)	**67%**	**67%**	**$2.7**[1]
Performance Impact	PTSD is an anxiety disorder that can develop after a person has been exposed to a terrifying event or ordeal in which physical harm occurred or was threatened. PTSD related to combat exposure is a major concern in the health of the veteran population. In cases where veterans do not respond to initial treatment, symptoms (including nightmares, disturbing memories during the day, sleep problems, and aggressive behavior) may persist for years. Therefore, effective relief of symptoms is needed.		
How VA Uses Performance Data	Results of PTSD studies are rapidly translated into clinical practice. The findings are published in a journal and discussed at conferences with VA, DoD, and university attendees.		
Annual Percent Increase of Non-Institutional, Long-Term Care as Expressed by the Average Daily Census (using 2006 as the baseline)	**26.3%**	**6.5%**	**$449.4**
Performance Impact	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.		
How VA Uses Performance Data	VA uses the data to project the need for services, evaluate existing services, and promote access to required services. In addition, the data are used to establish VISN (i.e., field office) targets and evaluate VISN performance in meeting assigned workload levels in the HCBC area.		

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[1] The total obligations cover the costs of the researchers, equipment, and other expenses associated with performing the PTSD studies. There are additional costs including those for clinicians and other medical care employees' salaries that by law must come from the patient care appropriation and are not included.

Measure	Fiscal Year 2007		Estimated Cost (Obligations) ($ in Millions)
	Performance		
	Target	Result	
Rating Related Compensation Actions – Average Days Pending	127	135	$815.6
Performance Impact	On average, compensation claims that require a rating decision are pending 5 more days in 2007 than in 2006. An increase in the average age of the pending claims inventory indicates veterans are waiting longer for decisions on their claims.		
How VA Uses Performance Data	VA uses the results data to manage the compensation and pension programs and to implement performance improvement strategies. For example, as performance is monitored during the year, if performance declines are manifested in certain field offices, management takes corrective actions such as providing additional training and realigning workload or staffing levels. To improve the average days to process, VA is adding more resources. VA hired over 1,000 new staff in 2007, and further staff increases are expected in 2008. In addition, death pension claims and disability pension claims will be consolidated to the three Pension Maintenance Centers (PMCs)—this increases the number of resources dedicated to disability claims processing.		
Percent of Veterans Served by a Burial Option	83.8%	83.4%	$149.3
Performance Impact	By the end of 2007, 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.		
How VA Uses Performance Data	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.

In addition, through the use of Specially Adapted Housing (SAH) grants, VA is able to make adaptations to seriously disabled veterans' homes in order to help these veterans live more independent lives.

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 our Nation and those who bravely served it in uniform.

Making a Difference for the Veteran

VA Increasing Access to Mental Health Care

Addressing a special mental health forum with the top clinicians and researchers from the Department of Veterans Affairs (VA), former Secretary of Veterans Affairs Jim Nicholson announced plans to begin locating some of the Department's mental health programs closer to places where primary care is provided.

Former Secretary Nicholson addresses VA clinicians and researchers at a special mental health forum held in Washington, DC.

"Given the reluctance of some veterans to talk about emotional problems, increasing our mental health presence in primary care settings will give veterans a familiar venue in which to receive care -- without actually going to an identified mental health clinic," he said.

Nicholson described VA as "a long-standing leader in mental health," with $3 billion devoted this year to mental health services. The Department has the Nation's largest mental health program and is internationally recognized for research and treatment of post-traumatic stress disorder (PTSD).

"The wounds of war are not always the result of explosions and rocket fire," he added. "They can sometimes be unseen and cloaked in silence. If left untreated, they can be just as lethal. We let veterans know that mental health issues and other military-related readjustment problems are not their fault -- that we can help them -- and that they can get better."

Acknowledging that VA officials expect to see increasing numbers of newly returned combat veterans with PTSD and other mental health issues, Nicholson said mental health care is currently provided at each of VA's 153 medical centers and 882 outpatient clinics.

Nicholson also announced plans to begin a series of regional conferences about providing mental health care to veterans with "our partners at the state, local and community levels." Recent expansion of the Department's mental health services include:

- Greater availability of "telemental health" programs, which treated about 20,000 patients last year.
- Integrating mental health services into geriatric programs.
- Adding psychologists and social workers to the staffs of VA's polytrauma centers.
- Increasing the number of Vet Centers from 209 to 232 by the end of 2008, and establishing 100 new combat veteran patient advocates to run outreach programs for their former comrades.

"As the newest generation of combat veterans returns home, we want to ensure that we are providing them the very best in mental health care and treatment possible. They deserve nothing less," Nicholson said.

Four-Year Performance Trend – *Percent of 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 four 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.

Strategic Goal 1
4-YEAR PERFORMANCE TREND
- Percent of Targets Achieved -

Data Table	2004	2005	2006	2007
Targets Achieved	14	10	11	6
Total Targets	28	24	25	19

Chart values: 2004: 50%, 2005: 42%, 2006: 44%, 2007: 32%

Note: For 2005 and 2006, additional final results are now available. Thus, numbers and percentages have been adjusted from those appearing in the FY 2006 PAR.

Positive 2007 Outcomes

Accurate Claims Processing: The national accuracy rate for processing veterans' claims for disability compensation benefits was maintained at 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 was maintained at 73 percent. This program provides disabled veterans with the skills and opportunities to obtain employment or gain independence in daily living.

FY 2007 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.

Strategic Goal 1			
Restoration and Improved Quality of Life for Disabled Veterans			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
		$62,329	**72.8%**

Strategic Objective 1.1 – Specialized Health Care Services			
MAXIMIZE THE PHYSICAL, MENTAL, AND SOCIAL FUNCTIONING OF VETERANS WITH DISABILITIES AND BE A LEADER IN PROVIDING SPECIALIZED HEALTH CARE SERVICES.			
• **Achieve 98.0 percent** of Specially Adapted Housing grant recipients who indicate that grant-funded housing adaptations increased their independence	• **TBD percent** Final data are expected in 10/2008.	$25,733	30.1%

4-Year History		
Year	**Targets**	**Results**
FY 2006	N/A	Avail. Nov. 2007
FY 2005	N/A	N/A
FY 2004	N/A	N/A
FY 2003	N/A	N/A

Strategic Objective 1.2 – Decisions on Disability Compensation Claims			
PROVIDE TIMELY AND ACCURATE DECISIONS ON DISABILITY COMPENSATION CLAIMS TO IMPROVE THE ECONOMIC STATUS AND QUALITY OF LIFE OF SERVICE-DISABLED VETERANS.			
• **Complete in 160 days** compensation and pension rating-related actions, on average	• **183 days**	$35,390	41.3%

4-Year History		
Year	**Targets**	**Results**
FY 2006	185	177
FY 2005	145	167
FY 2004	145	166
FY 2003	165	182

Strategic Goal 1
Restoration and Improved Quality of Life for Disabled Veterans

Targets	Results	Obligations ($ in Millions)	% of Total VA Resources
• **Reduce to 127 days** rating-related compensation actions pending, on average	• **135 days**		
• **Achieve an 89 percent** national accuracy rate for compensation core rating work	• **88 percent** Actual data through 07/2007. Final data are expected in 01/2008.		

4-Year History

Year	Targets	Results
FY 2006	150	130
FY 2005	119	122
FY 2004	N/A	120
FY 2003	N/A	114

4-Year History

Year	Targets	Results
FY 2006	87%	88%
FY 2005	88%	84%
FY 2004	N/A	87%
FY 2003	N/A	86%

Strategic Objective 1.3 – Suitable Employment and Special Support

PROVIDE ELIGIBLE SERVICE-CONNECTED DISABLED VETERANS WITH THE OPPORTUNITY TO BECOME EMPLOYABLE AND OBTAIN AND MAINTAIN EMPLOYMENT, WHILE DELIVERING SPECIAL SUPPORT TO VETERANS WITH SERIOUS EMPLOYMENT HANDICAPS.

Targets	Results	Obligations	%
• **Achieve a 73 percent rehabilitation rate** of all veteran participants who exit the vocational rehabilitation program and find and maintain suitable employment	• **73 percent**	$773	0.9%

4-Year History

Year	Targets	Results
FY 2006	69%	73%
FY 2005	66%	63%
FY 2004	67%	62%
FY 2003	65%	59%

Strategic Goal 1 Restoration and Improved Quality of Life for Disabled Veterans			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
Strategic Objective 1.4 – Improved Standard of Living for Eligible Survivors IMPROVE THE STANDARD OF LIVING AND INCOME STATUS OF ELIGIBLE SURVIVORS OF SERVICE-DISABLED VETERANS THROUGH COMPENSATION, EDUCATION, AND INSURANCE BENEFITS.			
• **Complete in 125 days** dependency and indemnity compensation (DIC) actions, on average	• **132 days**	$434	0.5%

4-Year History

Year	Targets	Results
FY 2006	120	136
FY 2005	120	124
FY 2004	126	125
FY 2003	N/A	153

STRATEGIC GOAL 2
Smooth Transition to Civilian Life

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

Public Benefit

In partnership with DoD, VA 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.

These outreach activities include the following:

- During the last 4 years, VA coordinated 8,150 transfers of OIF/OEF servicemembers and veterans from a military treatment facility to a VA medical facility.
- Soldier Family Management Specialists (SFMS) within Assistance Centers at 25 VA medical centers play a critical role in helping severely injured soldiers and their families with issues as the soldiers transition from military service to the civilian community.

- In 2007 the Post Deployment Health Reassessment (PDHRA) initiative resulted in more than 26,000 referrals to VA medical centers and approximately 13,000 referrals to Vet Centers.

The PDHRA is a DoD post-deployment outreach and health screening initiative designed to identify early health-related concerns among servicemembers returning from deployment.

VA participated in 492 PDHRA On-Site and 209 Call Center events in addition to accepting referrals from the DoD 24/7 PDHRA Call Center.

VA's involvement in PDHRA is critical for early intervention with combat veterans having readjustment and physical and mental health concerns.

Making a Difference for the Veteran

VA Teams Up with States to Help Injured Veterans

Former Secretary Nicholson addresses the National Association of State Directors of Veterans Affairs on the expansion of a collaborative outreach program with states and territories.

To help severely injured servicemembers receive benefits from their states when they move from military hospitals to VA medical facilities in their communities, VA expanded a collaborative outreach program with states and territories.

After a 4-month pilot with the state of Florida, former Secretary of Veterans Affairs Jim Nicholson expanded the program to all states while addressing a conference of the National Association of State Directors of Veterans Affairs in Alexandria, Virginia. "This initiative is a promising extension of VA's own transition assistance for those leaving military service," said Nicholson. "It is also an opportunity to partner with the states to make long-term support possible for our most deserving veterans…"

Called "State Benefits Seamless Transition Program," the initiative involves VA staff located at 10 DoD medical facilities. VA staff will identify injured military members who will be transferred to VA facilities. VA will contact state veterans affairs offices on behalf of the veterans. The state offices, in turn, will contact the veterans to inform them about benefits available to them and dependent family members. Most states and territories offer a range of benefits to veterans.

"Connecting veterans with state benefits immediately upon their separation from military service is a challenge, and more so for those who have suffered serious injury," said John M. Garcia, president of the National Association of State Directors of Veterans Affairs (NASDVA). "The State Benefits Seamless Transition Program opens a good line of communication and coordination between the Department of Defense, the U.S. Department of Veterans Affairs, and the State Departments of Veterans' Affairs."

"I applaud VA for expanding nationwide this worthwhile pilot program for our severely injured servicemembers," said LeRoy Collins Jr., executive director of the Florida Department of Veterans' Affairs. "This new initiative will be of great value to state governments enhancing long-term support to their veterans and families."

Four-Year Performance Trend – *Percent of 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 four 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.

Strategic Goal 2
4-YEAR PERFORMANCE TREND
- Percent of Targets Achieved -

Data Table	2004	2005	2006	2007
Targets Achieved	5	5	4	6
Total Targets	13	9	11	8

Note: For 2006, additional final results are now available. Thus, numbers and percentages have been adjusted from those appearing in the FY 2006 PAR.

Positive 2007 Outcomes

Caring for Severely-Injured or Ill Veterans of the Global War on Terror: VA assigns a case manager to make sure that ill or severely-injured OIF/OEF veterans receive the proper care when they are transferred from a military treatment facility to the VA health care system. This year, 90 percent of these veterans were contacted by their VA case manager within 7 calendar days of the veteran being notified that he/she was going to be transferred to the VA health care system. The case managers serve as patient advocates to ensure the needs of these veterans and their families are fully addressed.

Timely Processing of Education Claims: For those veterans filing for education benefits for the first time, processing time fell to 32.4 days, while processing time fell to just 13.2 days for those filing a claim to continue their program of education or training. The education program is a vital component of VA's ongoing effort to ease veterans' transition from active military duty to civilian life. This program provides financial assistance to veterans to assist them in achieving their educational or vocational goals.

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.

Strategic Goal 2			
Smooth Transition to Civilian Life			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
		$4,310	**5.0%**

Strategic Objective 2.1 – Reentry into Civilian Life			
EASE THE REENTRY OF NEW VETERANS INTO CIVILIAN LIFE BY INCREASING AWARENESS OF, ACCESS TO, AND USE OF VA HEALTH CARE, BENEFITS, AND SERVICES.			
• VA case managers contact **90 percent** of severely injured OIF/OEF servicemembers/veterans within 7 calendar days of notification of transfer to the VA system as an inpatient or outpatient	• **90 percent** Actual data through 08/2007. Final data are expected in 11/2007.	$1,533	1.8%

4-Year History		
Year	**Targets**	**Results**
FY 2006	*-Baseline-*	
FY 2005	*N/A*	*N/A*
FY 2004	*N/A*	*N/A*
FY 2003	*N/A*	*N/A*

• Ensure **48 percent** of all original claims filed within the first year of release from active duty are filed at a BDD site prior to a service-member's discharge	• **TBD percent** (1) Final data are expected in 11/2007. (2) 2006 result has been recalculated.		

4-Year History		
Year	**Targets**	**Results**
FY 2006	*53%*	*46%*
FY 2005	*N/A*	*55%*
FY 2004	*N/A*	*N/A*
FY 2003	*N/A*	*N/A*

Strategic Goal 2 Smooth Transition to Civilian Life			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
Strategic Objective 2.2 – Decisions on Education Claims ENHANCE THE ABILITY OF VETERANS AND SERVICEMEMBERS TO ACHIEVE EDUCATIONAL AND CAREER GOALS BY PROVIDING TIMELY AND ACCURATE DECISIONS ON EDUCATION CLAIMS AND CONTINUING PAYMENTS AT APPROPRIATE LEVELS.			
• **Complete in 35 days** original education claims, on average	• **32.4 days**	$2,777	3.2%

4-Year History

Year	Targets	Results
FY 2006	27	40
FY 2005	25	33
FY 2004	24	26
FY 2003	29	23

• **Complete in 15 days** supplemental education claims, on average	• **13.2 days**	

4-Year History

Year	Targets	Results
FY 2006	13	20
FY 2005	13	19
FY 2004	12	13
FY 2003	15	12

• **Achieve a 96 percent** payment accuracy rate (Education claims)	• **95 percent** 2006 result is corrected.	

4-Year History

Year	Targets	Results
FY 2006	95%	94%
FY 2005	95%	96%
FY 2004	94%	94%
FY 2003	95%	94%

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 are assured of and merit dignity in their lives, especially in time of need. Such dignity is provided through VA pension programs and life insurance.

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.

VA honors veterans with final resting places in national shrine cemeteries that are lasting tributes commemorating their service to our Nation.

Making a Difference for the Veteran

Chronic Pain Rehabilitation Program

Former Secretary of Veterans Affairs Jim Nicholson praised VA's acclaimed Chronic Pain Rehabilitation Program at the James A. Haley Veterans' Hospital in Tampa, Florida, as a shining example of VA's world-class health care.

"The program at the Tampa VA Medical Center is the largest and most comprehensive pain center in the VA system," Nicholson said. "We're meeting the challenges of treating wounded servicemembers returning from combat in Iraq and Afghanistan, while providing top-notch care to older veterans with chronic medical problems."

VA Tampa's interdisciplinary team received a national award designating their Chronic Pain Rehabilitation Program as a **Clinical Center of Excellence**.

Nicholson noted the Tampa pain program was one of six facilities -- **and the only VA facility** -- to receive the American Pain Society's first "Clinical Centers of Excellence in Pain Management Awards," honoring the Nation's outstanding pain care centers.

The Society recognized programs that help pain patients enhance overall functionality and quality of life through integrated care across medical disciplines. Patients in the VA pain program have, on average, a 50 percent reduction in pain during treatment. More than half of polytrauma patients leave the facility free of prescribed pain medications, while others have substantially reduced dosages.

The Tampa VA Medical Center hosts one of VA's major polytrauma centers that receive the most severely wounded veterans of combat in Iraq and Afghanistan. Pain management for these patients is particularly challenging because many have cognitive impairment and multiple complex injuries. Patients often arrive on high doses of narcotics, which can interfere with their rehabilitation.

In its recognizing the Tampa center, the American Pain Society highlighted programs that reach beyond drugs to other approaches such as cognitive behavioral and physical therapy to treat the whole person, not just the pain. According to the Society, the Tampa facility had demonstrated that integrated, multidisciplinary pain care yields the best medical, psychological, and social outcomes.

During the past 17 years, Tampa's Chronic Pain Rehabilitation Program has developed national models for managing chronic pain. The facility has devised a pain assessment questionnaire that is used by more than 800 clinicians and researchers in 36 countries.

Four-Year Performance Trend – *Percent of 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 four 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.

Strategic Goal 3
4-YEAR PERFORMANCE TREND
- Percent of Targets Achieved -

Data Table	2004	2005	2006	2007
Targets Achieved	33	21	30	16
Total Targets	50	37	48	37

Chart values: 2004: 66%, 2005: 57%, 2006: 63%, 2007: 43%

Note: For 2005, additional final results are now available. Thus, numbers and percentages have been adjusted from those appearing in the FY 2006 PAR.

Positive 2007 Outcomes

Patient Satisfaction with VA Health Care: Again in 2006 (the most recent data available), patient satisfaction with VA's health care system was higher than the private sector. Based on results from the most recent American Customer Satisfaction Index survey, inpatients at VA medical centers recorded a satisfaction level of 84 out of a possible 100 points, up 1 point from last year and 5 points higher than the private sector. VA's rating of 82 for outpatient care was 2 points higher than last year and 4 points above the private sector.

Access to Medical Care: VA 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 increased to 97.2 percent, while for specialty care appointments the figure increased to 95 percent.

Housing Assistance: VA increased to 57.0 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.

Access to a Burial Option: VA increased to 83.4 percent the proportion of veterans who have reasonable access to a burial option in either a national or state veterans' cemetery. Last year four new national cemeteries began interment operations, providing service to about 1.5 million veterans in the areas of Detroit, Michigan; Atlanta, Georgia; Sacramento, California; and south Florida.

FY 2007 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.

Strategic Goal 3 Honoring, Serving, and Memorializing Veterans			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
		$14,454	**16.9%**

Strategic Objective 3.1 – Delivering Health Care			
PROVIDE HIGH-QUALITY, RELIABLE, ACCESSIBLE, TIMELY, AND EFFICIENT HEALTH CARE THAT MAXIMIZES THE HEALTH AND FUNCTIONAL STATUS OF ENROLLED VETERANS, WITH SPECIAL FOCUS ON VETERANS WITH SERVICE-CONNECTED CONDITIONS, THOSE UNABLE TO DEFRAY THE COSTS, AND THOSE STATUTORILY ELIGIBLE FOR CARE.			
• **Achieve a score of 84 percent** on the Clinical Practice Guidelines Index II	• **83 percent** Actual data through 05/2007. Final data are expected in 11/2007.	$8,478	9.9%

4-Year History

Year	Targets	Results
FY 2006	77%	83%
FY 2005	N/A	N/A
FY 2004	N/A	N/A
FY 2003	N/A	N/A

• **Achieve a score of 88 percent** on the Prevention Index III	• **87 percent** Actual data through 05/2007. Final data are expected in 11/2007.		

4-Year History

Year	Targets	Results
FY 2006	88%	88%
FY 2005	N/A	N/A
FY 2004	N/A	N/A
FY 2003	N/A	N/A

Strategic Goal 3 Honoring, Serving, and Memorializing Veterans			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
• **Achieve 96 percent** of primary care appointments scheduled within 30 days of desired date	• **97.2% percent** Actual data through 08/2007. Final data are expected in 11/2007.		

4-Year History

Year	Targets	Results
FY 2006	96%	96%
FY 2005	94%	96%
FY 2004	93%	94%
FY 2003	87%	93%

Targets	Results		
• **Achieve 95 percent** of specialty care appointments scheduled within 30 days of desired date	• **95 percent** Actual data through 08/2007. Final data are expected in 11/2007.		

4-Year History

Year	Targets	Results
FY 2006	93%	94%
FY 2005	93%	93%
FY 2004	90%	93%
FY 2003	80%	89%

Targets	Results		
• **Achieve a score of 78 percent** of patients rating VA health care service as "very good" or "excellent" for inpatients	• **77 percent** Actual data through 05/2007. Final data are expected in 11/2007.		

4-Year History

Year	Targets	Results
FY 2006	74%	78%
FY 2005	74%	77%
FY 2004	70%	74%
FY 2003	70%	74%

Strategic Goal 3 Honoring, Serving, and Memorializing Veterans			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
• **Achieve a score of 78 percent** of patients rating VA health care service as "very good" or "excellent" for outpatients	• **77 percent** Actual data through 05/2007. Final data are expected in 11/2007.		

4-Year History

Year	Targets	Results
FY 2006	73%	78%
FY 2005	73%	77%
FY 2004	72%	72%
FY 2003	71%	73%

Targets	Results
• **Achieve a 26.3 percent** annual increase of non-institutional, long-term care average daily census using 2006 as the baseline (Baseline = 43,325)	• **6.5 percent** Actual data through 06/2007. Final data are expected in 11/2007.

4-Year History

Year	Targets	Results
FY 2006	-Baseline-	
FY 2005	N/A	N/A
FY 2004	N/A	N/A
FY 2003	N/A	N/A

Strategic Goal 3 Honoring, Serving, and Memorializing Veterans			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**

Strategic Objective 3.2 – Decisions on Pension Claims			
PROVIDE ELIGIBLE VETERANS AND THEIR SURVIVORS A LEVEL OF INCOME THAT RAISES THEIR STANDARD OF LIVING AND SENSE OF DIGNITY BY PROCESSING PENSION CLAIMS IN A TIMELY AND ACCURATE MANNER.			
• **Complete in 160 days** compensation and pension rating-related actions, on average	• **183 days**	$3,831	4.5%

4-Year History

Year	Targets	Results
FY 2006	185	177
FY 2005	145	167
FY 2004	145	166
FY 2003	165	182

• **Complete in 96 days** non-rating pension actions, on average

• **104 days**

4-Year History

Year	Targets	Results
FY 2006	66	92
FY 2005	73	68
FY 2004	N/A	58
FY 2003	N/A	67

• **Achieve an 89 percent** national accuracy rate for pension authorization work

• **91 percent**

Actual data through 07/2007. Final data are expected in 01/2008.

4-Year History

Year	Targets	Results
FY 2006	88%	88%
FY 2005	84%	86%
FY 2004	N/A	84%
FY 2003	N/A	81%

Strategic Goal 3
Honoring, Serving, and Memorializing Veterans

Targets	Results	Obligations ($ in Millions)	% of Total VA Resources
Strategic Objective 3.3 – Providing Insurance Service MAINTAIN A HIGH LEVEL OF SERVICE TO INSURANCE POLICYHOLDERS AND THEIR BENEFICIARIES TO ENHANCE THE FINANCIAL SECURITY OF VETERANS' FAMILIES.			
• **Complete in 5 days** TSGLI disbursements, on average	• **3.0 days**	$1,684	2.0%

4-Year History		
Year	**Targets**	**Results**
FY 2006	N/A	3.8
FY 2005	N/A	N/A
FY 2004	N/A	N/A
FY 2003	N/A	N/A

Targets	Results
• **Achieve a 95 percent** rate of high satisfaction from veterans for insurance services delivered	• **96 percent**

4-Year History		
Year	**Targets**	**Results**
FY 2006	95%	96%
FY 2005	95%	96%
FY 2004	95%	96%
FY 2003	95%	95%

Targets	Results	Obligations ($ in Millions)	% of Total VA Resources
Strategic Objective 3.4 – Meeting Burial Needs ENSURE THAT THE BURIAL NEEDS OF VETERANS AND ELIGIBLE FAMILY MEMBERS ARE MET.			
• **Ensure 83.8 percent** of veterans are served by a burial option within a reasonable distance (75 miles) of their residence	• **83.4 percent**	$215	0.3%

4-Year History		
Year	**Targets**	**Results**
FY 2006	81.6%	80.2%
FY 2005	78.3%	77.1%
FY 2004	75.3%	75.3%
FY 2003	74.4%	75.2%

Strategic Goal 3 Honoring, Serving, and Memorializing Veterans			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
• **Achieve 97 percent** of survey respondents rating the quality of service provided by the national cemeteries as excellent	• **94 percent**		

4-Year History		
Year	**Targets**	**Results**
FY 2006	96%	94%
FY 2005	95%	94%
FY 2004	95%	94%
FY 2003	95%	94%

Strategic Objective 3.5 – Symbolic Expressions of Remembrance
PROVIDE VETERANS AND THEIR FAMILIES WITH TIMELY AND ACCURATE SYMBOLIC EXPRESSIONS OF REMEMBRANCE.

• **Ensure 90 percent** of graves in national cemeteries are marked within 60 days of interment	• **94 percent**	$6	<0.1%

4-Year History		
Year	**Targets**	**Results**
FY 2006	90%	95%
FY 2005	88%	94%
FY 2004	78%	87%
FY 2003	70%	72%

Strategic Objective 3.6 – Home Purchase and Retention
IMPROVE THE ABILITY OF VETERANS TO PURCHASE AND RETAIN A HOME BY MEETING OR EXCEEDING LENDING INDUSTRY STANDARDS FOR QUALITY, TIMELINESS, AND FORECLOSURE AVOIDANCE.

• **Achieve a 51.0 percent** foreclosure avoidance through servicing ratio	• **57.0 percent**	$240	0.3%

4-Year History		
Year	**Targets**	**Results**
FY 2006	47.0%	54.0%
FY 2005	47.0%	48.0%
FY 2004	47.0%	44.0%
FY 2003	44.0%	45.0%

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 to 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.

One notable VA-led study, *Clinical Outcomes Utilizing Revascularization and Aggressive Drug Evaluation*, the results of which were published in 2007, is expected to have a significant impact on U.S. clinical practice, as well as veterans. The U.S.-Canadian study, led by VA's Cooperative Studies Program (CSP), found that balloon angioplasty plus stenting did little to improve outcomes for 2,287 patients with stable coronary artery disease who also received optimal drug therapy and underwent lifestyle changes. The study, called COURAGE, involved patients at 15 VA medical centers and 35 other U.S. and Canadian hospitals.

A PTSD Genetics Working/Planning Group is being established to explore and define the basis to conduct research related to the genetics of PTSD through development of new and expansion of currently available cohorts (e.g., ongoing CSP clinical trials). By careful clinical characterization and genetic analyses, the VA PTSD cohort should be a longitudinally available resource with continued possibilities for research studies. The studies include

determining genetic variants that contribute to PTSD risk, as well as treatment response and outcomes. The first meeting was held in September 2007.

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. The quality of health care provided to veterans and to Americans in general is enhanced as a result of these partnerships.

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 providing an enduring memorial to this service, as well as a dignified and respectful setting for their final rest.

VA's Office of Operations, Security, and Preparedness (OSP) became operational in 2007. OSP coordinates the Department's emergency management, preparedness, security, and law enforcement activities to ensure the Department can continue to perform VA's Mission Essential Functions under all circumstances across the spectrum of threats. Both VA's Central Office and Martinsburg Readiness Operation Centers are well equipped, through access to the Homeland Security Information Network and the Homeland Security Data Network, to create a Common Operating Picture that will better enable VA to prepare for, mitigate, respond to, and recover from any man-made or natural event.

Making a Difference for the Veteran

VA Expands Successful Infection Control Program Nationwide

Building on the success of a pilot program at VA's Pittsburgh Health Care System that reduced a worrisome staph infection by 50 percent, VA has tough new screening requirements in place in all of its hospitals.
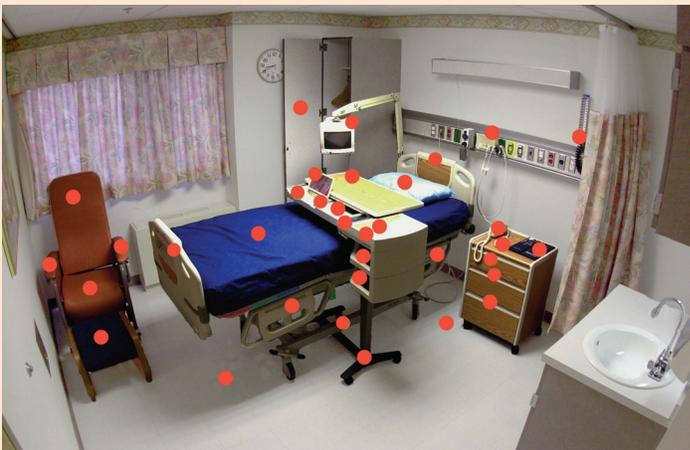
"Hot Spots" or common areas that harbor bacteria were identified, and VA medical center employees take precautions to make sure these hot spots are disinfected often.

In addition to emphasizing its commitment to hospital hygiene and flagging affected patients for special precautions, VA facilities monitor all incoming patients on key units for methicillin-resistant Staphylococcus aureus (MRSA).

"VA demonstrated that dramatic reductions in MRSA-related infections are possible," said Acting Secretary of Veterans Affairs Gordon Mansfield. "VA's completion of our national deployment of these serious prevention measures reinforces VA's stature as one of the safest health care environments nationally."

MRSA is primarily spread through direct physical contact with a person or object carrying the bacteria. Typically, it resides on the skin or in the nose. According to the Centers for Disease Control and Prevention, MRSA is one of the most rapidly growing infections associated with health care facilities, and it is estimated there may be more than 94,000 MRSA cases a year in the United States associated with 18,650 deaths annually.

The four primary strategies VA now uses to eliminate MRSA include obtaining nasal specimens from all patients when they are admitted, transferred, or discharged; isolating all patients who test positive for MRSA; emphasizing the importance of thorough hand washing for everyone; and cultural transformation to make infection control a primary goal.

"MRSA is a dangerous infection, difficult to eradicate, that can cause pneumonia, wound or bloodstream infections," said Dr. Michael J. Kussman, VA's Under Secretary for Health. "Our ability to reduce the number of cases of MRSA infection enhances our ability to provide quality health care for veterans."

Four -Year Performance Trend – *Percent of 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 four 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.

Strategic Goal 4
4-YEAR PERFORMANCE TREND
- Percent of Targets Achieved -
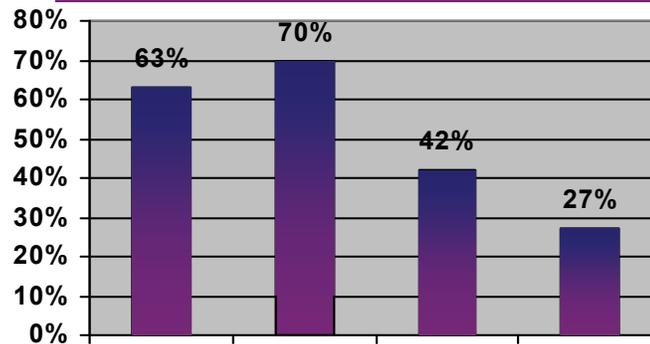
Data Table	2004	2005	2006	2007
Targets Achieved	5	7	5	3
Total Targets	8	10	12	11

Chart values: 2004: 63%, 2005: 70%, 2006: 42%, 2007: 27%

Positive 2007 Outcomes

Medical Research: VA continued its long track of success in conducting research projects that lead to clinically useful interventions that improve the health and quality of life for veterans and the general population. Among other advancements, we made notable progress in developing a new treatment to assist veterans suffering from PTSD.

Honoring our Fallen Heroes: 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 surveyed rated the appearance of national cemeteries as excellent and 98 percent said they would recommend the national cemetery system to other veterans' families during their time of need.

FY 2007 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.

Strategic Goal 4 Contributing to the Nation's Well-Being			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
		$1,503	**1.8%**

Strategic Objective 4.1 – Emergency Preparedness			
IMPROVE THE NATION'S PREPAREDNESS FOR RESPONSE TO WAR, TERRORISM, NATIONAL EMERGENCIES, AND NATURAL DISASTERS BY DEVELOPING PLANS AND TAKING ACTIONS TO ENSURE CONTINUED SERVICE TO VETERANS, AS WELL AS TO SUPPORT NATIONAL, STATE, AND LOCAL EMERGENCY MANAGEMENT AND HOMELAND SECURITY EFFORTS.			
• **Achieve 100 percent** 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	• **90 Percent**	$23	<0.1%

4-Year History		
Year	**Targets**	**Results**
FY 2006	100%	85%
FY 2005	N/A	85%
FY 2004	N/A	N/A
FY 2003	N/A	N/A

Strategic Goal 4 Contributing to the Nation's Well-Being			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
Strategic Objective 4.2 – Medical Research and Development			
ADVANCE VA MEDICAL RESEARCH AND DEVELOP PROGRAMS THAT ADDRESS VETERANS' NEEDS – WITH AN EMPHASIS ON SERVICE-CONNECTED INJURIES AND ILLNESSES – AND CONTRIBUTE TO THE NATION'S KNOWLEDGE OF DISEASE AND DISABILITY.			
• **Achieve 67 percent** progress towards development of one new treatment for post-traumatic stress disorder (PTSD)	• **67 percent** Actual data through 08/2007. Final data are expected in 11/2007.	$379	0.4%
	4-Year History | Year	Targets	Results | | --- | --- | --- | | FY 2006 | 60% | 47% | | FY 2005 | N/A | 40% | | FY 2004 | N/A | 33% | | FY 2003 | N/A | N/A |		
Strategic Objective 4.3 – Academic Partnerships			
ENHANCE THE QUALITY OF CARE TO VETERANS AND PROVIDE HIGH-QUALITY EDUCATIONAL EXPERIENCES FOR HEALTH PROFESSION TRAINEES, CREATED INTERNALLY IN VA AND VIA PARTNERSHIPS WITH THE ACADEMIC COMMUNITY.			
• **Attain a score of 86** on a scale of 0-100 on the assessment by medical residents and other trainees of their clinical training experience at VA	• **86**	$996	1.2%
	4-Year History | Year	Targets	Results | | --- | --- | --- | | FY 2006 | 85 | 85 | | FY 2005 | 85 | 84 | | FY 2004 | 82 | 84 | | FY 2003 | 82 | 83 |		

Strategic Goal 4			
Contributing to the Nation's Well-Being			
Targets	**Results** (Current and 4-Year History)	**Obligations** ($ in Millions)	**% of Total VA Resources**
Strategic Objective 4.4 – Socioeconomic Well-Being of Veterans			
ENHANCE THE SOCIOECONOMIC WELL-BEING OF VETERANS, AND THEREBY THE NATION AND LOCAL COMMUNITIES, THROUGH VETERANS BENEFITS; ASSISTANCE PROGRAMS FOR SMALL, DISADVANTAGED, AND VETERAN-OWNED BUSINESSES; AND OTHER COMMUNITY INITIATIVES.			
• **Attain 3.00 percent** as the statutory minimum goal for awarding contracts to service-disabled veteran-owned small businesses expressed as a percent of total VA procurement dollars	• **5.59 percent** Actual data through 08/2007. Final data are expected in 06/2008.	$2	<0.1%

4-Year History		
Year	**Targets**	**Results**
FY 2006	3.00%	3.58%
FY 2005	3.00%	2.15%
FY 2004	3.00%	1.25%
FY 2003	3.00%	0.49%

Objective 4.5 – Maintaining National Cemeteries as Shrines			
ENSURE THAT NATIONAL CEMETERIES ARE MAINTAINED AS SHRINES DEDICATED TO PRESERVING OUR NATION'S HISTORY, NURTURING PATRIOTISM, AND HONORING THE SERVICE AND SACRIFICE VETERANS HAVE MADE.			
• **Achieve 99 percent** of survey respondents rating the appearance of the national cemeteries as excellent	• **97 percent**	$103	0.1%

4-Year History		
Year	**Targets**	**Results**
FY 2006	99%	97%
FY 2005	98%	98%
FY 2004	98%	98%
FY 2003	98%	97%

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:

- Advanced Clinic Access (ACA) is a set of principles and tools for identifying and managing supply and demand to reduce waits and delays. The aim of ACA is to improve access and timeliness of services by redesigning systems to eliminate delays and enhance process flow, while maintaining and/or improving quality, outcomes, and satisfaction. VA promotes ACA principles to improve efficiencies of in-house administrative and clinical capacity, as well as to reduce fee and contract care.
- Conducting efficiency reviews of VA supply chain processes to maximize standardization of supplies, equipment, and services, and to standardize policy and guidance for pharmacy, prosthetics, and fee basis management.
- Advancing VA/DoD collaboration through various process and systems such as Joint Clinical Practice Guidelines, Joint Electronic Health Records, Interoperability Plan, Graduate Medical Education, and joint procurement of medical equipment and supplies.
- Implementing VA's Information Security program designed to protect the confidentiality, integrity, and availability of veterans' private information as well as provide assurance that cost-effective security controls are in place to protect automated information systems from financial fraud, waste, and abuse.
- Implementing VA's E-Gov (Electronic Government) initiatives, which are focused on using information technology to improve service to veterans. A major objective is to have Web-based information in one place readily available for veterans to reduce the time required to identify services and benefits for which they may qualify.
- Transferring all of VA's employee personnel records contained in the Official Personnel Folder to an electronic format. This accomplishment will eliminate the need for paper records and enable the electronic transfer of employee information among federal agencies. It will also improve access and increase the security of VA's personnel records.
- Creating a secure Intranet Web portal to house employee-specific information regarding background investigations in-process or completed. The Electronic Questionnaire for Investigations Processing (e-QIP) will speed up processing and lower rejection rates. This system will allow for a net savings of both time and money.
- Through an aggressive real property management program, VA manages its vast holding of diverse capital assets through performance monitoring and analysis. VA seeks to reduce underutilized and vacant space, improve facility condition, decrease operating costs, and reduce non-mission dependent assets. A key element of VA's real property program is its 5-year Capital Plan, which is updated each year.

Making a Difference for the Veteran

DoD and VA Establish a New Medical Data Exchange Capability
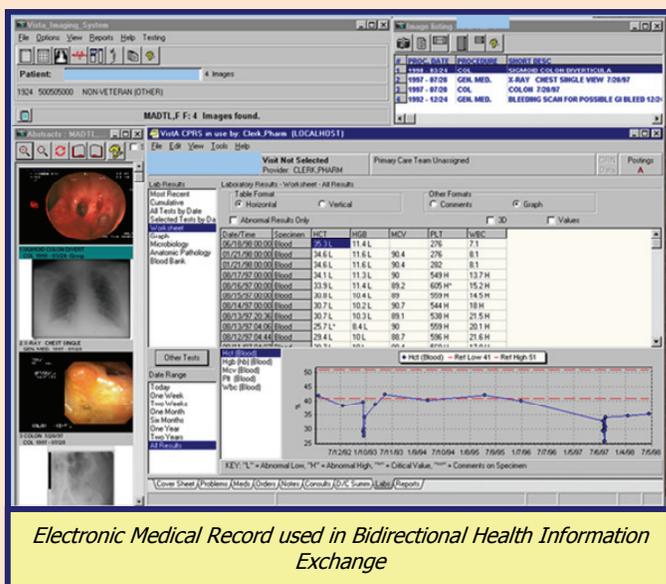
Electronic Medical Record used in Bidirectional Health Information Exchange

The Department of Defense (DoD) and the Department of Veterans Affairs opened data connections that allow doctors in either department to view patient records created by their colleagues at the other agency. Military Health System officials hailed the new interface as a sign of tremendous progress in the campaign to share data between the departments, which have many patients in common.

"With the latest development in the Bidirectional Health Information Exchange (BHIE) program, doctors can now click a button on their computer screens -- whether they are using DoD's Armed Forces Health Longitudinal Technology Application or VA's Veterans Health Information Systems and Technology Architecture –- and see medication and allergy profiles as well as laboratory, radiology, and pathology reports," said Charles Hume, deputy chief information officer at the Military Health System.

BHIE was available at some hospitals previously, but now all 135 military hospitals and 155 VA medical centers have access to it. Response time for queries is measured in seconds. "It's essentially instantaneous," Hume said.

Although doctors at both agencies use the same process to access records, the two systems handle queries differently. The Military Health System's Clinical Data Repository holds all servicemembers' records, and VA's queries go directly to the database. VA is building a Health Data Repository, but in the meantime, DoD queries are sent to VA hospitals nationwide.

Until now, doctors had to log onto a separate system to view the records rather than accessing them with the same software they use for their own clinical records.

In the future, BHIE will go beyond allowing doctors to view the records to facilitating the exchange of data across system boundaries. The program to build the more robust interface is called the Clinical Data Repository/Health Data Repository (CHDR).

Seven DoD and VA hospitals are already using CHDR to automatically check for potentially harmful drug interactions whenever a doctor writes an electronic prescription.

Hume said that by the end of the year, the feature that checks for adverse drug interactions should be installed at all 290 DoD and VA hospitals. Hume said that he knows of no other system that performs checks so widely when a prescription is written.

FY 2007 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.

Enabling Goal Applying Sound Business Principles			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
		$3,026	**3.5%**

Enabling Objective E-1 – Development and Retention of a Competent Workforce

RECRUIT, DEVELOP, AND RETAIN A COMPETENT, COMMITTED, AND DIVERSE WORKFORCE THAT PROVIDES HIGH-QUALITY SERVICE TO VETERANS AND THEIR FAMILIES.

Targets	Results	Obligations	%
• **Attain 32.0 percent** of VA employees who are veterans	• **31.0 percent**	$121	0.1%

4-Year History

Year	Targets	Results
FY 2006	30.0%	30.6%
FY 2005	28.0%	28.0%
FY 2004	26.0%	26.0%
FY 2003	N/A	24.0%

Enabling Objective E-2 – Outreach and Communications

IMPROVE COMMUNICATION WITH VETERANS, EMPLOYEES, AND STAKEHOLDERS ABOUT VA'S MISSION, GOALS, AND CURRENT PERFORMANCE, AS WELL AS BENEFITS AND SERVICES THAT THE DEPARTMENT PROVIDES.

Targets	Results	Obligations	%
• **Submit 45 percent** of title 38 reports to Congress by the due date	• **40 percent**	$51	<0.1%

4-Year History

Year	Targets	Results
FY 2006	35% by due date	13% by due date
FY 2005	100% by due date	21% by due date
FY 2004	80% w/i 15 days of due date	54% w/i 15 days of due date
FY 2003	N/A	70% w/i 30 days of due date

Enabling Goal Applying Sound Business Principles			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
• **Submit 35 percent** of responses to pre- and post-hearing questions within the required timeframe	• **27 percent**		

4-Year History		
Year	**Targets**	**Results**
FY 2006	35%	15%
FY 2005	N/A	21%
FY 2004	N/A	N/A
FY 2003	N/A	N/A

Enabling Objective E-3 – Reliable and Secure Information Technology

IMPLEMENT A ONE-VA INFORMATION TECHNOLOGY FRAMEWORK THAT ENABLES THE CONSOLIDATION OF IT SOLUTIONS AND THE CREATION OF CROSS-CUTTING COMMON SERVICES TO SUPPORT THE INTEGRATION OF INFORMATION ACROSS BUSINESS LINES AND PROVIDES SECURE, CONSISTENT, RELIABLE, AND ACCURATE INFORMATION TO ALL INTERESTED PARTIES.

Targets	Results	Obligations	% of Total VA Resources
• **Receive no more than 8 distinct data exchanges** from DoD's Defense Manpower Data Center[*] [*]Explanation: 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.	• **11 distinct data exchanges**	$399	0.5%

4-Year History		
Year	**Targets**	**Results**
FY 2006	20	20
FY 2005	N/A	N/A
FY 2004	N/A	N/A
FY 2003	N/A	N/A

Enabling Goal Applying Sound Business Principles			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
• **Send no more than 1 distinct data exchange** to DoD's Defense Manpower Data Center[*] [*] Explanation: 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.	• **6 Distinct Data Exchanges**		

4-Year History		
Year	**Targets**	**Results**
FY 2006	10	8
FY 2005	N/A	N/A
FY 2004	N/A	N/A
FY 2003	N/A	N/A

Enabling Objective E-4 – Sound Business Principles

IMPROVE THE OVERALL GOVERNANCE AND PERFORMANCE OF VA BY APPLYING SOUND BUSINESS PRINCIPLES; ENSURING ACCOUNTABILITY; EMPLOYING RESOURCES EFFECTIVELY THROUGH ENHANCED CAPITAL ASSET MANAGEMENT, ACQUISITION PRACTICES, AND COMPETITIVE SOURCING; AND LINKING STRATEGIC PLANNING TO BUDGETING AND PERFORMANCE.

Targets	Results	Obligations	% of Total VA Resources
• **Achieve $170 million** of joint VA/DoD procurement contracts for high-cost medical equipment and supplies	• **$180 million** (1) 2006 result is corrected. (2) Beginning in 2007, medical supplies were added to this measure.	$2,455	2.9%

4-Year History		
Year	**Targets**	**Results**
FY 2006	$150 million	$152 million
FY 2005	*-Baseline-*	
FY 2004	N/A	N/A
FY 2003	N/A	N/A

Enabling Goal Applying Sound Business Principles		Obligations ($ in Millions)	% of Total VA Resources
Targets	**Results**		
• **Fully utilize 95 percent** of space as compared to overall space (owned and direct-leased)	• **112 percent** (1) Actual data through 08/2007. Final data are expected in 11/2007. (2) 2006 result is corrected.		

4-Year History		
Year	Targets	Results
FY 2006	95%	104%
FY 2005	95%	98%
FY 2004	Baseline	80%
FY 2003	N/A	N/A

• **Achieve a 6 percent cumulative decrease** in "facility traditional" energy consumption per gross square foot from 2003 baseline	• **TBD percent** (1) Final data are expected in 01/2008. (2) Both the 2007 target and the strategic target changed per Executive Order 13423 issued in January 2007. (3) 2006 result is corrected.		

4-Year History		
Year	Targets	Results
FY 2006	2%	4.4%
FY 2005	N/A	N/A
FY 2004	N/A	N/A
FY 2003	*-Baseline-*	

Most Important Achievements and Current Challenges
By Strategic Goal

The Department's most important FY 2007 achievements as well as its current challenges are summarized as follows by strategic goal.

Strategic Goal #1 **Restoration and Improved Quality of Life for Disabled Veterans**
Most Important Achievements

POLYTRAUMA CALL CENTER: VA established an **OIF/OEF Polytrauma Call Center** to assist our most severely injured veterans and their families. The Center may potentially serve between 3,000 and 4,000 veterans per year.

STATE BENEFITS SEAMLESS TRANSITION PROGRAM: In February 2007, VA announced the expansion of a collaborative outreach program with states and territories to help **severely injured servicemembers** receive benefits from their states when they move from military hospitals to VA medical facilities in their communities.

PHYSICAL EVALUATION BOARD (PEB): VA and DoD are collaborating to ensure VA is notified of **severely ill or injured servicemembers** transitioning to VA care and civilian life.

DEFICIENCY-FREE DECISION RATES: The **accuracy of rating-related decisions** reviewed improved from **89** percent in FY 2005 to **94 percent** in 2007. This improvement is attributed to the development and implementation of a uniform, centralized training curriculum. Additionally, the training manual was rewritten using Information Mapping, which presents information to readers in an easily understood accessible format.

PRIORITY CLAIMS PROCESSING: All claims from **veterans** of the **Global War on Terror** are receiving **priority handling, and their claims were processed in 110 days on average.** Veterans with serious injuries or illnesses are case-managed and processed expeditiously.

MAINTAINED HIGH LEVELS OF CLAIMS ACCURACY: The **accuracy** of rating-related **compensation claims** was maintained at **88 percent** through July 2007, while VA hired over 1,000 new staff in 2007. New employees often take years to fully master claims review; thus, given the magnitude of hiring, the maintenance of this level of performance was remarkable.

VOCATIONAL REHABILITATION AND EMPLOYMENT PROGRAM IMPROVEMENTS: Implemented **88** of the **100** recommendations made by the **Secretary's Vocational Rehabilitation and Employment Task Force.**

  o One of the key recommendations resulted in development and implementation of the **Five-Track Employment Model** to increase the program's focus on employment. The model features job resource labs, the Vetsuccess.gov Web site, and deployment of more employment coordinators.

Challenges

VA'S ABILITY TO SUPPORT THOSE TRANSITIONING TO CIVILIAN LIFE: DoD began transmitting names of servicemembers entering DoD's PEB process to VA in October 2005. A **list updated monthly** 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 (VAMCs) prior to discharge from the military. VAMCs are contacting servicemembers by letter and telephone inviting them to enroll in VA for health care services.

INCREASED WORKLOAD: The **disability claims workload** continues to increase in terms of the **number** and **complexity** of claims as exhibited by claims with eight or more issues, claims with chronic progressive disabilities, the aging veteran population, and the effects of the Global War on Terror.

RECENT COURT ACTIONS: Recent court actions will negatively affect VA's efforts to process claims in a timely manner; the following is an example:

  o *Nehmer v. U.S. Department of Veterans Affairs* ruling in the Northern District of California, which extended the reach of the Agent Orange Settlement Agreement to Chronic Lymphocytic Leukemia (CLL). Due to the unique rules and stringent time requirements imposed in the *Nehmer* settlement, these cases require significantly more development and management oversight than normal claims.

COMPLIANCE WITH THE VETERANS CLAIMS ASSISTANCE ACT (VCAA): Since VCAA's enactment in November 2000, the Court of Appeals for Veterans Claims has issued at least 17 precedential decisions imposing **stringent requirements** affecting the content and timing of notice.

Strategic Goal #2
Smooth Transition to Civilian Life

Most Important Achievements

MULTIFAMILY TRANSITIONAL HOUSING PILOT: Catholic Charities' $20 million St. Leo's Residence for Veterans multifamily transitional housing complex was completed consisting of **141 studio apartments for homeless veterans**, a VA outpatient clinic, resource center, and community park. Currently all 141 studio apartments are occupied by homeless veterans.

RESTORED VISION FOR HOMELESS VETERANS: A pilot program made it possible for more than **300 homeless veterans** to receive **eyeglasses** through donations from Faith Based and Community Organizations and foundations.

VA STAFF AT MILITARY TREATMENT FACILITIES (MTFS): VA staff is now present at 10 MTFs throughout the country to assist the **transition** of injured and ill servicemembers **from the military** to civilian life.

POST DEPLOYMENT HEALTH REASSESSMENT (PDHRA): VA is actively participating in DoD's PDHRA program at Reserve and Guard locations by **providing information** on VA care and benefits, **enrolling** interested Reservists and Guardsmen in the VA healthcare system, and **arranging appointments** for referred servicemembers.

ARMY SPECIALISTS HELPING VA: VA is hosting **Army Wounded Warrior Soldier Family Management Specialists** (SFMS) to work closely with VA's Polytrauma Rehabilitation Centers and the Network Polytrauma Centers.

EDUCATION BENEFITS: VA added more than **102,000 new students** to the education rolls and provided benefits to approximately **540,000 total students** in 2007.

PAPERLESS BENEFITS AT DELIVERY (BDD) PROCESSING: VA began **paperless processing** of BDD claims at the Winston-Salem Rating Activity Site in 2006 and expanded it to the Salt Lake City Rating Activity Site in 2007. Through August 2007, the two sites have processed over **2,300 BDD paperless claims.**

OUTREACH: VA benefits briefings to Reserve and Guard members have increased from **108** per month in 2006 to **150** per month in 2007, reaching approximately 7,559 members per month.

Challenges

RAMPING UP VA STAFF AT MILITARY TREATMENT FACILITIES: VA will need to quickly expand the number of liaisons to accommodate and support the Army Warrior in Transition population (servicemembers awaiting transition to veteran status). To date, VA has been asked by the Army Medical Department to provide liaisons at seven additional sites (military installations) for a total of 14 Army sites. The projected OIF/OEF population to be served at each new site is approximately 300 servicemembers and veterans.

OUTREACH TO RESERVE AND GUARD MEMBERS: Providing VA benefits briefings to demobilizing Reserve and Guard members continues to be difficult. VA does not receive **timely notification** that a unit is demobilizing; the demobilizations are widely dispersed; and the **availability of units to attend benefits briefings** is limited.

Strategic Goal #3
Honoring, Serving, and Memorializing Veterans

Most Important Achievements

OPENED TWO NEW CEMETERIES: VA began interment operations at the new **Sacramento Valley** VA National Cemetery in October 2006 and at the new **South Florida** VA National Cemetery in April 2007. Combined, these two national cemeteries will provide a burial option to more than **700,000 veterans**.

NEW NATIONAL CEMETERY SCHEDULING OFFICE: In January 2007, the new National Cemetery Scheduling Office (NCSO) began operations. In its first year, the NCSO provided **centralized interment scheduling,** 7 days a week, for 27 existing national cemeteries in 9 Midwestern states and VA's two newly opened national cemeteries in Sacramento, California, and South Florida. Implemented as a pilot program in 2007, NCA plans to extend the NCSO to provide interment scheduling support to VA national cemeteries nationwide.

GRAVE MARKING TIMELINESS: **94 percent of graves** in national cemeteries were marked within 60 days of the date of interment. This is well above the performance goal of 90 percent, and a significant improvement over the 2002 baseline level of 49 percent.

NATIONAL CEMETERY CUSTOMER SATISFACTION: The 2007 survey found that **94 percent** of respondents rated the quality of service provided by national cemeteries as excellent. This is the **seventh consecutive year** that the quality of service provided by national cemeteries has been rated excellent by more than 90 percent of survey respondents.

HIGH PATIENT SATISFACTION: The **American Customer Satisfaction Index survey**, long recognized as a national indicator of customer evaluation of the quality of goods and services available to residents of the U.S., found that VA's inpatient hospital services achieved a score of 84 (5 percentage points higher than private sector hospitals) and outpatient services scored 82 (4 points higher than private sector scores). ACSI said that VA's results "should be considered a benchmark for other agencies." VA also rated highly (94 inpatient and 92 outpatient on a 100-point scale) in veteran loyalty, meaning that nearly all veterans that VA treats are willing to use VA health care facilities in the future and are likely to speak positively to others about their experiences.

VA HOSPITALS' QUALITY EVALUATED: All VA hospitals are accredited by The Joint Commission, which is the Nation's predominant standards-setting and accrediting body in health care. The Joint Commission, an independent, not-for-profit organization, evaluates and accredits nearly 15,000 health care organizations and programs in the U.S. In the most recent Joint Commission Quality Report, VA's performance measurement scores met or exceeded the national scores for Joint Commission-accredited hospitals in almost every category of care (pneumonia, heart failure, acute myocardial infarction, and Surgical Care Improvement Project).

TRAUMATIC INJURY PROTECTION: In 2007, the Traumatic Injury Protection program paid $217.3 million to over 6,300 severely wounded servicemembers and veterans.

HOUSING FORECLOSURE AVOIDANCE: VA achieved an "**Efficiency-Foreclosure Avoidance Through Servicing** (E-FATS)" ratio of 6.8. This means VA avoided $6.80 in potential claim payments for every dollar spent on Loan Administration personnel assisting veterans who had a VA-guaranteed loan in default.

INCREASED CLAIMS ACCURACY: The accuracy of nonrating-related (authorization) pension claims processed improved from **88 percent in 2006 to 91 percent through July 2007**. Separate and dedicated Systematic Technical Accuracy Review (STAR) is done on claims decisions at the three Pension Maintenance Centers (PMCs). The PMC accuracy review results are used for quality improvement, training, and performance assessment.

TRANSITIONING TO PAPERLESS PENSION CLAIMS PROCESSING: VA began the transition to front-end paperless processing by completing over 2,150 claims electronically. VA transitioned to **100 percent** paperless repository for historical pension documents resulting in faster claims review.

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

Challenges

HEADSTONE AND MARKER PROCESSING TIMELINESS: In 2007 VA processed **38 percent of applications for headstones and markers** for the graves of veterans who were not buried in national cemeteries within 20 days of the date of receipt. VA has established a long-range performance goal to process 90 percent of these applications within 20 days of receipt. To improve performance in this area, NCA is revising staffing plans and working with the VA Office of Information and Technology to investigate possible enhancements to the current technology for scanning and processing applications.

HIRING SPECIALTY STAFF: VHA continues to have **challenges in recruiting** specialty staff especially in geographically remote areas. For example, orthopedists, urologists, and psychiatrists are difficult to recruit in remote areas such as Maine and Wyoming.

IMPACT OF AN ECONOMIC DOWNTURN: Any significant downturn in the national or local economies will likely 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 in general, and are particularly sensitive to regional downturns.

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

Most Important Achievements

POST-TRAUMATIC STRESS DISORDER (PTSD) RESEARCH:

- Veterans with PTSD commonly experience nightmares and sleep disturbances, which can seriously impair their mood, daytime functioning, relationships, and overall quality of life. In initial studies, VA research scientists have found that prazosin, an inexpensive generic drug already used by millions of Americans for high blood pressure and prostate problems, improves sleep and reduces trauma nightmares for veterans with PTSD. Plans are being developed for a definitive clinical trial to confirm the drug's effectiveness.

- In the largest, women-only clinical trial on PTSD, VA researchers and colleagues found that prolonged-exposure--a type of cognitive behavioral therapy--was effective in reducing PTSD symptoms and that such reductions remained stable over time. Women who received prolonged-exposure therapy--in which therapists helped them recall their trauma memories under safe, controlled conditions--had greater reductions of PTSD symptoms than women who received only emotional support and counseling focused on current problems.

HIV/AIDS RESEARCH: VA research scientists previously showed that people with a below-average number of copies of a particular immune-response gene called CCL3L1 have a **greater likelihood of acquiring HIV** and, once infected, of progressing to full-blown **AIDS**. Further VA research now shows that a person's genetic makeup could be a more accurate predictor of disease progression than currently used laboratory markers. The researchers also demonstrated that the combination of laboratory and genetic markers captures a broader spectrum of AIDS risk than either set of markers alone.

EMERGENCY MANAGEMENT: During the aftermath of Hurricane Katrina, the VA Health Revenue Center (HRC) activated an **emergency call center** to assist displaced employees, provide advisory assistance to displaced veterans seeking medical care, and assist veteran patients in obtaining and refilling medications provided by VA physicians and providers. The HRC has been designated through formal Memorandum of Understanding at the Departmental level as the VA National Disaster Contact Center (NDCC). The designation of the HRC as the VA NDCC ensures that VA has the necessary communications resource for veterans and employees should VA face similar challenges in the future.

CUSTOMER SATISFACTION SURVEY: **98 percent** of respondents to VA's **2007 Survey of Satisfaction with National Cemeteries** indicated that they would recommend the national cemetery to veteran families in their time of need. This is the seventh consecutive year that 97 percent or more have indicated a high level of trust that VA's national cemeteries continue to honor veterans and their service to our Nation.

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

Challenges

MAINTAINING CEMETERY APPEARANCE: National cemeteries must meet 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 158 cemeterial installations.

BALANCE BETWEEN RESEARCH AND PROVIDING CARE: Many VA researchers are clinicians. Because the veteran population has been increasing, these dedicated individuals are finding it **difficult to maintain a balance** between time spent on clinical care and research activities. Therefore, both VA's patient care and VA's research efforts might ultimately suffer if those individuals wish to spend more time on research and leave VA.

Enabling Goal
Applying Sound Business Principles

Most Important Achievements

GREEN BUILDINGS ACTION PLAN: VA developed a **Green Buildings Action Plan** and set up an internal council to coordinate Department-wide efforts to meet the sustainable/green building requirements of Executive Order 13423. These requirements will reduce the energy intensity and environmental impacts of new VA construction -- benefiting constituents, local communities, and the Nation.

ENERGY MANAGERS HIRED: VA hired 35 energy managers, each of whom is responsible for one or more VA facilities around the country. The energy managers are focusing on optimizing the **energy** and **water** efficiency of these facilities to control energy costs and meet federal energy mandates.

ENERGY ASSESSMENTS: VA completed **64 facility energy assessments**, identifying energy and water conservation opportunities to reduce both consumption and cost.

AGGRESSIVE ASSET DISPOSAL: In 2006 VA **disposed of 77 buildings** – 6 via sales, 19 through demolition, and 52 by Enhanced Use Leasing. In 2007, VA disposed of 43 buildings.

STREAMLINED BILLING PROCESSES: VA established **payer agreements** with insurance carriers including national payers to ensure that VA receives the same reimbursement for the same service in the same geographic area as non-governmental providers.

VETERAN ENROLLMENT MADE EASIER: Veterans can now **apply for health benefits online** and maintain and update their personal information (for example, address, contact, and other information).

IMPROVING VA'S IT PROJECT MANAGEMENT WORKFORCE: VA increased the number of **Level III** certified IT project managers from **360** in 2006 to **390** in 2007. This will result in increased confidence in the skills and knowledge of individuals managing VA projects, which should enhance project execution.

ESTABLISHED EARNED VALUE MANAGEMENT SYSTEM (EVMS): VA's newly established EVMS is compliant with the American National Standards Institute/Electronic Industries Alliance Standards. **VA uses EVM standards** and measures and established baselines with cost, schedule, and performance goals **for 90 percent of its major IT development projects.** EVM provides increased confidence in the accuracy of project status reports, which will allow early identification of problems in individual projects during execution.

Enabling Goal, *continued*
Applying Sound Business Principles

Challenges

FULLY IMPLEMENTING EXECUTIVE ORDER (EO) 13423: This EO requires **integration of energy, environmental, and vehicle fleet management**, as well as the designation of a single senior agency official accountable for EO implementation and agency performance against the EO mandates. During FY 2007, VA began this integration by expanding the energy program and policy office to include fleet and environment. Much remains to be done to continue integrating these areas for maximum organizational efficiency.

OPTIMIZING PROMISED EFFICIENCIES OF ELECTRONIC THIRD PARTY BILLING: The Health Insurance Portability and Accountability Act of 1996 (HIPAA) mandated electronic health care billing and payment technologies to streamline and reduce the costs of health care billing and payment activities. To maximize the benefit of these technologies, VA, in addition to implementing extensive enhancements to VA's VistA billing system and making business process changes nationwide, is very often dependent upon third party health plans to make changes to their systems, which can often be complex and time-consuming.

For example, few health plans business models included electronically accepting secondary health care claims directly from the health care provider, yet HIPAA provides for this. Therefore, for the large portion of VA's claims portfolio that involves Medicare secondary claims, VA (which does not bill Medicare) is working with the individual health plans requesting that they modify their systems according to HIPAA provisions to enable this business line to flow electronically. These types of one-on-one collaboration with third party health plans are also needed to enable related insurance eligibility and payment data transactions. Other unique-to-VA business issues include changes to health plan systems to accommodate payments to VA for drugs repackaged by VA (an economical practice for VA and for veterans), and for 90-day prescription fills dispensed by VA rather than the more customary health plan mail-out pharmacies (also a practice that benefits veterans and allows for significant economies for VA).

IMPROVE DATA SECURITY AND ACCOUNTABILITY: VA needs to **complete certification and accreditation for over 600 Department information systems**. In addition, VA is working to remediate the longstanding information technology security controls material weakness.

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, 2007.

The tables on the following pages recap for each PMA initiative VA's progress during FY 2007 to address issues that OMB identified as needing attention.

VA's Status and Progress on the President's Management Agenda			
As of September 30, 2007			
Initiative	**Status**	**Progress**	***Status*** *Change from September 30, 2006*
Human Capital *(g-wide)*	G	G	⇔
Competitive Sourcing *(g-wide)*	R	R	⇔
Financial Performance *(g-wide)*	R	Y	⇔
E-Government *(g-wide)*	R	R	⇔
Performance Improvement *(g-wide)*	Y	G	⇧
Real Property	G	G	⇔
VA/DoD Coordination	Y	G	⇔
Research and Development	-- not rated --		
Improper Payments	Y	G	⇩
Faith-Based and Community Initiative	G	G	⇧
Credit Management	R	Y	⇔
Health Information	R	G	n/a (not rated in September 2006)

HUMAN CAPITAL	
FY 2007 Open Items	**FY 2007 Actions**
• **Performance appraisal plans adhere to merit system principles, etc.** - Test of beta site is completed and expanded	• VA created numerous performance plan groups within occupations. Each group of plans cascades responsibilities from managers to each subordinate level of employee within each beta (pilot) site. • VA created improved linkage between performance plans and merit systems principles within the Senior Executive Service (SES). Additionally, VA added information security as a performance element for the SES ranks.
• **Implement an accountability system** - Provide an annual report on operational status of HR programs	• VA's Office of Oversight and Effectiveness conducted 22 reviews of HR operations to include 20 facilities, 1 Delegated Examining Unit, and 1 business center. These site visits audited HR offices to ensure compliance with Federal and VA regulations and policies for the management of VA's workforce. These audits are also used to discover and disseminate best practices to VA's HR community. • VA created the OHRM 2006 Annual Report which provides information on the results of the on-line self-evaluation survey as well as on-site reviews of VA HR offices. • VA submitted its Human Capital Accountability Report to OPM.
• **Identify Skill Gaps**	• VA continued its effort to transform HR specialists from transactional specialists to consulting professionals. These HR consultants will be increasingly used as experts who provide recommendations and advice to supervisors and managers on a variety of workforce-related issues. • VA continued to close skill gaps in future leadership positions by launching the development portion of the 2007 Senior Executive Service Candidate Development Program class scheduled to graduate in 2009. VA will graduate an additional class in 2010.
• **Develop hiring timelines**	• VA implemented recommendations from OPM's 2006 "hiring makeover" review of VA's hiring process to include the development of an automated tracking system. • VA created an automated database using SQL to capture information for providing hiring data for non-SES positions and has more than satisfied the hiring timelines for non-SES Title 5 positions.

HUMAN CAPITAL, *continued*	
FY 2007	**FY 2007 Actions**
• **Organizational Restructuring**	• VA restructured the Office of Information and Technology. This initiative, involving over 5,000 employees, required the reclassification of all GS-2210 positions, communication to stakeholders, and reassignment of the IT workforce. • VA created the Office of Construction and Facilities Management as a separate entity from the Veterans Health Administration in order to improve how VA manages construction projects.
• **Succession Planning**	• VA formed an agency-wide workgroup and developed an action plan based on results of OPM's 2006 Federal Human Capital Survey that indicated low levels of employee satisfaction in certain areas. Two improvement opportunities were identified: 1) employee/supervisor discussions regarding employee performance and 2) support of employee development by supervisors/team leaders. The action plan focuses on training programs for new supervisors as well as the formation of a One-VA team to explore Department-wide use of Individual Development Plans and Personal Development Plans.

COMPETITIVE SOURCING	

• **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**
	• VA's General Counsel (GC) issued an opinion on April 28, 2003, ruling that Section 8110 of Title 38 U.S.C. prohibits VA from conducting cost comparisons on VHA positions unless Congress provides specific funding for the competitions. VA's entire OMB-approved competitive sourcing plan involved VHA positions. All competitive sourcing addressed in VA's OMB-approved plan was halted as a result of the ruling.
	
	• If VA receives legislative relief in the future, VA will expand management analysis/business process reengineering (MA/BPR) studies to include competitive sourcing studies.
	
	  o VA has not completed any standard competitions in the last four quarters due to the prohibition of Title 38. However, VA will complete 80 percent of MA/BPR studies within 12 months ending July 1, 2008.
	
	• VA is working on alternative plans and approaches that may allow the Department to successfully address competitive sourcing goals despite the existing prohibition to conduct studies.

Other VA-specific activities being undertaken to support this PMA item	• VA began a process to integrate MA/BPR with workforce planning as an alternative to meeting the PMA goals for competitive sourcing. VA expects to realize up to 85 percent of the potential cost savings from competitive sourcing, or over $700 million cumulatively from 2008-2013. • VA launched two pilot studies that include benchmarking against the best in class in order to improve effectiveness and efficiency, as well as reduce costs.

FINANCIAL PERFORMANCE	
FY 2007 Open Action Items	**FY 2007 Actions and Progress**
• Clean audit opinion	• VA received an unqualified opinion on its FY 2007 Consolidated Financial Statements from the auditors, continuing the success first achieved in 1999.
• Meets reporting deadlines	• VA continues to meet all of its required annual and quarterly reporting deadlines.

• **Achieve compliance with FFMIA**	• IT Security Controls and the Financial Management Oversight weaknesses are estimated for completion in 2009, while the Financial Management System Functionality weakness is estimated for completion in 2012.
	
	• Actions taken in 2007 toward resolving the Financial Management System Functionality material weakness include the following:
	
	   o Full implementation and enhancement of the automated financial management reporting system used to produce VA's quarterly and annual financial statements.
	   o Continued implementation of the Financial Reporting Data Warehouse to capture and enhance pertinent data and produce high-level financial reports. VA's data warehouse initiative captures details from interfacing systems and the corresponding core Financial Management System (FMS) transactions from selected interfacing systems throughout the Department. This initiative simplifies reconciliation between the interface and FMS ensuring a clear audit trail exists for financial transactions that interface with the core financial system and ensures all interfacing systems to the data warehouse are A-127 compliant. VA implemented two interfaces--Personnel and Accounting Integrated Data (PAID) and Loan Guarantee--Loan Service & Claims into the warehouse in 2007.
	   o Continued development of Financial & Logistics Integrated Technology Enterprise (FLITE), including two primary components – logistics and asset management and a financial management system.

• **Use financial information to drive results in key areas**	• Monthly Performance Reviews, chaired by the Deputy Secretary, focus on financial and program performance. Based on performance results, each VA administration and staff office depicts its progress in meeting fiscal year-to-date goals. Department leadership addresses and makes decisions on mission-critical issues.

FINANCIAL PERFORMANCE, *continued*

FY 2007 Open Action Items	FY 2007 Actions and Progress
• **Eliminate material non—compliance with laws or regulations**	• VA's compliance with this requirement is contingent upon remediating the existing audit-related material weaknesses identified for completion in the 2009-2012 timeframe. • VA embarked on a 3-year Financial Policy Improvement Initiative to assist in remediating two material weaknesses – Financial Management System Functionality and Financial Management Oversight – to ensure financial policies and procedures are standardized, accurate, clear, and readily available Department-wide.
• **Eliminate auditor-reported material weaknesses**	• VA continued remediation efforts on its three auditor-reported material weaknesses, each involving corrective actions over several years.

E-GOV

• **Create Enterprise Architecture (EA) systems** **-** Has 3 in completion or in use	• VA's EA V4.2 was delivered in February 2007 and was awarded a Capability Maturity Model score of 4.3 out of 5.0. This is the third highest EA maturity score awarded by OMB. Scoring 4.3 out of 5.0 is a very high score to achieve, meaning that VA's Enterprise Architecture is one of the very best in the federal government. • For the third consecutive year, VA received an overall EA assessment rating of "green" for 2007.
• **Develop acceptable business cases for major systems** **-** Acceptable business cases developed for more than 50% of major systems	• VA submitted all required business case materials to OMB.
• **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 established an American National Standards Institute (ANSI)/Electronic Industries Alliance Standards-compliant EVMS. • VA established baselines for 90 percent of its programs and 82 percent for Earned Value Management (EVM) reporting. VA will begin officially tracking cost and schedule variance once the ANSI Standard compliant EVMS is implemented on all major programs. These actions will result in better understanding of true project health and compliance with the OMB mandate.

E-GOV, *continued*	
FY 2007 Open Action Items	**FY 2007 Actions and Progress**
• **Implement E-Gov** **-** Fully Implemented	• VA continues to meet interim milestones and target completion dates that support E-Gov and Lines of Business alignment and implementation plans. The Implementation Milestone Plan is scheduled to be completed in September 2009. In FY 2007, VA accomplished the following: o Executed all necessary agreements and funding transfers to support the E-Gov and Lines of Business alignment and implementation plans. o Completed an inter-agency agreement with OPM that details the approach for use and full implementation of security awareness and reporting services. o Posted 100 percent of competitive discretionary grants on Grants.gov; each grant synopsis has a matching application package posted. o Migrated to E-Rulemaking's public comment solution and phased out/terminated its "VARegulations.gov" e-mail public comment system option. This was done in accordance with the developed Implementation Milestone Plan from OMB for E-rulemaking.
PERFORMANCE IMPROVEMENT INITIATIVE	
• **Show cost of achieving performance goals** - Marginal cost reported - Full cost reported - Use marginal cost analysis to inform resource allocations	• Using a subset of measures, VA is preparing reports that will demonstrate its ability to estimate the cost of achieving different levels of performance. Reports will be submitted to OMB in December 2008.

REAL PROPERTY

FY 2007 Open Action Items	FY 2007 Actions and Progress
• **Continued implementation of CAMS enhancements, which include data store/data warehousing and Business Intelligence capabilities**	VA accomplished the following: • Modified Business Intelligence (BI) Database design and Data Dictionary to accommodate data type and size changes. • Began development of a BI Project Plan to include a Technical Architecture, Development Environment, and a draft Data Dictionary.
• **Monitored/Analyzed/ Reported VA Real Property Portfolio Performance, including mission, utilization, condition, costs**	VA accomplished the following: • Evaluated our 3rd quarter real property portfolio performance and presented results to VA leadership in July 2007. • Began evaluation of fourth quarter/end-of-year real property portfolio performance and presented results to VA leadership in October.
• **Implemented an enhanced data validation plan**	• VA developed a data validation methodology that includes the following components and/or test protocols: Frequency, Methods, Error Tolerance, and Reporting Reliability.
• **CARES**	• The Capital Asset Realignment for Enhanced Services (CARES) program is VA's effort to produce a logical national plan for modernizing health care facilities. • The CARES Stage 1 and Stage 2 studies produced the optimal approach to provide current and projected veterans with equal or better healthcare than is currently provided, in terms of access, quality, and cost effectiveness, while maximizing any potential reuse/redevelopment of all or portions of the current site/real property. • CARES studies were completed on all VHA sites except for 18 identified for follow-up analysis and studies. • As a result of the capital investment process for CARES, VA funded 30 of 36 major construction projects from FY 2004-2007. Of these 36 projects, North Chicago is physically complete. • Two additional projects (Gulfport and New Orleans) received funding under emergency appropriations due to Hurricane Katrina. • The total cost of the 38 projects is $4.7 billion; $2.7 billion has been appropriated for CARES major construction requirements.
• **Continued Stage II CARES Re-use Health Care Property, Capital Plan and Re-use Studies for unneeded property**	• VA completed CARES Stage 2 studies on Lexington, Kentucky; Canandaigua, New York; West Los Angeles, California; Livermore, California; and Montrose/Castle Point, New York. • The Preliminary Stage 2 Study for Boston, Massachusetts is completed. • After completion of a Stage 1 study, VA decided not to conduct a Stage 2 study, but to move forward on the health care decisions for Perry Point, Maryland; St. Albans, New York; and White City, Oregon.

| REAL PROPERTY, *continued* ||
FY 2007 Open Action Items	FY 2007 Actions and Progress
• **Developed short- and long-term plans to consolidate, share, re-use or dispose of not mission dependent and underutilized or vacant space at the building and station level**	• VA developed action plans in response to outlying performance of assets against federal Tier 1 metrics (utilization, condition, cost, and mission dependency). • VA developed disposal plans for underutilized or vacant space covering 2007 through 2009 time period.

• **Identified Federal Asset Sales (FAS) Real Property Disposal Metrics – Buildings & Residential**	• VA submitted FAS inventory reports to the General Services Administration (GSA).
	  o Third quarter results for residential sales: 5,862 assets were available for sale (disposal), and 1,664 were sold with an estimated value of $125 million.
	  o Fourth quarter results for residential sales: 4,716 assets were available for sale, and 1,559 were sold with an estimated value of $119 million.

VA/DoD COLLABORATION

FY 2007 Open Items	FY 2007 Actions and Progress
• **Real-Time Bi-Directional Electronic Patient Medical Records** -DoD and VA exchange health information for shared patients by one of two methods: Bidirectional Health Information Exchange or Clinical Health Data Repository. Bi-directional exchange of data elements will be implemented at 85 percent of DoD facilities, which will be viewable by all VA medical facilities by (Q4 FY 2008)	VA took the following actions within the context of this open item: • Expanded bi-directional, real-time view of outpatient pharmacy, allergy, radiology, and laboratory results on shared patients between 15 medical centers, 19 hospitals, over 190 outlying clinics, and all VA facilities. • Expanded electronic lab order entry and results retrieval from six to nine sites. • Continued sharing bi-directional, real-time data on over 2.3 million correlated patients for outpatient pharmacy, allergy, radiology, and laboratory results. • Began sharing inpatient discharge summaries from nine DoD sites with all VA sites. • Completed testing at four sites for the anatomic pathology and microbiology functions and implemented these functions at the Audie L. Murphy VA Medical Center in San Antonio. • Began monthly electronic transfer of Post Deployment Health Reassessment (PDHRA) forms for separated servicemembers and Reserve/National Guard members who have been deployed and are now deactivated. • Began weekly electronic transfer of PDHRA forms for individuals to be referred to VA. • Implemented bi-directional, computable, outpatient pharmacy and medication allergy data at seven DoD/VA sites. • Began exchanging standardized pharmacy and allergy data supporting the ability to conduct drug-to-drug and drug-to-allergy order checking for shared patients using data from both DoD and VA. • Began electronically transferring radiology images for the severely wounded, injured, and ill servicemembers transferring from Walter Reed Army Medical Center, National Naval Medical Center Bethesda, and Brooke Army Medical Center to the VA Polytrauma Centers in Tampa, Minneapolis, Richmond, and Palo Alto. • Began sending scanned medical records for the severely wounded, injured, and ill servicemembers transferring from Walter Reed Army Medical Center to VA facilities.

VA/DoD COLLABORATION, *continued*

FY 2007 Open Items	FY 2007 Actions and Progress

• **VA/DoD Military Personnel Data Sharing**
 	
-VA and DoD will complete the replacement and decommission of all feasible legacy exchanges for personnel data from DoD to VA and from VA to DoD in favor of a single bi-directional solution by (Q1 FY 2009)
	VA took the following actions within the context of this open item:
	• Deployed a Web-based version of the Defense Personnel Records Imaging Retrieval System to allow secure VA access to the official military personnel file.
	• Implemented the education eligibility data enhancement to the VA/DoD Data Sharing Schema.
	• From an initial 2005 baseline, VA has reduced the number of distinct personnel data exchanges as follows:
	    o From **31 to 11** from DoD to VA
	    o From **11 to 6** from VA to DoD

• **Establish pilot sharing sites (National Defense Authorization Act)** - DoD and VA provide the Joint Executive Council and OMB with a final report by December 2007 on the pilots that includes recommendations to improve sharing after projects end in September 2007	• VA will provide the Joint Executive Council and OMB with a final report by December 2007 on the pilot sharing sites that includes recommendations to improve sharing projects. The pilots ended in September 2007.
• **Separation Process/Exam** - DoD and VA use a cooperative separation exam at 131 Benefits Delivery at Discharge (BDD) sites. By September 2008, 61 percent of all claims filed within first year of release will be filed at a BDD site prior to discharge.	• VA completed 131 Memoranda of Understanding corresponding to each of the BDD sites. This formalizes the use of a single VA/DoD examination for all servicemembers filing at BDD sites. [BDD provides servicemembers transitioning from the military greater access to VA benefits information, and will improve the timeliness of filing disability compensation claims.]
• **Develop a Graduate Medical Education (GME) Pilot Program** - Establish processes to reduce the administrative processing of shared VA - military trainees by developing and beginning implementation of the Seamless Transition for Trainees pilot program by July 2007	• VA identified existing "communities of practice" that can be used to support the local non-GME shared training effort. • VA obtained approval for the Seamless Transition for Trainees pilot program to reduce administrative processing of shared VA-military GME trainees.

VA/DoD COLLABORATION, *continued*

FY 2007 Open Items	FY 2007 Actions and Progress
• **Increase non-GME Training and Education Sharing** - Develop a plan to increase shared training utilizing distance learning modalities (satellite broadcasts, Web-based and distributed learning technologies) and facilitate joint training at the local level. The goal is to increase the amount of initial episodes of shared training events by October 2007.	• VA completed research and a final report on selected learning architectures to support shared training ventures. • VA began the development of a plan to align learning architectures in use to support the shared training ventures.
• **Joint Purchasing of non-drug medical supplies and equipment** - Implement systematic joint procurement processes for high-cost medical equipment/ supplies and provide one year of documentation. Synchronize medical product information and establish a joint VA/DoD Federal Supply Schedule electronic medical catalogue that will allow both VA and DoD customers to perform product and price comparisons. All action items are scheduled to be completed by October 2007.	VA took the following actions within the context of this open item: • DoD and VA identified the six supply items/areas considered to have good potential for joint contracting, including surgical instruments, hearing aids, hearing aid batteries, optical fabrication, physiological monitors, and the outdated pharmaceutical returns program. • Completed prototype of joint medical catalog. • Expanded the use of DoD/VA Product Data Bank to over 30 facilities, which allows the Departments to look up supply items and equivalents across federal sources with current product data and lowest authorized federal price.

ELIMINATING IMPROPER PAYMENTS

FY 2007	FY 2007 Actions and Progress

• **Evidence that improper payment reduction targets are being met by Q4 FY 2007**	• VA established a corrective action plan with OMB-approved reduction targets for all risk-susceptible programs.
	
	• VA met the improper payment reduction targets for: Compensation, Pension, and Vocational Rehabilitation & Employment. VA did not meet the reduction targets in the Education and Loan Guaranty programs.
	
	    ○ Beginning in 2006, VA's Education program was expanded to include an increased benefit for reservists. Processing procedures for claims filed under this new program are more complex, resulting in an increased number of payment errors. Therefore, the Education program's actual improper payment reduction target was not met.
	
	    ○ 2007 was the first year of reporting for Loan Guaranty's Property Management program. Error rates and associated late payments caused an increase in interest penalties.
	
	• VA consolidated the processing of all pension maintenance workload to the Pension Maintenance Centers in order to improve the quality and timeliness of pension processing, as well as to focus on training in these areas. The consolidation will also reduce the size of erroneous pension payments through greater claims processing efficiencies and reduced cycle time.

FAITH-BASED AND COMMUNITY INITIATIVES

FY 2007 Open Items	FY 2007 Actions and Progress

• **Pilot Programs** **-implemented and expands use of pilots**	VA focused on three initiatives within the context of this open item:
	
	• VetSuccess Pilot*
	
	    o Developed an automated tracking system for data collection on referrals, service delivery, and performance measures of Faith-Based and Community Organizations (FBCO).
	    o Expanded the Faith-Based and Community Initiatives (FBCI) project to an additional four stations (total of eight in FY 2007) to increase the pool of program participants.
	    o Developed and implemented an expanded outreach plan.
	
	• Loan Guarantee Program for Multifamily Transitional Housing Pilot
	
	    o Implemented the St. Leo's transitional housing project for homeless veterans at Catholic Charities and filled the 141 residences.
	    o Implemented a new project that resulted in the expansion of the pilot: Veterans Village of San Diego transitional housing for homeless veterans.
	
	• Restore Vision for Homeless Veterans Pilot
	
	    o Developed and implemented a plan to expand the number of pilot sites.
	    o Added 6 new sites to the current 5 sites, for a total of 11 sites.
	    o Established partnerships with local commercial eyeglass providers at each site.

• **Outcome-based evaluations** - Provide regular progress reports, interim data; incorporated into broader program of evaluations	• Quarterly evaluation reports for all pilots were submitted to the White House Office of Faith-Based and Community Initiatives. • All program pilots provided regular progress reports, and two submitted one-year outcome-based evaluation reports. The Loan Guarantee Program for Multifamily Transitional Housing Pilot evaluation was initiated in February 2007. It is being managed by the VA Northeast Program Evaluation Center.

*****Note**: VetSuccess seeks to increase the participation of Faith-Based and Non Profit Organizations in the delivery of specialized rehabilitation services designed to assist service-connected disabled veterans transitioning into employment. If the veteran is not employable, then the services help him or her achieve maximum independence in activities of daily living.

IMPROVED CREDIT MANAGEMENT

FY 2007 Open Items	FY 2007 Actions and Progress
• **Establish or verify sound lending policies and procedures** -effective transaction approval processes -effective loan portfolio management -effective loss recovery processes	• VA began a risk indicator/oversight-monitoring initiative during FY 2007. • <u>Loss Recovery Initiative</u>: VA provided OMB with information on the loss recovery process. In FY 2008, VA will provide OMB with a white paper on the state of the program's loss-recovery policies and procedures as well as its notable effectiveness. The paper will highlight loss-recovery policies/procedures as they relate to losses attributable to underwriting decisions and losses attributable to borrower default and foreclosure.
• **Establish or verify sound collateral valuation process** -implemented policies and procedures	• VA obtained stakeholder concurrence on the Appraisal Management System's Statement of Objectives and completed internal requirements of the procurement process. This system will provide VA with an enhanced ability to monitor appraiser performance and collateral valuation.
• **Maintain effective management information reporting** -identified and substantiated risk indicators -implemented reporting	• VA updated the status of implementation of the VA Loan Electronic Reporting Interface (VALERI) project. The updates included information on the project schedule for testing, installation, and system customization.
• **Control costs** -established current cost estimates -established benchmarks and goals -reaches goals	• VA updated the Unit Costing/Management Cost Accounting Implementation Plan. The project is on track to begin producing cost reports for management in early FY 2008.
• **Comply with Debt Collection Improvement Act (DCIA)**	• Existing law prohibits VA from collecting debts on VA-guaranteed loans, except in instances of fraud, misrepresentation, or bad faith by such individual in obtaining the loan or in connection with the loan default. • In September 2007, VA met with the Department of Treasury to discuss this prohibition as well as collections in the vendee loan portion of the program. VA will report to OMB on the results of the discussions with Treasury in early FY 2008.
• **Customer Satisfaction** -Meets or exceeds industry standards	• VA administered customer satisfaction surveys in FY 2007. VA is currently working with a contractor to compile and analyze the survey results and develop report formats.

HEALTH IT INFORMATION

The Department of Veterans Affairs (VA) in partnership with the Department of Health and Human Services (HHS) is committed to provide more transparent and high-quality health care through the implementation of Executive Order (EO) 13410. EO 13410 mandates that Federal health care entities create health care environments that are high quality, transparent, and where health information is interoperable.

FY 2007 Open Items	FY 2007 Actions and Progress

• **Support National Health IT Goal:**
 - Health Data Standards
	• VA continued to expand the ongoing development of an interoperable electronic health record by partnering with the Department of Defense (DoD).
	
	 • VA contributed to the development of technical standards called for in EO 13410 by dedicating significant resources and subject matter expertise as follows:
	    o Conducted preliminary review of Health Information Technology Standards Panel (HITSP) standards delivered to American Health Information Community (AHIC) October 2006 as "ready for implementation testing"
	    o Conducted final review of HITSP standards delivered to AHIC as "ready for implementation"
	    o Conducted "Analysis and Architecture Design Standards Adoption" as they apply to new VA system acquisitions or major upgrades that facilitate external health information exchanges

• **Support National Health IT Goal:** **-** Certification	• VA conducted an analysis of the business justification for Certification of the VA's Electronic Health Record.

HEALTH IT INFORMATION, *continued*

FY 2007 Open Items	FY 2007 Actions and Progress

• **Support National Health IT Goal:**
- Health Data Standards
	VA began a process to evaluate the quality of care provided to veterans within the primary care setting by adopting a set of standards from the Ambulatory Care Quality Alliance (AQA) and coordinating testing of those measures with DoD and Indian Health Services (IHS). These efforts serve to standardize the method of measurement of care across federal agencies and will assist consumers in comparing quality. In this effort, VA began testing specialty care components of primary care from the AQA, the American Medical Association, and the National Committee for Quality Assurance. These measures are more detailed comparison criteria and will allow consumers an even more precise comparison and sense of transparency among those federal agencies providing health care.
	Actions Taken to Evaluate Quality:
	   o Formed a workgroup involving VA, DoD, and IHS to review current data collection efforts, measurement methodology, and determine the ability to standardize measurement, abstraction, and report identified measures.
	   o Obtained signed letters of commitment for collaboration and identified workgroup members from each agency.
	   o Formed an internal VA Measures Subcommittee to select first subset of AQA measures to be used.
	   o Formed an internal Communications Subcommittee to explore issues of importance to VA patients and providers relative to reporting of provider level quality data.
	   o Completed survey of VA facilities on current quality measures and measurement methodology at the provider level.
	   o Completed crosswalk of VHA measures to AQA and the Hospital Quality Alliance (HQA) measures.
	   o Selected four Veterans Integrated Service Networks (VISNs) to pilot test a subset of AQA measures. Identified for testing at least four measures in at least one facility in each of the four VISNs.
	   o Began alpha test of the first subset of AQA measures.
	   o Coordinated, to the extent feasible, alpha testing with DoD and IHS.
	   o Designed pilot test of ambulatory care physician specialty measures with AQA, the American Medical Association (AMA) and the National Committee for Quality Assurance (NCQA).
	   o Began alpha test of physician specialty measures developed by AQA/AMA/NCQA.

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.

All of VA's 10 programs have been reviewed at least once. Below is a chart summarizing VA's PART results by program:

VA PART Results Since 2002
By Program

Program	Score	Year
Voc. Rehab.	65%	CY 2006
Pension	57%	
Research	81%	
Insurance	73%	CY 2005
General Administration	74%	
Housing	35%	CY 2004
Research	53%	
Education	56%	
Medical Care (Reassessment)	63%	CY 2003
Medical Care	47%	
Burial	79%	
Compensation	15%	CY 2002
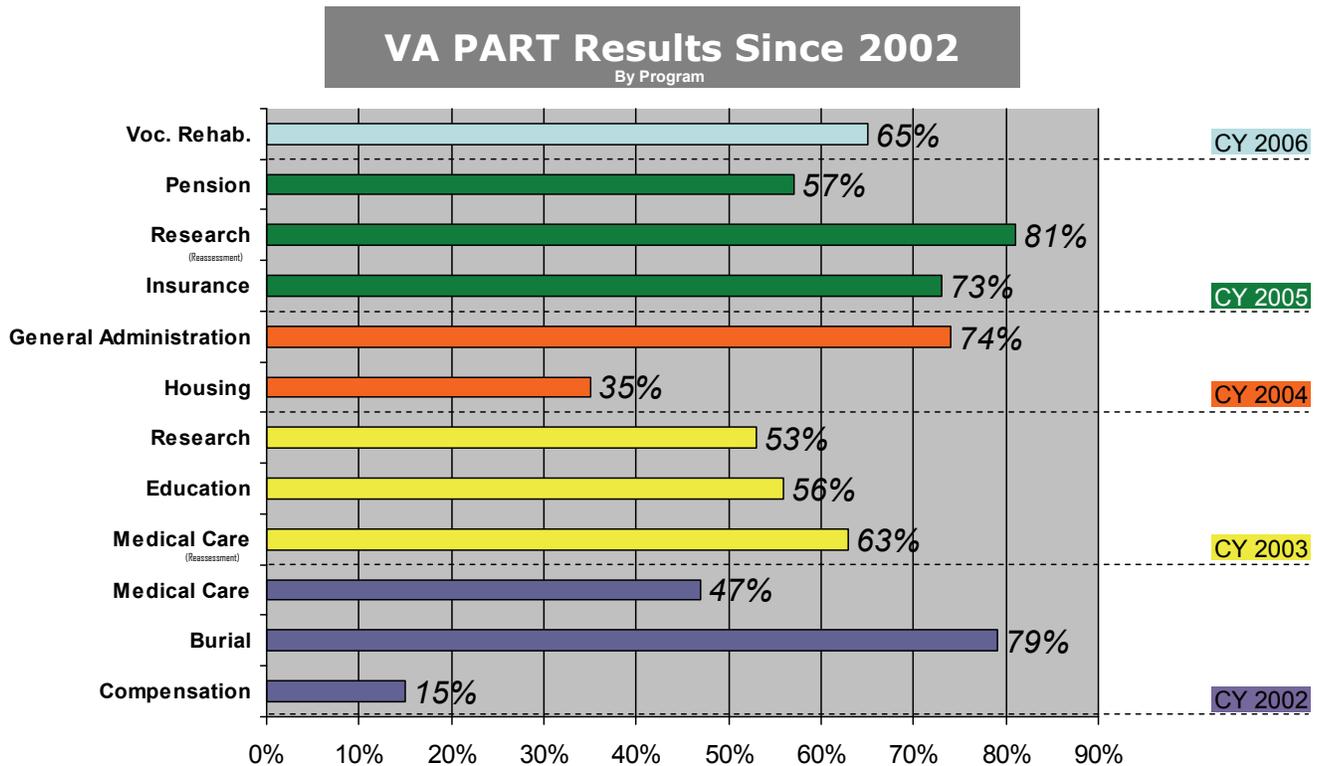
On the following pages are tables sorted by strategic goal that show for each program, OMB's **improvement initiatives** and VA's 2007 **actions** in response to the initiatives.

Improvement Initiatives	FY 2007 Actions
Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans	
Disability Compensation Program (Reviewed in CY 2002 and Received a Rating of "**Results Not Demonstrated**")	
Develop capability to begin reporting on five new performance measures.	• Five new long-term (outcome) measures were added to the 2005 budget submission, and a new cost-efficiency measure were added to the 2007 budget submission. • Results are being reported for two of the outcome measures (Percent of compensation recipients who were kept informed of the full range of available benefits and Percent of DIC recipients above the poverty level). • Results are also being reported for the cost efficiency measure (Productivity Index). • Reporting capability for the three remaining outcome measures (Percent of veterans in receipt of compensation whose total income exceeds that of like circumstanced veterans; Percent of compensation recipients who perceive that VA compensation redresses the effect of service-connected disability in diminishing the quality of life; and Percent of DIC recipients who are satisfied that VA recognized their sacrifice) is dependent upon a program outcome study that will be scheduled after the Veterans' Disability Benefits Commission issues its report in October 2007.

Develop analyses of how results information from new measures is used and how this information impacts program performance.	• Results for the two outcome measures indicated that VA has improved its customer service and service delivery as follows:
	
	   o The percent of compensation recipients who were kept informed of the full range of available benefits increased from 43 percent in 2004 to 44 percent in 2005. No customer satisfaction survey was conducted for 2006.
	
	   o Additionally, all DIC recipients are above the U.S. poverty threshold levels.
	
	 • The cost efficiency measure (Productivity Index) has been in place for only one year. 2006 baseline results show a productivity index of 90 percent; results data need to be gathered for an additional year to accurately determine performance in this area.

Evaluate recommendations from the Veterans' Disability Benefits Commission.	• The Veterans' Disability Benefits Commission began work in May 2005 and issued its report in October 2007. VA will study the Commission's recommendations and begin taking appropriate actions in 2008.
Improve management of total disability benefit based on individual unemployability.	• VA has reinstated annual certification of employment and other evidence controls (VA Forms 21-4140, 21-8940, and 21-4192) used in determining individual unemployability (IU). • VA is advising all new IU beneficiaries of potential eligibility to Vocational Rehabilitation and Employment Services through separate mailings from both the Vocational Rehabilitation program and the Compensation and Pension program. • VA is reviewing the potential benefits of using a New Hires database maintained by HHS to verify employment status.
Develop a measure related to rating consistency.	• VA developed and validated a methodology to measure rating consistency, increased the Quality Review Staff workforce devoted to measure consistency, and began collecting consistency data in June 2007 through comparative statistical analysis of grant rates and evaluations across all regional offices.

Improvement Initiatives	FY 2007 Actions
Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans	
Vocational Rehabilitation and Employment Program (Reviewed in CY 2006 and Received a Rating of "**Adequate**")	
Collect data on both established and newly developed measures to evaluate performance and use these results to improve program performance.	• VA is continuing to collect data on established measures and is working with the Department of Labor to develop a method of collecting/verifying income from one national source rather than from each state.
Work with the Department of Labor and Department of Defense to assess results of collaboration and use these results to enhance future efforts to coordinate services for veterans with disabilities.	• VA is working with the Department of Labor Veterans' Employment and Training Service (VETS) to provide rehabilitation planning and employment services to veterans with disabilities. Three joint work groups are working to improve the quality of employment services and suitable job placements for veterans with disabilities. The work groups are as follows: Performance Measures for Assessment of Partnership Program results; Curriculum Design; and Joint Data Collection, Analysis, and Reports.
Cooperate with GAO on an evaluation of the program to assess the effectiveness of recent program changes, including the implementation of the Five Tracks to Employment model.	• GAO is currently conducting and VA is participating in an evaluation of the VR&E program, which will include an evaluation of the implementation of the Five Tracks to Employment model.

Improvement Initiatives	FY 2007 Actions
Strategic Goal #2: Smooth Transition to Civilian Life	
Education Program (Reviewed in CY 2003 and Received a Rating of "**Results Not Demonstrated**")	
Determine the optimum level of monthly benefits required to accomplish the military recruitment and retention goals.	• DoD surveys indicate education benefits are a valuable tool in meeting recruitment and retention goals. DoD recruitment levels were met in FY 2006, and DoD is on track to meet FY 2007 goals. o VA received DoD annual survey data in August 2007, affirming that education benefits still rank high as a reason individuals enlist. • VA requested that DoD provide its annual survey data from research companies so that VA can determine if the current monthly benefits aid in military recruitment and retention goals.
Create an outcome measure on veterans' readjustment to civilian life due to the benefit received in this program.	• VA plans to award a contract for a customer satisfaction survey to determine customers' perception of how the GI bill assisted their readjustment in 2008. • VA plans to award a contract to determine the percentage of servicemembers and veterans who were enrolled in school and obtained a degree or certificate. The contract will be issued in 2009 with results available in the same year.
Reinstate a cost-effectiveness measure such as the 'Administrative Cost per Trainee' measure.	• VA has designed a model to assess the cost effectiveness of the program. Although preliminary tests lead us to believe this could be a useful tool to measure efficiency based on the cost per trainee measure, we currently are unable to determine if the model will generate data that could predict changes in performance due to resource adjustments. o We require two years of actual data to establish targets and are concluding year one of the data gathering.

Improvement Initiatives	FY 2007 Actions
Strategic Goal #3: Honoring, Serving, and Memorializing Veterans	
Housing Program (Reviewed in CY 2004 and Received a Rating of "**Results Not Demonstrated**")	
Develop analyses of how results information from new measures is used and how this information impacts program performance.	• Analysis of these new measures is underway to determine if/how they will impact program performance.
Develop the capability to begin reporting on the new long-term performance measures focused on outcomes that meaningfully reflect the purpose of the program.	• VA has begun work on a customer satisfaction survey project, which will yield data for the new Specially Adapted Housing measure and the lender and veteran satisfaction measures. • VA has settled on the data source (Census Current Population Survey) to be used in calculating the program's new Veteran Homeownership measure. VA is currently compiling data to use in establishing a reporting baseline.
Develop the capability to report on mortgage delinquencies at a point earlier than the current requirement of '105 days delinquent.'	• In order to intervene at an earlier point in the delinquency cycle and consequently have the ability to assist veterans in avoiding foreclosure, VA undertook a business process review. • The redesigned VA business environment will be a Web-based, rules-driven application that electronically connects servicers and VA. o This application will expedite VA's ability to intervene on veterans' behalf when necessary, and will allow VA to monitor and ensure appropriate servicers' performance as they service VA loans.
Medical Care Program (Reviewed in CY 2003 and Received a Rating of "**Adequate**")	
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.	• VA and DoD now are able to support one and two-way exchanges of electronic health data for legacy systems. • Since January 2006, DoD has been providing "combat pay" data for OIF/OEF and other veterans. These data are being shared via a Defense Manpower Data Center (DMDC) interface. In the near future, DMDC plans to provide data for reserves via this interface.

Improvement Initiatives	FY 2007 Actions
Strategic Goal #3: Honoring, Serving, and Memorializing Veterans, *continued*	
Medical Care Program *(continued)* (Reviewed in CY 2003 and Received a Rating of "**Adequate**")	
Develop performance based budgets and clearer resource requests.	• As a Performance Improvement Initiative PMA scorecard deliverable, VA will demonstrate, using a subset of measures in three programs, the ability to estimate the cost of achieving different levels of performance. This is an important step towards aligning budget requests with performance.
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.**	• Enrollment policy continues while VA focuses resources on the core veteran population. The 2008 budget proposed a tiered enrollment fee based on income and increasing prescription co-pay ($8 to $15 for P7 & P8s). The 2008 budget also proposed to eliminate the 3rd-party offset to 1st-party debt. OIF/OEF veterans have P6 status for 2 years after discharge from active duty. • Veterans with service-connected disabilities continue to have priority when seeking medical care for a service-connected disability, as prescribed in VA policy manuals.
Insurance Program (Reviewed in CY 2005 and Received a Rating of "**Moderately Effective**")	
Develop first steps in aligning budget requests to performance.	• VA is developing methodologies for estimating the marginal costs of changing performance targets for measures in other VA programs. VA plans to expand this effort to other programs including the Insurance program.

Conduct an independent evaluation of the conversion privilege from SGLI to VGLI.	• The ability to convert from SGLI to VGLI is a very important feature of the SGLI program, especially for the disabled servicemembers leaving service who may have difficulty obtaining life insurance from the private sector because of their service-connected disabilities.
	
	• An independent evaluation, scheduled to begin in FY 2008, will help VA do the following:
	    o Identify the proper strategic target for this measure
	    o Assess outreach material sent to servicemembers at discharge
	    o Assess the special outreach efforts undertaken to inform servicemembers of this benefit.

Validate the results from our customer satisfaction survey using the American Customer Satisfaction Index (ACSI).	• VA will use the ACSI to validate overall customer satisfaction and provide recommendations for improvement. Work is scheduled to begin in FY 2009.

Improvement Initiatives	FY 2007 Actions
Strategic Goal #3: Honoring, Serving, and Memorializing Veterans, *continued*	
Pension Program (Reviewed in CY 2005 and Received a Rating of "**Adequate**")	
The program will collect and use data to implement three new performance measures regarding access, income, and dignity.	• Two new performance measures (Percent of VA beneficiaries receiving financial assistance for medical expenses and Percent of pension recipients who believe that the processing of their claim reflects the courtesy, compassion, and respect due to a veteran) were added to the 2007 budget submission for the purposes of measuring income and dignity, joining the access-related measure (Percent of pension recipients who were informed of the full range of available benefits), which has been in place for a number of years. • Dignity and access are measured by responses to the customer satisfaction survey regarding processing of the claim. • In response to GAO Report 05-47 and feedback received during the Pension PART process, VA developed a Productivity Index measure. Results for this measure were included in the FY 2008 budget submission.
The program will provide initial steps in linking performance to budget.	• VA is developing methodologies for estimating the marginal costs of changing performance targets for measures in other VA programs. VA plans to expand this effort to other programs including the Pension program.
The program will use information derived from new performance measures to identify and make program improvements.	• VA will use this information to identify and make necessary program improvements.
The program will continue to develop more ambitious strategic targets.	• Ambitious strategic targets are included in VA's Strategic Plan, which was published in October 2006. • VA's Pension program is taking the following steps to achieve these ambitious targets: o Increasing staffing levels at the Pension Maintenance Centers (PMCs) to begin moving original pension claims to the PMCs. o Adding a timeliness measure to the Director's performance standards. o Continuing the emphasis on results and performance through the Veterans Benefits Administration's Office of Field Operations.

Improvement Initiatives	FY 2007 Actions
Strategic Goal #4: Contributing to the Nation's Well-Being	
Burial Program (Reviewed in CY 2002 and Received a Rating of "**Moderately Effective**")	
Continuing to strengthen methods to link performance, budget, and accountability.	• As a Performance Improvement initiative PMA scorecard deliverable, VA will demonstrate, using a subset of measures in three programs, its ability to estimate the cost of achieving different levels of performance. This is an important step towards aligning budget requests with performance.
Use performance data to increase managers' performance.	• VA established an Organizational Assessment and Improvement (OAI) program. OAI enhances program accountability through a one-NCA scorecard, provided to management at all levels, that combines cemetery self-assessments with independent validation of performance results reporting. • Through FY 2007, NCA has completed 35 site visits assessing 59 cemeteries as part of this initiative. NCA schedules 12 visits per year as part of this continuous improvement program.
Use data results from three new performance measures to drive improvements in program operations (National Shrine Commitment).	• VA collected baseline data during 2004 for the three new National Shrine Commitment measures. As a result, the gap between current performance and strategic goals has been identified. • These data are now regularly collected and reported and are helping to drive performance improvements. • A new performance measure related to the condition of national cemetery facilities is being added to the FY 2009 budget submission to further drive improvements in maintaining national cemeteries as national shrines.
Medical Research and Development Program (Reviewed in CY 2005 and Received a Rating "Moderately Effective")	
Continue to refine meaningful and useful performance measures to assist VA in management.	• VA developed performance measures and assessment tools for Biomedical and Clinical Research Centers, Research Enhancement 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 by the transition to an electronic project management system in about a year.
Assess the physical condition of VA medical research infrastructure to determine its adequacy to support high-quality veteran-centric research.	• A contractor has been selected to perform the site visits, and the task order is being finalized. • Seventy-five sites will be surveyed within the next 3 years representing all sites with substantial research programs.
Increase the number of research projects related to OIF/OEF veterans	• Using October 1, 2006, as a baseline, VA plans to increase the number of OIF/OEF-related research projects funded in FY 2008 by 5 percent.

Improvement Initiatives	FY 2007 Actions
Enabling Goal: Applying Sound Business Principles	
<u>General Administration Program</u> (Reviewed in CY 2004 and Received a Rating of "Moderately Effective")	
• Develop performance based budgets and clearer resource requests.	• As a Performance Improvement Initiative PMA scorecard deliverable, VA will demonstrate, using a subset of measures in three programs, its ability to estimate the cost of achieving different levels of performance. This is an important step towards aligning budget requests with performance.
• **Develop performance-based budgets and clearer resource requests**	• Conducted a measure validity assessment for all staff offices whereby measures not thought to be critical or robust were dropped. o Retained measures are focused on core and/or critical staff office functions. Number of measures reduced from 93 to 58. • This is an important step towards providing Congress with clearer budget requests that align more directly with critical staff office functions and related performance indices.

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.

Strategic Goal #1 Restoration and Improved Quality of Life for Disabled Veterans		
Measure	**Target**	**Result**
BVA Cycle Time	**105 days**	**136 days**
Causes	• 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. 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.	
Resolution Strategies	• BVA provided training to staff hired in 2007. Together with on-the-job experience, these employees will steadily become more productive in 2008 and beyond. To date, these measures have resulted in a reduction from 148 days in 2006 to 136 days in 2007.	
Compensation and pension rating related actions – average days to process	160	183
Causes	• VA received a greater than expected number of claims in 2007. Through July 2007 we received 687,879 claims, almost 25,000 more than the 663,046 claims we received through July 2006. • VA concentrated on resolving older claims, which increased the fiscal-year-to-date number of days to process a claim.	
Resolution Strategies	• VA hired over 1,000 new staff in 2007, and further staff increases are expected in 2008. • VA is consolidating death pension claims processing to three Pension Maintenance Centers (PMCs) and plans to consolidate disability pension processing to the PMCs in calendar year 2008. This will increase the number of resources dedicated to disability claims processing. • By completing work on the oldest claims first, the average age of our inventory of pending claims goes down, and this will lead to improved timeliness in 2008.	

	Measure	Target	Result
Strategic Goal #1 Restoration and Improved Quality of Life for Disabled Veterans			

Rating-related compensation actions – average days pending		127	135

Causes	• VA received a greater than expected number of claims in 2007. Through July 2007 we received 687,879 claims, almost 25,000 more than the 663,046 claims we received through July 2006. • VA concentrated on resolving older claims, which increased the fiscal-year-to-date number of days to process a claim.
Resolution Strategies	• By completing work on the oldest claims first, the average age of our inventory of pending claims goes down, and this will lead to improved timeliness in 2008. • VA is leveraging resources by increasing the number of claims brokered to the Resource Centers, which are co-located with nine VA regional offices. The resource centers are teams of rating specialists who decide cases that are "ready to rate" (cases that have been developed and all evidence has been received) from all regional offices. Brokering claims to the resource centers helps to reduce the size and age of the pending inventory of rating claims at the regional offices. • Fifty-three rehired annuitants are now on board to assist the Tiger Team, co-located with the Cleveland Regional Office, as they process claims from throughout the Nation. The Tiger Team consists of experienced veterans service representatives and rating veterans service representatives who develop and rate very old claims (pending 1 year or more) and claims by elderly veterans (age 70 or older). This effort also helps to reduce the size and age of the pending inventory of rating claims at the regional offices.

Average days to process Dependency and Indemnity Compensation (DIC) actions		125	132

Causes	• VA received a greater than expected number of claims in 2007. Through July 2007 we received 687,879 claims, almost 25,000 more than the 663,046 claims we received through July 2006. • VA concentrated on resolving older claims, which increased the fiscal-year-to-date number of days to process a claim.
Resolution Strategies	• VA is evaluating consolidation of DIC claims processing to the PMCs.

Strategic Goal #3 Honoring, Serving, and Memorializing Veterans		
Measure	**Target**	**Result**
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.		
Compensation and pension rating related actions – average days to process	160	183
Non-rating pension actions – average days to process	96	104
Average number of days to process a claim for reimbursement of burial expenses	60	91
Causes	• The PMCs traditionally receive one batch of Income Verification Matches (IVM) during the last quarter of the year. In 2007, the PMCs received two batches of IVMs to process instead of one. The earlier release during the first quarter of 2007 affected cumulative processing timeliness for the year. • VA received a greater than expected number of claims in 2007. Through July 2007 we received 687,879 claims, almost 25,000 more than the 663,046 claims we received through July 2006. • VA concentrated on resolving older claims, which increased the fiscal-year-to-date number of days to process a claim.	
Resolution Strategies	• VA hired over 1,000 new staff in 2007, and further staff increases are expected in 2008. • VA is consolidating death pension claims processing to the three PMCs and plans to consolidate disability pension processing to the PMCs in calendar year 2008. This will increase the number of resources dedicated to disability claims processing. • By completing work on the oldest claims first, the average age of our inventory of pending claims goes down, and this will lead to improved timeliness in 2008.	

Strategic Goal #3 Honoring, Serving and Memorializing Veterans		
Measure	**Target**	**Result**
Annual Percent Increase of Long Term Care Average Daily Census (using 2006 as the baseline)	26.3%	6.5%*
Causes	• VA purchases some of these services from community providers. In some cases there may not be a community provider available to meet VA standards and/or willing to contract with VA to provide services.	
Resolution Strategies	• VA has established new performance targets that are based on **_projected_** demand for services rather than on past performance as was done previously. • The President's VA budget for FY 2008 includes sufficient funds to support the performance targets that have been established. • We will track VISN performance and take whatever management actions are needed to improve performance.	
Percent of applications for headstones and markers for the graves of veterans who are not buried in national cemeteries processed within 20 days	70%	38%
Causes	• NCA experienced a surge in applications from April through June 2007 which, coupled with decreased processing rates, further increased the number of applications awaiting processing. • Staffing vacancies at the end of 2006 as well as unexpected fluctuations in staffing during 2007 further contributed to problems with timely application processing.	
Resolution Strategies	• NCA is evaluating staffing levels, attrition rates, strategic use of overtime, and performance requirements in order to develop a new staffing plan. This plan will ensure that NCA has sufficient staff to respond to changing business conditions in order to ensure the timely processing of headstone and marker applications. • NCA is working with VA's Office of Information and Technology to investigate possible enhancements to the current technology for scanning and processing applications.	

*Note: Partial through 06/2007.

OIG Performance Shortfall Table

	OIG Measure	Target	Result
VA Implementation of OIG Recommendations on IT		90%	19%
Causes	• IT security is a major intractable problem impacted by organizational culture, rapid technological changes, and management issues. • In the previous 5 years, no OIG IT recommendations were implemented; diligent reviews, follow-up, and work with Congress and top VA management resulted in a 19% increase in FY 2007.		
Resolution Strategies	• Maintain aggressive reviews, continue follow-up, and work with Congress and top VA management in FY 2008.		
Office of Audit customer satisfaction rating		4.8	3.7
Causes	• Timeliness was the principal complaint in survey results.		
Resolution Strategies	• Increase customer satisfaction by delivering audit reports with realistic and achievable recommendations in a more timely manner.		

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 2007 and 2006 from the external auditors, Deloitte & Touche LLP. As a result of its audit work, Deloitte & Touche LLP reported four material weaknesses, three of which are repeat material weaknesses. In addition, the auditors reported 13 Significant Deficiencies, three of which are not included in the material weaknesses.

VA programs operated at a net cost of $51.1 billion in 2007 compared with $101.5 billion in 2006. Again this year, the change in the actuarial liability for future years' veterans' compensation is primarily responsible for the significant variation in net cost from year to year. The actuarial liability decreased by $26.1 billion during 2007 and increased by $31.2 billion during 2006. The decrease in the actuarial liability for future years' veterans' compensation in 2007 was most heavily influenced by changes in COLA estimates as a result of economic projections included in the 2008 Mid-Session Budget review and the actual December 2007 COLA. Excluding the change in this actuarial liability from the net cost would

result in an adjusted net cost for VA's programs of $76.2 billion and $69.3 billion for 2007 and 2006, respectively. Two VA programs, Medical Services and Compensation, accounted for the bulk of the increase in the adjusted net cost, $2.9 billion and $3.0 billion, respectively.

Assets and liabilities reported in VA's balance sheets do not show significant change from year to year with the exception of Fund Balance with Treasury, Public Accounts Payable, and Federal Employee and Veterans Benefits Liability. The majority of change in the Federal Employee and Veterans Benefits Liability, $26.1 billion, is driven by the actuarial estimate previously discussed. It should be noted that the future cash flows to liquidate the actuarial estimate liability are not supported by identifiable assets as they are anticipated to be funded from the future general revenues of the U.S. Government. The Fund Balance with Treasury increased by $6.1 billion due to an increase in appropriations received in FY 2007 over the FY 2006 amounts and the timing of the monthly compensation and pension benefits payments. Because October 1, 2006, was a Sunday, the monthly payments were paid in September 2006. The increase in the Public Accounts Payable is the result of this timing.

Medical care collections continue to improve. In 2007 collections totaled nearly $2.2 billion, which builds on the $2 billion collected in 2006, and is a significant increase over the 2005 total of nearly $1.9 billion. VA plans to continue to increase these collections, reaching $2.3 billion in 2008.

In the area of debt management, VA referred $422 million (99%) of eligible debt to Treasury for offset under the Treasury Offset Program (TOP). Under the cross-servicing program, VA referred $127 million (98%) of eligible debt to Treasury for collection.

VA is embarking on a Financial Policy Improvement Initiative project to assist in remediating two material weaknesses: "Financial Management Oversight" and "Financial Management System Functionality." This project entails developing a complete and comprehensive manual of all Departmental financial policies and procedures. The primary objective is to ensure that financial policy and procedural information are both accurate and used consistently across the Department. This project will also ensure that VA's financial policies comply with all Statements of Federal Financial Accounting Standards, financial management laws and regulations, and OMB and Treasury financial management guidance. The project will begin in FY 2008 and is estimated to take 3 years to complete.

During 2007 the Department aggressively used the Governmentwide commercial purchase card program. Over 4.2 million transactions were processed, representing $2.6 billion in purchases. As a result of VA's daily electronic billing and payment process for centrally billed accounts, VA earned over $42 million in refunds, compared to $37 million during 2006. 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 2007 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) in Austin, Texas, while the percentage of discounts earned increased because of operational improvements implemented at the FSC and VA's National Acquisition Center. Interest paid per million dollars disbursed improved more than 15 percent from $99 per million in 2006 to $84 per million in 2007, and VA earned nearly 92 percent of its available discounts.

During 2007 the FSC collected improper payments and recovered unapplied vendor statement credits totaling nearly $3.0 million. Since the program's inception in 2001, VA has recovered $21.3 million in improper payments and cancelled another $32.9 million in improper payments before making payment.

VA awarded a new recovery audit contract in December 2004 to review past payments by VA's Health Administration Center for hospital care. The contract started on July 11, 2005, with requests for information sent to providers and VA medical centers. As of August 7, 2007, the contractor had identified 5,926 receivables totaling $22,283,670. Of that amount, VA has recovered $11,792,406.

VA continues to work diligently to address the IT Security Controls and the Financial Management System Functionality material weaknesses. Additional focus was placed in 2007 on the "Financial Management Oversight" material weakness due to the expansion of this significant deficiency to other fiscal areas in VA (expanded beyond simply VHA as described in 2006). VA developed and implemented a detailed remediation action plan to address the resolution of this material weakness. VA financial management made improvements throughout the year in providing additional and clarifying financial policies and procedures to VA's fiscal community, particularly in the area of internal controls. VHA's Business Process Improvement Committee (BPIC) continued to work toward improving VHA's internal controls and reforming VHA business processes to improve financial performance.

VHA also continues to monitor and improve reports, such as the Financial Indicators Report, that monitor facility operations on a monthly basis. In 2007 a Desk Guide to address the administration and management of non-health care debt was developed and released. A national training conference to address the requirements of the Desk Guide is planned for January 2008. Additionally, Web-based training

modules in the areas of payroll, accounting, agent cashier, travel, budget, and funds control are being developed.

VHA continues to be 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 January 2007, VBA consolidated the Committee on Waivers and Compromises (COWC) function to the Pension Maintenance Centers for Compensation, Vocational Rehabilitation and Employment, and employee debts. A joint VHA/VBA team was developed and is working on a plan to transfer finance functions related to automobile adaptive equipment to VHA. A pilot test will begin in the first quarter of FY 2008.

NCA implemented the business office concept to establish a single site for each of the primary activities: finance, acquisition, and asset management. Currently, a good portion of the major acquisition and associated accounting is accomplished by the operations support center in Quantico, with general acquisition, finance and asset management support being provided by a VA medical center or regional office. Centralization of activities began in 2007 with a limited number of sites and functions, and a full implementation plan is under development for the centralization of finance and acquisition.

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 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 requires agencies 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 requires management's assessment of internal control over financial reporting.
- Section 4 requires agencies to assess nonconformance with governmentwide financial systems requirements.

Management Assurances

Department managers continue to take responsibility for establishing and maintaining effective internal controls over financial integrity and financial reporting, including safeguarding assets and complying with applicable laws and regulations. During 2007, the Former Secretary of Veterans Affairs maintained his leadership role in stressing that strong internal controls will enhance the Department's stewardship of taxpayers' assets and programs.

Management conducted its assessment of the effectiveness of internal controls over operations and compliance with applicable laws and

regulations in accordance with the Federal Managers' Financial Integrity Act (FMFIA) and OMB Circular A-123, Management's Responsibility for Internal Control. After reviewing the results of the assessments outlined in the Statements of Written Assurance provided by the Under Secretaries, Assistant Secretaries, and other Key Officials, the Acting Secretary of Veterans Affairs provided a statement of qualified assurance. Four material weaknesses: "IT Security Controls," "Financial Management System Functionality" (previously identified as "Lack of an Integrated Financial Management System"), "Financial Management Oversight" (previously identified as "Operational Oversight"), and "Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System - VBA," were identified as material weaknesses under FMFIA.

In addition, the Secretary provided a qualified assurance statement reflecting the status of internal controls over financial reporting for 7 of 11 key business processes as of June 30, 2007. VA conducted a limited scope assessment as of June 30, 2007, on the effectiveness of internal controls over financial reporting for six key business processes: Revenue Management; Property, Plant & Equipment; Budgetary Resources; Procurement Management; Risk Management; and Benefits Management (partial). Information Technology Management was also assessed, as it relates to these six processes. Assessment of internal controls over financial reporting for Funds Management and Financial Reporting was completed in 2006. 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.

November 15, 2007

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 is able to provide a qualified statement of assurance that the internal controls and financial management systems meet the objectives of FMFIA, with the exception of four material weaknesses. The details of the exceptions are provided within Part I, "Management Controls, Systems, and Compliance with Laws and Regulations," and the "Summary of Financial Statement Audit and Management Assurances" tables are shown in the beginning of Part IV, "Other Accompanying Information," in this report.

VA conducted its assessment of the effectiveness 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*. Based on the results of this evaluation, VA identified four material weaknesses in its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2007. Other than the exceptions noted, the internal controls were operating effectively, and no other material weaknesses were found in the design or operation of internal controls.

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 OMB Circular A-123, Appendix A. Based on the results of the assessment of key business processes tested during FY 2007, and other than the material weaknesses noted above, VA's internal controls over financial reporting are operating effectively and no material weaknesses were identified as of June 30, 2007.

Gordon H. Mansfield
Acting

Summary of Auditor's Internal Control Assessment

The auditors' report on internal controls reported four material weaknesses: "Financial Management System Functionality," "Information Technology (IT) Security Controls," "Financial Management Oversight," and "Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System – VBA." Under "Financial Management System Functionality," the auditors identified continuing difficulties with the legacy systems related to the reliable, timely, and consistent preparation, processing, and analysis of financial information for VA's consolidated financial statements. In the IT material weakness, the auditors noted progress in certain areas, but reported that legacy IT infrastructure and longstanding security control weaknesses due to the lack of effective implementation and enforcement of an agency-wide information security program continue to place VA's program and financial data at risk. The third material weakness, "Financial Management Oversight," identified the need for enhanced management oversight in the following areas:

- Accrued Services Payable and Undelivered Orders
- Accounts Receivable
- Property, Plant and Equipment
- Environmental and Disposal Liabilities
- Payroll Agreed-Upon Procedures Reporting
- Accrual for Unbilled Receivables and Allowance for Adjusting Entries and Contractual Adjustments
- Adjusting Entries and Reconciliation Review
- Compensation and Pension Actuarial Liability

The new material weakness, "Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System – VBA," reported the inability to provide detail computer transactions to support amounts reported in the financial statements and to reconcile subsidiary system balances to the core financial system due to failure to retain computer generated details beyond 60 to 90 days.

To address the Department's material weakness, Financial Management System Functionality, VA is continuing its efforts to develop the Financial & Logistics Integrated Technology Enterprise (FLITE) program. The program has two primary components, a logistics and asset management component, referred to as the Strategic Asset Management (SAM) project, and a financial management system component, referred to as the Integrated Financial Accounting System (IFAS). In 2007 the Department also continued enhancement of the Hyperion Financial Management reporting system to improve the preparation, processing, and analysis of financial information, adding additional reports and features, and continued implementation of a data warehouse to assist in financial reporting.

In addition, VA continues, through its Financial Reporting Data Warehouse, to analyze and improve the major interfaces to and from its core financial system, the Financial Management System (FMS). Final resolution of this weakness is a multi-year effort.

Additional focus was placed in 2007 on the Financial Management Oversight material weakness due to the expansion of this significant deficiency to other fiscal areas in VA (expanded beyond simply VHA as described in 2006). VA developed and implemented a detailed remediation action plan to address the resolution of this material weakness. VA financial management made improvements throughout the year in providing additional and clarifying financial policies and procedures to VA's fiscal community, particularly in the area of internal controls. VHA's Business Process Improvement Committee (BPIC) continued to work toward improving VHA's internal controls and reforming VHA business processes to improve financial performance.

The auditors' report on compliance with laws and regulations, also prepared as a result of the 2007 financial statement audit, determined that the Department did not substantially comply with the Federal Financial Management Improvement Act (FFMIA) requirements as it relates to "Financial Management System Functionality," Information Technology (IT) Security Controls," and "Retention of Computer Generated Detail Records in BDN System - VBA" material weaknesses. VA was also noncompliant with the Debt Collection Improvement Act and with USC Title 5, 552A, "Records Maintained on Individuals."

Progress on Material Weaknesses

VA managers continue to make progress in correcting existing material weaknesses. The 2007 Consolidated Financial Statements Audit Report disclosed four material weaknesses. Management identified four of these same weaknesses: "IT Security Controls," "Financial Management System Functionality," "Financial Management Oversight," and "Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System - VBA," as weaknesses under FMFIA. At the end of 2006, three audit-related material weaknesses[1] (Information Technology Security Controls, Lack of Integrated Financial Management System (now titled Financial Management System Functionality), and Operational Oversight (now titled Financial Management Oversight) were carried forward into 2007. These same weaknesses will also be carried forward into 2008 along with the new weakness, "Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System - VBA." (Note: Material weaknesses identified under FMFIA are the same as the audit-related material weaknesses and will be corrected using the same remediation plan.)

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[1] 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 four audit-related material weaknesses are shown in the table below, which provides the current status of the Department's material weaknesses. Additionally, the four material weaknesses identified by management in 2007 are shown in the table.

Audit Material Weaknesses or Weaknesses Identified by Management

Description	Current Status	Resolution Target Date
Information Technology Security Controls (Audit/FMFIA Section 4 weakness)– VA's assets and financial data are vulnerable to error or fraud because of weaknesses in information security management,	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. In 2007, Handbook 6500, "Information Security Program," was published and will provide the foundation for a comprehensive information security program throughout VA. Tracking and reporting of audit finding remediation activities have been increased, and 145 security assessments were performed by the newly-created Office of IT Oversight and Compliance.	2009

Description	Current Status	Resolution Target Date
access to controls and monitoring, and physical access controls.		
Financial Management System Functionality – (Audit/FMFIA Section 4 weakness)– Difficulties exist in the preparation, processing, and analysis of financial information to support the efficient and effective preparation of VA's consolidated financial statements. – Components of certain feeder systems and financial applications are not fully integrated with the core Financial Management System.	To address the Department's material weakness, Financial Management System Functionality, VA is continuing its efforts to develop the Financial & Logistics Integrated Technology Enterprise (FLITE) program. FLITE will integrate many disparate systems, standardize functional processes, and modernize the information technology environment supporting financial and logistics management within VA. The program has two primary components, a logistics and asset management component, referred to as the Strategic Asset Management (SAM) project, and a financial management system component, referred to as the Integrated Financial Accounting System (IFAS). In 2007 VA continued the prerequisite planning for the FLITE program, which included establishing and implementing the FLITE governance framework, developing the FLITE program baseline cost estimates and integrated master schedule, documenting business requirements and business processes, establishing an acquisition strategy, determining the COTS solution for the SAM component of FLITE, conducting a stakeholder analysis and communications needs assessment for the Organizational Change Management Strategy, and performing a full analysis on lessons learned from CoreFLS to monitor during the FLITE project lifecycle. In 2008 VA expects to award the SAM Integration contract and initiate the SAM pilot at the Milwaukee VAMC. The pilot will attain Initial Operating Capability of the SAM system. In addition, IFAS will follow the financial management line of business (FMLoB) guidance to compete and award the IFAS contract and take steps to initiate the IFAS pilot in FY 2009. The pilot will validate the business requirements, test any applicable interfaces, and ensure proper security and accessibility of data. The pilot will attain Initial Operating Capability of the IFAS system. Under the FLITE umbrella as an interim initiative, VA is also continuing to implement a data warehouse to capture transaction details from selected interfacing systems throughout the Department and the corresponding core Financial Management System (FMS) transactions. Under this initiative, VA is analyzing financial system interfaces to identify weaknesses and deficiencies and define corrective	2012

Description	Current Status	Resolution Target Date
	requirements. This initiative will simplify the reconciliation between the interface and FMS. It will also ensure a clear audit trail exists for financial transactions that interface with the core financial system and ensure all interfacing systems to the core financial system are A-127 compliant. In 2007, the data warehouse for two of the targeted interfaces, PAID and Loan Service and Claims (LS&C), were implemented as scheduled. To address the weakness in the preparation of VA's financial statements, in 2006 the Department successfully implemented the Hyperion Financial Management reporting system, commercial off-the-shelf (COTS) software to improve the preparation, processing, and analysis of financial information. The system was used to produce the 2007 quarterly and consolidated financial statements. 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.	
Financial Management Oversight – (Audit/FMFIA Section 2 weakness)– Internal controls and reconciliation processes were not performed consistently or completely.	In 2007 VA placed additional focus on the Financial Management Oversight material weakness due to the expansion of this significant deficiency to other fiscal areas in VA (expanded beyond simply VHA as described in 2006). VA developed and implemented a detailed remediation action plan to address the resolution of this material weakness. VA financial management made improvements through the year in providing additional and clarifying financial policies and procedures to VA's fiscal community, particularly in the area of internal controls. VHA's Business Process Improvement Committee (BPIC) continued to work toward improving VHA's internal controls and reforming VHA business processes to improve financial performance. Examples of the actions taken in the past year include the following: • VHA developed and issued an extensive desk guide for processing non-MCCF accounts receivable; • VBA developed an Audit Management Directive and Reconciliation Directive; • VA's Office of Finance began a comprehensive initiative to rewrite and update all VA financial policies and procedures (3-year effort). These, as well as other numerous efforts, are continuing into 2008 to resolve this material weakness.	2009

Description	Current Status	Resolution Target Date
Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System - VBA (Audit/FMFIA Section 4 weakness)– Certain computer generated transaction details from the BDN system are only retained for approximately 60 to 90 days. –- Supporting detail is not available to substantiate amounts recorded on financial statements.	Newly identified	TBD

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, four material weaknesses were identified and are shown in the "Summary of Auditors' Internal Control Assessment" section.

Management Control Weaknesses

In 2007, there were no material weaknesses carried forward from 2006 by management. By the end of FY 2007, one material weakness, "Financial Management Oversight," was identified under Section 2, as a result of management's assessment during the fiscal year.

Management's assessment of internal controls over non-conformances identified two material non-conformances under Section 4, "IT Security Controls," and "Financial Management System Functionality." Based on the results of the audit, a new system-related material weakness, "Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System - VBA" was also identified in Section 4 as a material non-conformance under FMFIA.

The revised OMB Circular A-123 titled Management's Responsibility for Internal Control, Appendix A, is intended to strengthen the requirements for conducting management's assessment of internal control over financial reporting.

In 2006, VA identified 11 key business processes that impact the internal controls over financial reporting. VA plans to perform an assessment of internal controls for these key business processes over a 3-year cycle. During the second-year cycle (2007), VA selected six business processes to test: Revenue Management; Property, Plant & Equipment; Budgetary Resources; Procurement Management; Risk Management; and Benefits Management (partial). Information Technology Management was also reviewed specifically as it relates to the six key business processes.

As a result of testing these key business processes, 27 findings were identified in the "Findings and Recommendations for Internal Controls Improvements Report" issued by Grant Thornton for each of the processes. The finding regarding Capitalized equipment was identified as a new significant deficiency. This finding, as well as the finding regarding Intragovernmental Transactions, are further described in the chart below.

FY 2007 Significant Deficiencies Identified in the Findings and Recommendations for Internal Controls Improvements Report

Findings	Recommendations	Remediation Date
Capitalized equipment could not be located.	Develop a process to monitor Property, Plant & Equipment at the Medical Centers to ensure it is being properly accounted for and inventoried. Provide training to end-users on the current and revised policies and procedures.	FY 2008
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 2008; Completion date deferred from FY 2007 due to expansion of scope to more robust system able to fully resolve issue and ensure all transactions are captured.

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 remediation program in 2005 to eliminate the existing material weakness--Lack of an Integrated Financial Management System (now referred to as Financial Management System Functionality). This new program is

called FLITE--the goal of which is to correct financial and logistics deficiencies throughout the Department. In 2007 VA continued the prerequisite program planning, which included establishing and implementing the FLITE governance framework, developing the FLITE program baseline cost estimates and integrated master schedule, documenting business requirements and processes, establishing an acquisition strategy, determining the COTS solution for the SAM component of FLITE, conducting a stakeholder analysis and communications needs assessment for the Organizational Change Management Strategy and performed a full analysis on lessons learned from CoreFLS to monitor during the FLITE project lifecycle. In 2008 VA expects to award the SAM Integration contract and initiate the SAM pilot at the Milwaukee VAMC. The pilot will attain Initial Operating Capability of the SAM system. In addition, IFAS (the financial component of the FLITE program) will follow the FMLoB guidance to award the IFAS contract and take steps to initiate the IFAS pilot in FY 2009. The pilot will validate the business requirements, test any applicable interfaces, and ensure proper security and accessibility of data. The pilot will attain Initial Operating Capability of the IFAS system. This effort is being led by the Chief Financial Officer (business requirements) and the Chief Information Officer (technical solution). The multi-year initiative is highly complex and impacts VA-wide financial reporting systems.

In 2007 the Department continued enhancement of the Hyperion Financial Management reporting system to improve the preparation, processing, and analysis of financial information, adding additional reports and features, and continued implementation of a data warehouse to assist in financial reporting.

In 2007 VA's Internal Controls Service within the Office of Business Oversight completed a series of reviews to examine the interfaces between VA's core FMS and its material feeder systems. Seven systems were reviewed 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), Veterans Health Information Systems and Technology Architecture Accounts Receivable (VistA AR), Education, Loan Guaranty, VistA, IFCAP, and VistA Fee 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.

In 2007 the data warehouse for two of the targeted interfaces, PAID and LS&C interfaces, has been implemented as scheduled.

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 2008 VA will certify and accredit over 600 of its systems.

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 over-arching program is a cross-

cutting effort to complete hundreds of tasks that are necessary to remediate long-standing security weaknesses. 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 VA's 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 Act requires management to complete all final actions on recommendations within 1 year of the date of the Inspector General's final report. Department-wide, 15 reports have been pending final action for over 1 year. Based on reporting requirements, the following table summarizes the number of IG reports and the dollar values associated with Questioned Costs and Funds to Be Put to Better Use.

Questioned Costs and Funds to Be Put to Better Use Reporting Period October 1, 2006—September 30, 2007 *(dollars in millions)*				
	Questioned Costs		**Funds to Be Put to Better Use**	
	Reports	Value	Reports	Value
Balance 9/30/06	0	$0	0*	$0*
New Reports	2	$5.6	8	$114.7
Total	2	$5.6	8	$114.7
Completed	2	$5.6	8	$114.7
Balance 9/30/07	0	$0	0	$0

* <u>Note</u>: The numbers listed for Balance 9/30/06 under "Funds to Be Put to Better Use" were revised from last year's reported figures in accordance with IG Act reporting requirements.
<u>Source</u>: *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 2007. Interest payments VA-wide improved by $25,400 (from $858,500 to $833,100) – a 3.0 percent improvement over 2006 levels, largely attributable to the centralization of VHA payments at the VA Financial Services Center (FSC) in Austin, Texas. Further, 2007 interest paid per million dollars disbursed improved more than 15 percent from $99 per million in 2006 to $84 per million in 2007. At the same time, VA earned nearly 92 percent ($4.3 million) of its available discounts. VA also continued to gain efficiencies and improve performance through an initiative started in 2004 to centralize VHA vendor payment activities at the FSC. Through this centralization, 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 also contracted with a commercial recovery audit firm to review prior fiscal year payment files in an effort to identify any additional improper/duplicate payments for recovery.

The FSC staff also reviews vendor payments to identify and collect improper payments resulting from duplicate incentive award payments, erroneous interest penalties, service charges, and sales taxes. This initiative recovered over $338,000 during 2007 for reuse by VA entities. Overall, collections of improper payments and the recovery of unapplied vendor statement credits totaled nearly $3.0 million. Improved payment oversight also enabled VA to identify and cancel nearly $10.4 million in potential improper payments prior to disbursement. Since inception of the FSC audit recovery effort in 2001, VA has recovered $21.3 million in improper payments and prevented the improper payment of another $32.9 million.

The FSC successfully implemented Optical Character Recognition (OCR) technology for the approximately one million commercial vendor payments processed annually. OCR technology improved payment processing cycle times and payment accuracy and timeliness, and enhanced customer service. In conjunction with the OCR project, the FSC successfully implemented a business rules engine that utilizes Microsoft .Net™ technology to automate invoice processing procedures. Benefits from the implementation include reduced manual processing, standardized application of operating procedures, improved productivity, and reduced errors in processing.

During 2007 the Department aggressively used the governmentwide commercial purchase card program. Over 4.2 million transactions were processed, representing $2.6 billion in purchases. As a result of VA's daily electronic billing and payment process for centrally billed accounts, VA earned over $42 million in refunds, compared to $37 million during the same period in 2006. 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 purchase card program automates Health Care Fee Basis payments, eliminates processing of paper checks, and earns VA additional purchase card refunds. During 2007 the number of Fee Basis purchase card transactions exceeded 280,000 and were valued at $98 million in payments, earning VA almost $1.6 million in additional refunds compared to 824,000 during 2006.

VA's Prime Vendor Payment System automates payments under a nationwide prime vendor centralized purchasing contract. During 2007, 135 VA medical centers used the Prime Vendor Payment System to electronically process over 458,000 transactions worth over $3.5 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 2007 the travel management program processed over 164,000 transactions, disbursed payments of over $28 million, and earned over $339,000 in refunds.

The 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 13,234 active registered vendors who made over 472,086 requests in 2007 and over 1.8 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. The VIS has also improved customer service efficiency of FSC staff by handling many routine inquiries and freeing staff to work the more difficult issues for customers.

Registered users of VIS 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 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 initial opening of VIS, we have processed over 27,047 invoices totaling $546 million.

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. Site Administrators now have the ability to change purchase order numbers within the On Line Certification System (OLCS) application, route invoices to the appropriate officials for approval, and expedite processing for utility payments. 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, bringing the number of OLCS users to more than 10,000 VA employees.

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 programs, which account for approximately the entire VA budget. Statistical samplings were performed on all required programs to estimate improper payments.

All programs not reported 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 included in the Compensation Program. The remaining 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, Non-VA Care Fee, 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 no longer requires an annual report in the PAR. Because the Vocational Rehabilitation & Employment (VR&E) program has not met the reporting requirements for the past 2 years, VA requested relief from future annual reports for the program and was granted relief from annual reporting until 2010. 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 programs identified for review completed the risk assessment or completed statistical samplings in 2007 for 2006 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 for Compensation, Pension, and Vocational Rehabilitation & Employment. VA did not meet the reduction target in the Education and Loan Guaranty programs. All programs met or exceeded the recovery targets used for 2007.

Plans to Accomplish

VA aims to reduce the amount of erroneous payments in all programs. Efforts are still ongoing to standardize training materials for all field stations to improve claims processing performance and to develop and automate claims processing for the Education program. The Pension program consolidates the processing of all pension maintenance workload to the Pension Maintenance Centers in order to improve the quality and timeliness of pension processing and to focus training in these areas. The Vocational Rehabilitation & Employment program established a national quality assurance team to monitor the errors annotated in the quality assurance reviews and track the corrective actions

taken on identified errors. The Loan Guaranty (LGY) program will continue to conduct 100 percent post-payment reviews of all Specially Adapted Housing (SAH) grant payments. In addition, LGY has developed a statistical quality control schedule for the SAH process, which will provide additional opportunity for review of the grant process, including 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 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 Office of Business Oversight's Internal Controls Service 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.

The Internal Controls Service conducts reviews of financial systems and processes to determine compliance with OMB Circular A-127, conduct management-directed program activities and system management reviews of project management processes and results, and monitor corrective action to address deficiencies identified in reviews.

In 2007 Internal Controls Service conducted four OMB Circular A-127 compliance reviews as part of a coordinated effort with the Office of Financial Business Operations to develop a plan to remediate specific weaknesses associated with

integrated financial reporting capability and data quality and timeliness provided by legacy systems. Four additional A-127 reviews were completed in conjunction with the Department's OMB Circular A-123 Appendix A program. VA 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. Actions taken in 2007 satisfactorily addressed this weakness.

- VA initiated a second multi-year initiative in 2005 to eliminate the existing material weakness—Lack of an Integrated Financial Management System (now referred to as Financial Management System Functionality). This new program is referred to as FLITE—the goal of which is to implement an agency-wide integrated

financial management system (core and mixed feeders) and to correct financial and logistics deficiencies throughout the Department.

- VA continues to move forward in the consolidation of payroll services to the Defense Finance Accounting Service (DFAS), which is included in the President's Management Agenda for Improving Internal Efficiencies and Effectiveness.

Following the success of the first migration of Title 5 employees to DFAS in August 2006, the second migration occurred in October 2007 and included additional Title 5 employees. Extensive system changes are being made to VA's legacy system as well as DFAS' in preparation for additional migrations to accommodate the special pay provisions that apply only to Title 38 employees. Complete migration of VA's payroll services to DFAS is tentatively scheduled for February 2009.

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 2007. VA will need to continue operation of FMS as the core accounting system until a suitable replacement is available.

In 2007 the Department continued enhancement of the Hyperion Financial Management reporting system to improve the preparation, processing, and analysis of financial information, adding additional reports and features, and continued implementation of a data warehouse to assist in financial reporting.

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 Financial Management System Functionality 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

To address the Department's material weakness, Financial Management System Functionality, VA is continuing its efforts in developing the FLITE program. FLITE will integrate many disparate systems, standardize functional processes and modernize the information technology environment supporting financial and logistics management within VA. The program has two primary components, a logistics and asset management component referred to as the SAM project, and a financial management system component, referred to as the IFAS.

In 2007 VA continued the prerequisite planning for the FLITE program, which included establishing and implementing the FLITE governance framework, developing the FLITE program baseline cost estimates and integrated master schedule, documenting business requirements and business processes, establishing an acquisition strategy, determining the COTS solution for the SAM component of FLITE, conducting a stakeholder analysis and communications needs assessment for the Organizational Change Management Strategy, and performed a full analysis on lessons learned from CoreFLS to monitor during the FLITE project lifecycle. In 2008 VA expects to award the SAM Integration contract and initiate the SAM pilot at the Milwaukee VAMC. The pilot will attain Initial Operating Capability of the SAM system. In addition, the IFAS (financial component of the FLITE program) will follow the FMLoB guidance to compete and award the IFAS contract and take steps to initiate the IFAS pilot in FY 2009. The pilot will validate the business requirements, test any applicable interfaces, and ensure proper security and

accessibility of data. The pilot will attain Initial Operating Capability of the IFAS system.

Under the FLITE umbrella as an interim initiative, VA is also continuing to implement a data warehouse to capture transaction details from selected interfacing systems throughout the Department and the corresponding core FMS transactions. Under this initiative, VA is analyzing financial system interfaces to identify weaknesses and deficiencies and define corrective requirements. This initiative will simplify the reconciliation between the interface and FMS. It will ensure a clear audit trail exists for financial transactions that interface with the core financial system and ensure all interfacing systems to the core financial system are A-127 compliant.

In 2007 the data warehouse for two of the targeted interfaces, PAID and Loan Service and Claims (LS&C), was implemented as scheduled.

PAID Accomplishments and Plans

VA continued production support and maintenance of PAID during 2007 in support of Federal-wide programs such as Health Savings Allotments, and changing child support payments from paper to electronic payments. System changes were also completed to implement legislative changes that affected Title 38 employees such as Nurses Special Pay and changes in how lump sum payments for separating employees are computed.

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 continues to make system changes needed to support VA's migration to DFAS. 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. The second group, which included additional Title 5 employees, migrated in October 2007. Planning for the migration of the remaining 230,000 VA employees is underway. VA and DFAS are continuing to complete additional system changes to support the migration initiative. The remaining VA payroll facilities will begin migration in 2008 with the last migration occurring tentatively in February 2009.

In 2008 work will continue on completing the planning, analysis, and development of system changes required for the National Institutes of Health's (NIH) time and attendance system which interfaces with DFAS. The NIH system will be implemented in VA, using a phased approach.

E-Gov Travel Accomplishments and Plans
The FSC, VA's E-Government Travel Service (ETS) Project Office, is leading VA's implementation of ETS as well as supporting VA's legacy travel systems. In the first quarter of 2007, VA travelers comprising 45 percent of VA's temporary duty travel volume migrated to ETS using the FedTraveler Web-based application. This migration allowed VA to close down the Zegato legacy travel system. During the third quarter of 2007, VA conducted a pilot with the first group of non-Zegato travel system users. The pilot began the rollout of 21 "Go Live" events that will end with VA fully migrated to the FedTraveler application by December 2007. As the implementation of FedTraveler.com continues with weekly station deployments, the FSC has focused on training, communication, and support as the key strategy for a successful implementation. One of the key performance measurements the General Services Administration (GSA) monitors is the online adoption rate, which measures the percentage of travel plans with air reservations made using the online booking engine. VA's online adoption

rate through the fourth quarter of 2007 averaged 81 percent, above VA's 75 percent goal, and leads all of the Electronic Data System's government deployments.

Other Systems Accomplishments and Plans
Electronic Commerce (EC)/Electronic Data Interchange (EDI). Using COTS software and national standards, the FSC moves mission-critical information between VA and each of its trading partners, which includes vendors, mortgage service providers, and health care entities. EC/EDI also provides for internal exchange of information among VA application systems. Electronic data transfers enable program offices to restructure their work processes, take advantage of the accuracy and timeliness of electronic data, and concentrate on service objectives. 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.

In addition to providing EC/EDI to VHA, the FSC provides these services to VA's Denver Acquisition and Logistics Center for invoices and payment vouchers. Commercial invoices, Financial Management System payments, and the subsistence prime vendor program services are also provided to VA nationwide. VBA benefits from EC services in FSC's accepting and processing status of loan default transactions. EDI services are also provided by the FSC to assist the Veterans Canteen Service in receiving and processing invoices and purchase orders as well as creating payment transactions.

The FSC continues to provide support to the U.S. Department of Agriculture (USDA). 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 costs 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 and improve VHA's revenue

cycle. The FSC continues to use the latest versions of software to electronically ensure the validity of data with regard to HIPAA electronic transaction requirements.

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.

Electronic Commerce (EC)/Electronic Data Interchange (EDI) Planned Improvement Initiatives

Tasks	Target Dates
Migrate customers to server-based translation software.	2008-2009
Support MCCR lockbox receipt of payments.	2008-2012
Support (by providing both development and production support services) VHA's revenue cycle and HIPAA compliance efforts.	2008-2012
Support EDI production projects on a continuing basis.	2008-2012
Support reports portal.	2008-2012

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. Field stations can elect to certify all invoices via OLCS or allow automatic payment for those invoices under $2,500 with appropriate post-payment audits. For invoices to be certified online, the OLCS system 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.

OLCS was an essential enabler in centralizing 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.

Document Management System (DMS). The FSC uses a document imaging system, referred to as DMS, to provide a paperless work environment, reduce physical storage needs, and process high volumes of documents. Documents

are stored on electronic media, with backups stored offsite, and can be retrieved in seconds.

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 Standard Form-224 report, storing grant and schedule documents for other government agency customers, storing payroll folder data for VA employees who receive local payroll services from the FSC's OLCS, and the storage of fee basis medical claims.

Planned DMS Expansion and Support

Tasks	Target Dates
Provide program support for DMS.	FY 2008-FY 2012