Summary of Financial Statement Audit and Management Assurances

The following tables provide a summary of audit-related or management-identified material weaknesses outlined in the FY 2007 Performance and Accountability Report.

The title of each material weakness is consistent throughout this section and in the entire document.

During 2007 VA developed remediation plans and is taking actions to fully correct the material weaknesses "IT Security Controls," "Financial Management System Functionality" (previously identified as "Lack of an Integrated Financial Management System"), and "Financial Management Oversight" (previously identified as "Operational Oversight"). During 2008 VA will develop a remediation plan to correct the new material weakness, "Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System - VBA." Material weaknesses were identified by VA's independent auditors or by VA management.

Table 1 - Summary of Financial Statement Audit

Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Management Oversight	✓				✓
IT Security Controls	✓				✓
Financial Management System Functionality	✓				✓
Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System - VBA		✓			✓
Total Material Weaknesses	3	1	0	0	4

Table 2 - Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA – 2)						
Statement of Assurance	**Qualified (Due to Limited Scope)**					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Effectiveness of Internal Control over Operations (FMFIA – 2)						
Statement of Assurance	**Qualified**					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Financial Management Oversight *	✓					✓
Total Material Weaknesses	1	0	0	0	0	1
Conformance with Financial Management System Requirements (FMFIA – 4)						
Statement of Assurance	**Qualified**					
Material Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
IT Security Controls *	✓					✓
Financial Management System Functionality *	✓					✓
Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System - VBA *		✓				✓
Total Material Non-Conformances	2	1	0	0	0	3
Compliance with Federal Financial Management Improvement Act (FFMIA)						
	Agency	Auditor				
Overall Substantial Compliance	No	No				
1. System Requirements	No					
2. Accounting Standards	Yes					
3. USSGL at Transaction Level	Yes					

*Note: Material weaknesses and their associated remediation plans are the same as audit-related material weaknesses.

Improper Payments Information Act of 2002 (IPIA)

Narrative Summary of Implementation Efforts for FY 2007/Agency Plans for FY 2008 – 2010

Detail I

Describe the agency's risk assessment(s), performed subsequent to compiling your full program inventory. List the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on Office of Management and Budget (OMB) guidance thresholds) identified through its risk assessments. Be sure to include the programs previously identified in the former Section 57 of OMB Circular A-11.

VA reviewed the requirements of the Improper Payment Information Act of 2002 to identify those programs which are susceptible to significant erroneous payments. After completing the review, VA performed risk assessments for all programs. All programs not reported had estimated improper payments of less than $10 million. Dependency and Indemnity Compensation (DIC) is one of the programs previously identified in the former Section 57 of OMB Circular A-11, 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 Compensation, Pension, Education, Insurance, Loan Guaranty (LGY), 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, the Office of Management and Budget granted VA's request for relief from annual improper payment reporting in the PAR for the Insurance program until 2009. 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.

In 2007, statistical samplings were performed on all required programs to estimate improper payments. (2006 data were used to ensure that an accurate representation of a full fiscal year's results was obtained.) These programs include Compensation, Pension, Education, Loan Guaranty (LGY), and Vocational Rehabilitation & Employment programs. The benefit programs are managed by the Veterans Benefits Administration (VBA). VBA recognizes the inherent risk associated with administering benefits programs to veterans and beneficiaries. The criteria used to determine entitlement, the scope of administering through 57 regional offices, legislative changes, reporting requirements, time constraints, and the responsibility of ensuring appropriate use of resources all contribute to VBA's emphasis on identifying and minimizing vulnerabilities that lead to improper payments.

In the current year's risk assessment, the Veterans Health Administration (VHA) re-evaluated the error measurement methodology it used to determine the level of risk inherent in its programs in the interest of reporting a more accurate presentation of the susceptibility of its programs to significant improper payments. After completing the assessments, one VHA program, Non-VA Care Fee, had estimated improper payments that exceeded $10 million and a 2.5 percent error rate.

Non-VA Care Fee Program is managed by VHA. Historically, Non-VA Care Fee has been called the Fee Program and has

included Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA). However, due to the size of CHAMPVA, VHA performed separate IPIA sampling procedures on it. For purposes of this IPIA report only, VHA will consider Non-VA Care Fee to include two separate programs, CHAMPVA and the Fee Program. CHAMPVA will be reported as a separate program next year, since its outlays are expected to exceed $500 million.

1. **Two Benefit Programs: Compensation (including Dependency & Indemnity Compensation) and Pension**

Erroneous payments are defined as payments made to ineligible beneficiaries or payments that were made for an incorrect amount. Erroneous payments may be caused by procedural or administrative errors made during the claims process, delays in claims processing due to requirements to provide due process, late reporting, misreporting, or fraud on the part of employees, beneficiaries, or claimants.

Over and underpayments are based on the results of the national Systematic Technical Accuracy Review (STAR) program. The STAR process involves a comprehensive technical accuracy review of a statistically valid random sample of completed cases. The 2006 STAR sample totaled 11,056 currently processed cases.

The STAR process identifies erroneous payments for the following categories: Improper Grant/Denial, Improper Percentage Evaluation Assigned, Improper Effective Dates Affecting Payment, Improper Payment Rates, Improper Income Calculations, Improper Dependency Payment, Improper Payment of Burial Benefits, and Improper Waivers. The results of this review sample are extrapolated to the universe of completed claims to calculate estimated annual overpayments and underpayments. Separate annual amounts are calculated for the compensation program and pension program. (Please refer to Detail II for a full discussion regarding the statistical sampling process.) Our methodology for determining overpayments and underpayments also assesses the causes of the erroneous payments. Overpayments created not due to error on the part of VA are included in our overpayment figures.

The Compensation Program is composed of the following:

a. **Disability Compensation** is provided to veterans for disabilities incurred or aggravated while on active duty. The amount of compensation is based on the degree of disability. Several ancillary benefits are also available to certain severely disabled veterans.

b. **Dependency and Indemnity Compensation** is provided for surviving spouses, dependent children, and dependent parents of veterans who died while on active duty on or after January 1, 1957, or whose post-service death was caused by or contributed to by their service-incurred disabilities, or to survivors of veterans who die of nonservice-connected conditions but who were continuously rated totally disabled due to service-connected condition(s) for a number of years immediately preceding death as specified in law of service-connected causes. Prior to January 1, 1957, death compensation was the benefit payable to survivors.

The Pension Program is composed of the following:

a. **Nonservice-Connected Disability Pension** is provided for veterans with nonservice-connected disabilities who served in time of war. The veterans must be permanently and totally disabled or must have attained the age of 65 and must meet specific income limitations.

b. **Death Pension** is provided for surviving spouses and children of wartime veterans who died of nonservice-connected causes, subject to specific income limitations.

2. Education

The Education program assists eligible veterans, servicemembers, reservists, survivors, and dependents in achieving their educational or vocational goals.

To identify the payment accuracy rate, the Education Service conducts quarterly quality assurance (QA) reviews of a random sample of completed Education benefit claims. This is the percentage of claims in which no erroneous payments (under or over) are authorized. It is therefore the inverse of a payment error rate. QA reviewers use a checklist with eight questions, one of which is used in determining the payment accuracy rate: "Were the payment determinations correct?" The checklist also requires additional information about each case reviewed, including:

- Amount of payment authorized.
- Amount actually due.
- Amount of over or underpayment, if any, erroneously authorized.

The payment information currently collected through the QA review process can be compared with the total benefit dollars paid in a given fiscal year in order to produce an estimate of both the percentage and amount of erroneous payments in the Education program. For 2006, the percentage of erroneous payments exceeded 2.5 percent, while the total amount of erroneous payments exceeded $10 million.

3. Vocational Rehabilitation & Employment

The Vocational Rehabilitation and Employment (VR&E) Service handles applications for benefits and processes payments from the Benefits Delivery Network (BDN) from its 57 regional offices nationwide. Outlays in 2006 totaled over $573 million and are expected to rise to over $618 million and $669 million in 2007 and 2008, respectively. The VR&E program offers a wide range of services tailored to the specific needs of veterans and their dependents. These services require extensive assessments and evaluations to validate entitlement and payments. VBA recognizes the inherent risk associated with administering a sizable and diverse national program.

VA's VR&E Service implemented the Quality Assurance Program, which was created under the provision of Public Law 106-117, The Veterans Millennium Health Care and Benefits Act, which states that VBA must establish and execute a quality assurance program. It is a procedure designed to assess the quality of services provided to veterans and a case manager's work in terms of quality and accuracy of entitlement determination, rehabilitation services, fiscal activities, and rehabilitation outcomes.

Internal controls, including the Systematic Analyses of Operations (SAO) for Debt Avoidance and Fiscal Control, and the reestablishment of VR&E site visits are used to minimize the occurrence of improper payments. These controls help ensure the accuracy of the following:

- Entitlement Determination – accuracy of decision for entitlement of a veteran to receive Chapter 31 benefits/services.
- Outcome Determination – accuracy of decision for closing a veteran's case when a veteran has achieved his or her rehabilitation goal or when a veteran is no longer able to participate in the Chapter 31 program.
- Rehabilitation Services – accuracy and quality of services provided to the Chapter 31 program participants, which includes fiscal activities.

4. Loan Guaranty (LGY)

The purpose of the VA LGY program is to encourage and facilitate the extension of favorable credit terms by private lenders to eligible veterans, active duty personnel, surviving spouses, and selected reservists for the purpose of purchasing a home. The LGY program has an additional purpose of assisting veterans retain their homes in times of financial hardship and distress. The program operates in nine regional loan centers, one regional office, and one eligibility center. Additionally, several important program functions are contracted out, and LGY Service maintains monitoring units to oversee those operations. In 2006, the program guaranteed over 142,000 loans for a dollar value in excess of $24 billion. LGY Service was ultimately responsible for the processing of over $876 million in payments during that same fiscal year. With this level of inherent risk involved, LGY Service has instituted a number of internal controls to ensure that this risk is mitigated, and that payments made are accurate and justifiable.

The LGY program's internal control procedures significantly reduce the risk of improper payments. Only limited amounts of improper payments have been discovered during the annual financial statement audit that includes auditing payments for many of the processes identified in Detail II. About 75 percent of LGY's payments are intra-governmental -- processed electronically from one LGY account to another or to Treasury. For those payments made externally, LGY has a number of procedures in place to mitigate the risk of improper payments. LGY conducts random sample post-audit reviews of payments made under the property management contract and under Claims & Acquisitions. LGY also conducts 100 percent Final Accounting Reviews of all Specially Adapted Housing grant payments and 100 percent reviews of all vouchers submitted by the portfolio loan servicer.

5. Non-VA Care Fee

There are two programs addressed in this section: the Fee Program and the CHAMPVA program.

The Non-VA Care Fee program is part of the medical benefits program for veterans and is administered at all VA medical centers. This covers the full range of services covered under our Benefits Package. The CHAMPVA program is a medical benefit program for spouses and dependents of veterans and is limited to a small sub-set of spouses and dependents. This program is centrally administered at the VA Health Administration Center in Denver. These are very different

programs, with separate and distinct business models serving different beneficiary populations.

Under the Fee Program, certain veteran patients may be authorized to receive treatment from non-VA health care providers at VA expense when VA medical facilities are unable to provide specific treatment or cannot provide treatment economically due to geographic inaccessibility. Fee care may be allowed for inpatient and outpatient care at non-VA hospitals, outpatient-care facilities, and for home health care. A common misconception is that veterans "enroll" in the Fee Program. In actuality, VHA staff is delegated authority to determine Fee eligibility for veterans who meet legal and medical entitlement criteria to receive health-care services at non-VA facilities.

VHA established detailed erroneous payment criteria to gauge the accuracy of payments in the Fee Program. VHA medical facilities self-reported erroneous payments based on the following areas:

- Payment errors stemming from a procedural or administrative origin.
- Payment errors originating from deficiencies in contractual-based transactions.
- Payment entitlement disbursements to ineligible beneficiaries.
- Money management matters that translated to incorrect interest payments.
- Unsupported payments as evidenced by inadequate or missing documentation.
- VHA's IPIA self-reporting worksheet that related to erroneous Fee Program payments included a separate, additional category of medical progress notes or clinical discharge summaries that were missing or did not support the diagnostic medical codes on Fee Program vendors' invoices.

As noted in the discussion of the cause(s) of errors in Detail III under Corrective Action Plans, a susceptible area in which Fee Program payments are vulnerable is the lack of documentation to support Fee Program vendors' invoices in which payments are requested. The most typical type of missing or unsupported documentation revolved around medical progress notes or clinical discharge summaries that were missing or did not support the diagnostic medical codes on Fee Program vendors' invoices for care that was not pre-authorized.

CHAMPVA is a non-VA health care program in which VA shares the cost of covered health care services and supplies with eligible beneficiaries. The program is administered by VHA's Health Administration Center in Denver, Colorado.

To be eligible for CHAMPVA, an individual cannot be eligible for the Department of Defense's TRICARE program (sometimes referred to by its old name, Civilian Health and Medical Program of the Uniformed Services (CHAMPUS)), and must be in one of these categories:

- The spouse or child of a veteran who has been rated permanently and totally disabled for a service-connected disability by a VA regional office.
- The surviving spouse or child of a veteran who died from a VA-rated service-connected disability.
- The surviving spouse or child of a veteran who was at the time of death permanently and totally disabled from a service connected disability.
- The surviving spouse or child of a

military member who died in the line of duty, not due to misconduct.

On September 28, 2007, VA's Office of Inspector General (OIG) issued an audit report on CHAMPVA. As part of the audit, the OIG performed a stratified statistical sampling of CHAMPVA payments made between July 2005 and June 2006 using a confidence level of 95 percent, a desired precision rate of 10 percent, and an expected error rate of 15 percent. Based on the sampling, it estimated the improper payment rate to be 10 percent and the absolute value of over and underpayments to be $12.4 million. Based on the OIG report, VHA will perform further analysis of the program's susceptibility to erroneous payments and during next year's IPIA review will employ the more stringent IPIA statistical sampling methodology that was used by the OIG (a 95 percent confidence level and a 3 percent margin of error).

Detail II

Describe the statistical sampling process conducted to estimate the improper payment rate for each program identified.

1. Two Benefit Programs: Compensation (including Dependency & Indemnity Compensation) and Pension

VBA's calculation of the estimate of the improper payment rate for both the Compensation (including Dependency & Indemnity Compensation) and Pension programs is based upon actual dollar amounts of debt referred to the VA Debt Management Center (DMC) and erroneous payments identified in VA's quality assurance program known as STAR. Half of the estimated debt identified by STAR is included in the calculation of erroneous payments. That half is the amount written off as an administrative error. The other half of the STAR-identified erroneous payments result in award action to create debts reflected in the DMC data. Debts referred to the DMC can reflect erroneous payments spanning multiple years as in overpayments associated with VA's income verification match and fugitive felon match. In 2006, the DMC received $189.5 million in compensation debt and $296.5 million in pension debt.

The STAR process captures over and underpayment errors found during the claims processing review and calculates the dollar amounts associated with those payment errors. Since the review is based on a random sample of cases, the results are applied to the universe of claims processed and a weighting factor is applied to each regional office's workload share to generate overall estimated improper payments.

In 2006, the STAR process included 11,056 cases -- 9,363 compensation cases and 1,693 pension cases. A total of 234 payment errors were documented for compensation cases (2.5 percent error rate), including 133 underpayments totaling $415,739 and 101 overpayments totaling $424,437. A total of 60 payment errors were documented for pension cases (3.5 percent error rate), including 28 underpayments totaling $67,301 and 32 overpayments totaling $93,797.

The number of cases reviewed for compensation and pension represents 0.72 percent of the 1,540,211 cases subject for review. While the errors were clearly identified as either compensation or pension, the overall review sample contained some cases with both compensation and pension

elements. For the overall volume of cases subject to review, 867,867 were clearly identified as compensation cases and 312,231 were clearly identified as pension cases. The remaining 360,113 cases were recorded under end-product codes that could apply to either compensation or pension claims. The assumption was made that 80 percent of these cases were compensation cases and 20 percent were pension cases. Thus, the number of completed compensation cases was increased to 1,155,957 and the number of completed pension cases was increased to 384,254. Accordingly, the sample size for the Compensation program was 0.81 percent, and the sample size for the Pension program was 0.44 percent.

When extrapolated to the completed compensation claims for 2006, including a weighting factor for each regional office's share of national workload, total estimated Compensation program underpayments were $32.7 million and overpayments were $37.1 million.

When extrapolated to the completed pension claims for FY 2006, including a weighting factor for each regional office and pension maintenance center's share of national workload, total Pension program estimated underpayments were $3.9 million and estimated overpayments were $6.9 million.

2. Education

QA reviews were designed to provide statistically valid results at the 95 percent confidence level and 5 percent precision (also expressed as a margin of error of plus or minus 2.5 percent), for an estimated payment accuracy rate of 94 percent (equivalent to an error rate of 6 percent). The annual nationwide random sample of 1,600 cases is selected from the database of completed end products in quarterly increments. Reviews are also conducted and reports issued quarterly. Provided that the estimated erroneous payment rate is similar to the estimated error rate used in constructing the QA sample, that is, 6 percent or less, the data may be considered statistically valid. Data on percentage and amount of erroneous payments from quarterly QA reviews for awards authorized in 2006 were compared to total benefits paid for that fiscal year.

3. Vocational Rehabilitation & Employment

Data for the improper payment rate are gathered through the Quality Assurance review. In 2002 Booz-Allen-Hamilton conducted a study on the VR&E Quality Assurance Program. Starting in FY 2003 the total number of cases to be reviewed annually was increased from 2,850 to a minimum of 3,648 cases, or 64 cases per regional office, as a result of the study recommendations. The increase allowed for a valid random sampling size for each regional office review of cases based on a confidence level on a 5 percent margin of error. In 2006, there were 4,171 cases reviewed. The review sample results are applied to the national total workload to generate VR&E's estimated overall improper payments by using weighting factors based on the regional offices' caseload size.

4. Loan Guaranty

The LGY program helps veterans and active duty personnel purchase and retain homes in recognition of service to the Nation. The program enables eligible veterans to obtain financing for the purchase, construction, or improvement of a home by insuring a percentage of the loan. This mandatory program encourages the lender to extend favorable loan terms and competitive interest rates to veterans who might otherwise prove ineligible. The LGY program disburses payments for:

- Specially Adapted Housing Grants.
- Claims and Acquisition Payments.
- Portfolio Servicing of Direct Loans.
- Property Management.

a. **Specially Adapted Housing (SAH) Grants** – SAH staff at the regional loan centers (RLCs) certify that all grant requirements have been met prior to authorizing the dispersal of grant funds to the veteran's escrow account for payment of authorized expenses incurred for construction or modification of the veteran's home. The RLC staff then conducts a 100 percent Final Accounting Review for all cases. A random sampling of cases is then sent to Central Office (CO) for a second-level review. LGY CO reviews 100 percent of these files. For 2006, only 1 minor error has been found in any part of the SAH grant payment process.

b. **Claims & Acquisition Payments** – LGY conducts a stringent first-level review of all claim payments. A 100 percent manual review is conducted on all claims received. The Loan Service and Claims (LS&C) system requires that at least two different LGY staff members review and certify the claim in the system before releasing it for payment. LGY also conducts statistically valid post-audit reviews of Claims & Acquisition payments. LGY reviews a random sampling of these payments through quality control visits to each of the nine RLCs and the Honolulu Regional Office. LGY also includes a post-audit review of claims paid as part of the Statistical Quality Control (SQC) Review 321. A first-level review of cases is done at the RLC, and a second-level validation is conducted by LGY CO. Between the quality control site visits and SQC reviews, the total claim payments which are being post-audited are significant at the 90 percent confidence level with +/- 2.5 percent margin of error. For 2006, the error rate is less than 1 percent. Only three errors, which were minor in nature, were discovered in the sample. When extrapolated across all payments, this equates to $1.9 million in estimated erroneous payments.

c. **Portfolio Loan Voucher Payments** – Countrywide Home Loans (CHL) is LGY's contracted portfolio loan servicer. The Portfolio Loan Oversight Unit (PLOU) classifies CHL vouchers into seven types, based on nature of the service provided or the type of items included within. For example, the 003-Type contains reimbursable fees such as property preservation costs, foreclosure/bankruptcy costs, and recording fees; the 002-Type consists of property tax payments. VA pays each invoice as it is received. The PLOU staff then conducts a 100 percent post-audit of each voucher payment to ensure correctness and accuracy of payments. The average error rate was extrapolated across the entire amount of voucher

payments to arrive at the total amount of improper payments.

d. Property Management Voucher Payments – Ocwen is LGY's property management contractor. VA's Property Management Oversight Unit (PMOU) receives two types of vouchers (After Sale and Supplemental) from Ocwen. In 2006, however, Ocwen also submitted vouchers for services and fees relating to VA's agreement with FEMA to provide low-cost rental housing to hurricane disaster victims. All invoices are handled in the same manner. Invoices are reviewed upon receipt by a Realty Specialist for compliance with the contract requirements and to assure that proper supporting documentation is included. If the invoice exceeds the $25,000 threshold, the invoice must be submitted to a supervisor for approval and certification for payment. Otherwise, the invoice is approved by the Realty Specialist and submitted to another Realty Specialist for a second review and certification per the requirements of the Prompt Payment Act. The Centralized Property Tracking System (CPTS) pulls a 10 percent random sample of vouchers for post-audit review. The 10 percent sample requirement is statistically significant at the 99 percent confidence level with approximately +/-5 percent margin of error. In addition to this random sample, VA also performs additional special audits of invoices the Realty Specialists have deemed unusual. These invoices are flagged for further, more specialized review of charges and required supporting documentation. This may include invoices that reflect unusual cost ratios, invoices for services relating to lead-based paint mitigation, duplication of services, or other out-of-the-ordinary circumstances. In 2006, VA staff at the PMOU conducted a review of nearly 26 percent of vouchers received.

If, upon review, VA finds that the voucher submitted by Ocwen does not meet established requirements (proper documentation, accurate billing amounts, etc.), VA establishes a bill of collection (BOC) against Ocwen for the disputed amount.

The appeals process allows for Ocwen to appeal any BOC they receive from VA. Ocwen may appeal by resubmitting the voucher with additional supporting or clarifying documentation or information. LGY Central Office Property Management (LGYCO PM) staff is tasked with reviewing these resubmitted vouchers and recommending action (approving or denying the voucher) to the VA contracting officer, who also reviews the file for concurrence/non-concurrence. After LGYCO PM staff and the contracting officer have reached a decision, Ocwen may still appeal that ruling to the Board of Contract Appeals. It is not until the Board rules on a particular voucher payment (or the established time allotted for appeal has lapsed) that LGY can deem it a 'fully resolved' item. This lengthy and multi-tiered

appeal process often causes BOCs established in any given fiscal year to be unresolved for a lengthy period of time, a period which may cross the demarcation of fiscal years. The amount of a BOC established in 2006 will likely be reduced during that same fiscal year through the iterative process described above. While the same BOC's total could be further reduced in the subsequent fiscal year(s), for purposes of reporting for the Improper Payments Act, VA has delimited the 'reduction process' of these BOCs to within the fiscal year in question. It is the standing BOC amount at the close of the fiscal year that is considered 'improperly paid' during the year, and that is used to calculate the total error rate for Property Management vouchers. When a BOC is deemed fully resolved, the contract with Ocwen provides VA the ability to apply any amount outstanding (i.e., any amount 'overpaid') to Ocwen's future voucher submissions.

5. Non-VA Care Fee

For the Fee Program, VHA contracted with VA's Financial Services Center to ensure the validity of the sample design, sample size, and measurement methodology and to generate a random, statistically valid sample from VA's Financial Management System's payment history file. Fee had the following statistical sampling parameters: a 95 percent confidence level and a 3 percent margin of error. For each sampled payment, a determination was made regarding the accuracy of the payment. Payments made in error, as well as non-responses to requests for payment accuracy, were treated as improper payments. Error rates are expressed as a simple percentage of the dollar amount of all payments in error to the dollar amount of all payments in the sample. VHA projected the improper payment amount for Fee by multiplying the error rate by the dollar amount in the population.

Detail III

Describe the Corrective Action Plans for:

A. Reducing the estimated rate of improper payments for each type of category of error. This discussion must include the corrective action(s) for each different type or cause of error, and the corresponding steps necessary to prevent future recurrence. If efforts are ongoing, it is appropriate to include that information in this section.

B. Grant-making agencies with risk susceptible grant programs, discuss what the agency has accomplished in the area of funds stewardship past the primary recipient. Include the status on projects and results of any reviews.

1. Two Benefit Programs:
Compensation (including Dependency & Indemnity Compensation) and Pension
A significant cause of overpayments in both compensation and pension accounts has been the implementation of the Fugitive Felon program. This program, mandated by Public Law 107-103 in December 2001, prohibits veterans who are fugitive felons, or their dependents, from receiving specified veterans benefits. It requires VA to retroactively terminate veterans and other beneficiaries from the date the claimant became a "fugitive felon." The first batch of over 980 cases was released in May 2003. The second batch of over 2,000 cases was released in March 2004. Another 5,775 were released from June 2004 to April 2006. It takes approximately 9 months to a year to completely process these fugitive felon

cases. The amount of overpayments created from this program can vary each fiscal year for the following reasons:

- Benefits are terminated from the date the claimant becomes a fugitive felon, not from the date VA becomes aware of fugitive felon status.
- The length of time it takes to process fugitive felon cases varies (i.e., due process and award adjustment).
- It is difficult to estimate the impact of new agreements with additional states as this process is controlled by the Office of the Inspector General.

In addition to the identification of fugitive felons, notification of incarceration may also lead to the establishment of overpayments. According to current statute, these cases are given due process and then adjusted. Notification of either status is a function of agreements made with states, the Bureau of Prisons, and law enforcement agencies. As previously indicated, these overpayments typically span multiple years as the OIG's negotiation of agreements with various jurisdictions expands. As the OIG brings in more law enforcement jurisdictions, we can anticipate that large overpayments will continue for at least the next 3 years. Overpayments could be reduced if benefits were terminated from the date of the notice to VA of fugitive status rather than the date of issuance of the warrant.

VA continues its efforts to expand rating capacity by increasing staffing levels. We hired over 1,000 new staff in 2007, and further staff increases are expected in 2008. Based on this increase, the number of inexperienced disability decision-makers will continue to be a significant factor for the immediate future as it takes 2 to 3 years to become fully productive. Therefore, the potential for errors in evaluating, granting, and denying benefits may be greater in the short term.

A. Compensation

VA continues to be engaged in initiatives that address erroneous compensation payments, which will play an even more important role over the next couple of years as we continue our hiring focus. Another effort is the reinstatement of the annual certification of veteran's employment and other evidentiary-based controls to verify and monitor entitlement to individual unemployability. In addition, VA has developed and validated a methodology to measure rating consistency and has increased the Quality Review Staff workforce devoted to measure consistency. We began collecting consistency data in June 2007 through comparative statistical analysis of grant rates and evaluations across all regional offices. We will use the results of this analysis to identify unusual patterns of variance in claims decisions and to incorporate focused case reviews into routine quality oversight by the STAR staff.

Overpayments may also be created due to non-entitlement for the month of death and the remarriage of a surviving spouse. The month of death overpayment occurs when the veteran dies late in the month, too late to stop the release of the check for the month of death, a benefit to which he/she is not entitled. Approximately 79,100 veterans were removed from the compensation rolls in 2006, virtually all due to death. This resulted in approximately $26.7 million in overpayments because death occurred in the last 10 days of the month (applicable to an estimated 26,366 veterans). The average compensation payment in 2006 was $1,010 monthly. Although the overpayment is created, the majority of these payments are recouped.

VBA will take the following actions in response to the OIG Audit of Veterans Benefits Administration Controls To Minimize Compensation Benefit Overpayments report of September 28,

2007, indicating that VBA did not have effective controls to ensure that VARO staff took prompt action to adjust compensation benefits.

(1). VBA will issue procedural guidance requiring action to be initiated within 30 days of receipt on first- and third-party information that will potentially result in a reduction of compensation benefits, including dependency and indemnity compensation. When a predetermination notice is required, the standard 65-day response time will continue following issuance of the predetermination notice. A Fast Letter will be provided to the field addressing these procedures by November 1, 2007, and the manual will be updated by December 31, 2007.

(2). VBA will clearly outline the end product controls for initiating action on information that potentially results in a reduction of compensation benefits in the Fast Letter due out November 1, 2007. This will facilitate VBA's monitoring of the timelines of compensation benefit adjustments.

(3). VBA will re-emphasize the importance of timely completion of compensation benefit adjustments that result in overpayment of benefits as follows:

- Discuss on the weekly Associate Deputy Under Secretary for Field Operations conference call and the Veteran Service Center Managers conference call.
- Discuss the importance of timely completion of adjustments in the Fast Letter due out November 1, 2007.
- Add this as an area of review under the Internal Controls Systematic Analyses of Operations.
- Monitor the end product timeliness of corrective actions and contact regional office directors whose stations are significantly out of line in processing the adjustments that result in overpayment of compensation benefits. The regional office directors are responsible for ensuring that programs and policies are implemented, assessed through an effective internal controls process, and adjusted as necessary to achieve appropriate results.

B. Pension

The Pension program administered by VA is a highly complex program that is intended to provide the financial resources needed by beneficiaries based upon anticipated income. It then requires adjustment based upon actual income. Consequently, it is prone to overpayments due to late or misreporting of income changes or failure to report such changes by claimants. For this reason, VA consolidated the processing of all pension maintenance workload to the Pension Maintenance Centers (PMCs) in order to improve the quality and timeliness of the pension processing, as well as to focus training in this area. Another goal of consolidation is to reduce the size of erroneous payments through greater claims processing efficiencies and reduced cycle time. We believe that an improved quality of pension processing and focused training should reduce the average size of overpayments but not substantially the number of erroneous payments. Pension processing quality has increased dramatically through the consolidation and specialization, and we expect it to continue. Consolidation of death pension claims processing to the PMCs has begun, and consolidation of original disability pension

claims processing is expected to begin during the first quarter of 2008. VA has implemented the following actions to strengthen efficiencies at the three PMCs:

- Developed a national standardized training program and a refresher training curriculum to ensure standardized processing of pension claims.
- Assigned quality review coordinators responsible for quality improvement oversight.
- Tested an electronic application that stores and sorts C&P system messages (write-outs) associated with pension maintenance activities by frequency, claim number, terminal digit, etc., to assist with timelier processing of these messages.
- Enhanced Virtual VA to ensure accurate documentation is contained in the electronic claims folder.

The Pension program in particular has other reasons that contribute to erroneous payments. The program involves less judgment in determining entitlement, with the primary evaluation factor based upon compliance with a very detailed set of rules for establishing dependency and complex, detailed rules for developing and considering income to determine entitlement and payment rates. This is the primary reason for the higher ratio of overpayments to underpayments. The most common causes for erroneous pension payments are improper effective dates and improper calculation of family income. The size of overpayments in the pension program is aggravated by the effective date rules that govern the adjustment of accounts and the need to provide due process. Since entitlement is affected by income, and changes in status and rate of payment are effective the first of the month following changed income, the claimant and VA are in an overpayment situation in virtually every income adjustment based on new or increased income.

Effective date rules govern adjustments to pension benefits and as a result, a change in income may require a retroactive adjustment to the benefit amount, creating an overpayment. In 2006 VBA began processing two tax years' worth of information (2002 and 2003) from the IRS. This will continue in 2007 with tax years 2004 and 2005 being released to the regional offices. Although this action may result in an increase in the number of overpayments created in 2006 and 2007, it should also result in a decrease in the amount of the overpayment created for the claimant, as the income information is only 18 months to 2 years old as opposed to 3 years old. Since VBA will return to processing one year's worth of tax information in 2008, we anticipate the number and amount of overpayments in 2008 and 2009 will return to 2004 levels.

Other causes for overpayments are:

- Non-entitlement for the month of death.
- Reductions or terminations due to claimant reports on Eligibility Verification Reports (EVR).
- Reductions or terminations based upon matching programs.
- Inaccurate reporting of monthly social security benefits.

Approximately 84,000 pension records were terminated in 2006 with 55,297 of them due to death. The estimated annual overpayment for the month of death (considering an estimated 18,432 deaths that occur in the last 10 days of the month), with an average monthly payment of $537 when veterans and survivors are combined, is $9.9 million.

Due to the particular nature of the Pension program, a significant number of overpayments will be created due to reporting failures by beneficiaries. VBA has

both internal and external controls that identify reporting discrepancies.

The EVR is a VBA internal annual report required of most pension recipients in which they are required to report their actual previous year and anticipated current year income. This program results in overpayments due to a late reporting of income changes that result in larger overpayments due to two statutory provisions:

(1). Reductions are effective first of the month following receipt of the changed income. Because it normally is required to provide due process of 60 days in such cases, an overpayment is created for not only the historical period back to the receipt of the income but for a minimum of two months into the future.

(2). Failure to return an EVR results in termination of the award and resulting overpayment from the beginning of the calendar year.

Other ongoing successful efforts with internal/external organizations/agencies that identify reporting inconsistencies include:

- **Office of the Inspector General**
  - Death Match Project: The Office of Inspector General (OIG) death match project is conducted to identify individuals who may be defrauding VA by receiving VA benefits intended for beneficiaries who have passed away.
  - Fugitive Felon Program: On December 27, 2001, Public Law 107-103 was enacted. The law prohibits veterans who are fugitive felons, or their dependents, from receiving specified veterans benefits. At any given time more than 100,000 individuals are on a fugitive felon list maintained by the federal government and/or state and local law enforcement agencies. This program, as it is rolled out with other police jurisdictions, is an example of how overpayments will be identified in later years based upon newly acquired information.

- **Bureau of Prisons for Payments to Incarcerated Veterans**
  An agreement was reached with the Social Security Administration (SSA) that allowed VA to use the State Verification and Exchange System (SVES) to identify claimants incarcerated in state and local facilities. We are processing both Bureau of Prisons Match and SSA Prison Match cases on a monthly basis.

- **Railroad Retirement, Office of Personnel Management and Income Verification Match**
  These matches report income from these and other sources compared to what pension beneficiaries report.

- **Social Security Administration**
  - Monthly Social Security Benefit Match: This is a match with SSA in which the amount of monthly social security reported by the claimant is compared to SSA records.
  - Unverified Social Security Number Listing: C&P Service analyzes an extract of hits from data runs in order to obtain the Unverified Social Security Numbers listing.

2. Education

Education Service has used the Quality Assurance Review program to assess payment errors since FY 1992. Education Service quality review reports, issued quarterly, identify error trends and causes. The regional processing offices use the review reports to conduct refresher training. Required training based on quarterly quality reviews was conducted in FY 2006. However, compared to the previous fiscal year, estimated erroneous payments increased from 1.2 percent to 3.7 percent. The principal factor underlying the

increase was the hiring of a substantial number of new claims processing personnel, which lowered the general level of experience. In addition, the Reserve Educational Assistance Program (REAP), a new type of program with eligibility and payment provisions different from existing programs, was implemented in 2006, increasing the complexity of claims processing procedures. These factors resulted in an increase of 41 percent in the number of payment errors noted on QA reviews. Additionally, more types of errors were found. For example, in 2006 a major cause of error was a failure to process a notification of enrollment or change in enrollment, while no such errors were noted in 2005. Due to the complexity of applicable requirements, the following three causes remained responsible for the majority of erroneous payments in 2006, as in the previous fiscal year:

- Incorrectly determining the student's rate of training (full-time rate or part-time).
- Incorrectly awarding benefits for intervals between terms.
- Incorrectly determining the date on which to reduce or terminate benefits.

Education Service is developing a rules-based automated claims processing system, The Education Expert System (TEES), which will help reduce payment errors. A prototype system is in place, and the full system is expected to improve performance when fully implemented. In addition, Education Service developed standardized training materials, which all field stations have used since 2004. The Training Performance Support System (TPSS), an on-line delivery and record-keeping system for training, is under development and is expected to help improve claims processing performance in the future. However, constraints in resource allocation have delayed implementation of these systems.

3. Vocational Rehabilitation & Employment (VR&E)

The National Quality Assurance Team monitors the errors annotated in the quality assurance reviews and tracks the corrective actions taken on identified errors. Also, as the team monitors the results of the reviews, any frequently identified error or best practice is brought to the attention of management. Any further action (i.e., national training or publication of best standards of practice) to address the area(s) identified is discussed and implemented.

After each review, an outbriefing letter containing the results of the National QA Review is provided to each regional office. The letter outlines the errors found during the review and indicates the required corrective actions. Each regional office is required to submit certification of compliance to the corrective actions to the VR&E Service through its Director's office within 90 days of receipt of the letter. VR&E Service also revised the manual chapter on Systematic Analysis of Operations, which was published in June 2006, strengthening the fiscal accuracy and review section.

In January 2004, VR&E Service required that all compliance reports for corrective actions on errors found on fiscal activities must also include the amount of over or underpayment for Chapter 31 benefits. The types of errors that were noted varied but included such items as:

- Entry of incorrect end date identifying timeframe for completion of training session and, therefore, veteran was either paid at an incorrect rate or no payment was issued and veteran should have received the subsistence allowance.
- Incorrect subsistence allowance rate entered and veteran was compensated at the wrong rate.

- Improper amount or omission of Employment Assistance Allowance paid to veterans.
- Award did not reflect dependent child attending school, and an amendment was required to reflect this change.
- Nationwide training broadcasts on fiscal accuracy and employment assistance allowance for VR&E field station staff were held on November 15, 2006 and December 7, 2006, respectively.

4. Loan Guaranty

SAH grant payments have been found to be relatively error-free (one minor error in 2006). LGY will continue to conduct the 100 percent Final Accounting Review and second-level Central Office reviews of the SAH grant process. Additionally, LGY has developed a statistical quality control (SQC) schedule for the SAH process, which will provide additional opportunity for review of the grant process, including grant payments.

Claims & Acquisition payments have been found to have very few errors (0.246 percent error rate for 2006). Since the error rate is so low, and the instances of error so minor in value, LGY will continue its procedures for first and second-level reviews prior to payment and will continue to perform all post-audit review of cases as per existing site visit and SQC schedules.

Portfolio loan servicing payments are processed for payment by the Portfolio Loan Oversight Unit (PLOU) within the timeframe sanctioned by the Prompt Payment Act. Payments are then post-audited by the PLOU staff for accuracy and correctness. For 2006, 83 percent of the errors were found in the 001- and 002-series of vouchers. This means that the majority of the errors were found on vouchers related to tax payments and calculations (002-series) and on invoices consisting of reimbursable loan servicing fees (001-series). LGY monitors 002-series vouchers and maintains information on overcharges/unallowable charges submitted by holders. LGY offsets claims submitted by holders for any overcharges/unallowable charges contained therein. If the claim for the specific account has already been processed, then LGY makes adjustments on future claims submitted by the holder.

In 2005, OIG conducted an audit of the Automated Loan Accounting Center (ALAC). The resulting audit report recommended that Loan Guaranty Service and ALAC examine the Property Management voucher process to include the establishment and management of bills of collection. This review was conducted and has resulted in new policies and procedures, which will have a positive impact on erroneous payments.

VBA has established BOCs for any unsupported invoices to date. If, within 30 days, Ocwen still has not submitted proper documentation for invoices, future payments to Ocwen will be offset by the established BOC amount. This procedure will be continued in future years. Additionally, VBA will conduct annual reviews of the PMOU voucher/BOC process going forward. Voucher payments must be made to Ocwen when vouchers are received, as required by the Prompt Payment Act. However, the new BOC-offset policy will ensure that the Government is able to effectively recoup payments made under vouchers which were determined, by the PMOU's voucher audit procedures, not to have appropriate supporting documentation.

5. Non-VA Care Fee

The most common self-reported cause for erroneous Fee Program payments resulted from missing or unsupported documentation. Medical progress notes or

clinical discharge summaries were missing or did not support the diagnostic medical codes on Fee Program vendors' invoices. These medical codes have cost reimbursement rates associated with them, and they are the underlying basis for the charges that are shown on invoices.

VHA has undertaken corrective measures to address medical documentation issues surrounding the processing of Fee claims. For instance, during 2006, VHA's Chief Business Office (CBO) issued a VHA-wide applicable memorandum clarifying the extent of medical documentation needed by Fee offices for payment of non-VA claims. The memorandum addresses those instances where medical documentation is needed for appropriate Fee claim adjudication. This encompasses scenarios involving preauthorized outpatient care, authorized inpatient care, and unauthorized outpatient and inpatient care that is later approved for payment. In addition, the memorandum recommends that post-payment audits should be conducted as part of the regularly planned internal control reviews. Such audits may require the request of medical documents. Based on post-payment audit findings, VA's medical centers (VAMCs) may find it prudent to adjust their internal policies regarding the need for medical documentation in specific circumstances. Moreover, the memorandum states the results of the post-payment audits could disclose that certain documentation is almost always needed for an appropriate determination, or conversely, could disclose that information that facilities had already been requiring is sufficient to make an appropriate decision. The memorandum recommends that for all determinations related to Fee, offices should include the following statement, "VA reserves the right to request additional medical documentation at a later date for audit purposes."

Detail IV

Program Improper Payment Reporting:

A. The table below is required for each reporting agency. Agencies must include the following information: (1) all risk susceptible programs must be listed in this chart whether or not an error measurement is being reported; (2) where no measurement is provided, agency should indicate the date by which a measurement is expected; (3) if FY 2007 is the baseline measurement, indicate by either note or by "n/a" in the "FY 06 percent" column; (4) if any of the dollar amount(s) included in the estimate correspond to newly established measurement components in addition to previously established measurement components, separate the two amounts to the extent possible; (5) include outlay estimates for FY 2008-2010; and (6) agencies are expected to report on FY 07 activity, and if not feasible, then FY 06 activity is acceptable. (Beginning 2008 reporting year, future year outlay estimates should match the outlay estimates for those years as reported in the most recent President's Budget.)

B. Discuss your agency's recovery of improper payments, if applicable. Include in your discussion the dollar amount of cumulative recoveries collected beginning with FY 2004.

Improper Payment (IP) Reduction for FY 2007 (Based on FY 2006 data)
($ in millions)

Program	Outlays $ [1]		Estimated IP%	Actual IP %	Estimated IP $	Actual IP $
	Estimated	Actual				
Compensation [2]	31,217	30,915	*0.71*	*0.67*	*221.6*	*208.1*
			0.33	0.11	103.0	32.7
Pensions	3,473	3,525	*10.4*	*8.51*	*361.2*	*300.0*
			0.27	0.11	9.4	3.9
Education	3,051	2,754	*1.1*	*1.9*	*33.6*	*52.3*
			1.1	1.77	33.6	48.7
Vocational Rehabilitation	614	573	*0.46*	*0.33*	*2.8*	*1.9*
			0.52	0.37	3.2	2.1
Loan Guaranty [3]&[4]	825	876	0.10	0.54	0.8	4.7

Notes to Improper Payment Reduction for FY 2007 Table (Based on FY 2006 data):
[1] For some programs, dollars reported are payments, not necessarily outlays. Overpayments (in italics) and underpayments are identified for programs for which separate data are available.
[2] Dependency & Indemnity Compensation is included with Compensation.
[3] Outlay calculations changed since the FY 2004 PAR submission. In the Loan Guaranty Program, housing intergovernmental transactions were determined not to be subject to erroneous payment sampling and review.
[4] LGY's 2006 actual IP figures are reflective of the inaugural year of reporting on the Property Management voucher payments. 2006 estimated IP figures do not account for any estimate of Property Management data. The increases in reported error rates and payments for 2006 and subsequent years are a direct result of the inclusion of Property Management data.

Improper Payment Reduction Outlook FY 2006 – FY 2010 (Based on FY 2005 – FY 2009 data)
($ in millions)

Program	FY 2006 (Based on FY 2005 data)			FY 2007(Based on FY 2006 data)			FY 2008 (Based on FY 2007 data)			FY 2009 (Based on FY 2008 data)			FY 2010 (Based on FY 2009 data)		
	Outlays $ [1]	IP %	IP $	Outlays $ [1]	IP %	IP $	Outlays $ [1]	IP %	IP $	Outlays $ [1]	IP %	IP $	Outlays $ [1]	IP %	IP $
Compensation [2]	28,711	*0.73*	*208.3*	30,915	*0.67*	*208.1*	34,193	*0.69*	*235.9*	37,430	*0.67*	*250.8*	40,862	*0.65*	*265.6*
		0.34	97.7		0.11	32.7		0.32	109.4		0.31	116.0		0.3	122.6
Pensions	3,383	*10.6*	*361.1*	3,525	*8.51*	*300.0*	3,645	*10.1*	*368.1*	3,773	*8.0*	*301.8*	3,912	*7.88*	*308.3*
		0.28	9.8		0.11	3.9		0.26	9.45		0.25	9.4		0.24	9.4
Education	2,611	*0.53*	*13.8*	2,754	*1.9*	*52.3*	3,007	*1.5*	*45.1*	3,137	*1.30*	*40.8*	3,213	*1.20*	*38.6*
		0.71	18.5		1.77	48.7		1.45	43.6		1.30	40.8		1.20	38.6
Vocational Rehabilitation	583	*0.50*	*2.9*	573	*0.33*	*1.9*	618	*0.42*	*2.6*	669	*0.38*	*2.5*	716	*0.34*	*2.4*
		0.56	3.3		0.37	2.1		0.48	3.0		0.44	2.9		0.4	2.9
Loan Guaranty [3]	1,137	0.30	3.5	876	0.54	4.7	881	0.61	5.4	925	0.54	5.0	971	0.47	4.6
Non-VA Care Fee	N/A	N/A	N/A	1,578	5.87	92.6	1,757	6.00	105.4	1,917	5.9	113.1	2,092	5.8	121.3

Notes to Improper Payment Reduction Outlook Table:

[1] For some programs, dollars reported are payments, not necessarily outlays. Overpayments (in italics) and underpayments are identified for programs for which separate data are available.

[2] Dependency & Indemnity Compensation is included with Compensation.

[3] 2006 was the first year VA reported Property Management improper payment information. The program is able to track and report on payment-level data. However, projection outlays are estimated since no historical data are yet available with which to accurately form projection models. VA will adjust projection estimates accordingly as data for a projection model become available.

VA Recovery Targets for all Susceptible Programs FY 2007 – FY 2011
(Based on FY 2006 – FY 2010 data)
($ in millions)

	FY 2007 (Based on FY 2006 data)				FY 2008 (Based on FY 2007 data)		FY 2009 (Based on FY 2008 data)		FY 2010 (Based on FY 2009 data)		FY 2011 (Based on FY 2010 data)	
Program	Est. $	Act. $	Est. %	Act. %	$	%	$	%	$	%	$	%
Compensation & Pension [1]	211	319	25	26	384	27	345	25	348	24	351	23
Education & VR&E [2]	166	202	56	61	183	59	170	53	181	50	179	47
Loan Guaranty	1.3	1.4	70	65	1.5	63	1.7	63	1.7	63	1.8	63
Non-VA Care Fee	[3]	11.3	45	47	11.9	45	11	45	10	45	9	45

Notes to VA Recovery Targets for all Susceptible Programs Table:
[1] Compensation and Pension are two programs with collections shown as one figure.
[2] Collections reported for Education are collections for both Education and Vocational Rehabilitation & Employment (VR&E).
[3] This number is not available because it is the first year of reporting.

Detail V

Recovery Auditing Reporting:

A. Discuss recovery auditing effort, if applicable, including any contract types excluded from review and the justification for doing so; actions taken to recoup improper payments, and the business process changes and internal controls instituted and/or strengthened to prevent further occurrences.

1. Financial Services Center (FSC), Austin, TX
VA continued to enhance its vendor payment processes throughout 2007. Interest payments VA-wide decreased by nearly $25,400 (from $858,500 to $833,100) – a 3.0 percent improvement over 2006 levels, largely attributable to the centralization of payments at the FSC. Further, interest penalties 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 more than 92 percent ($4.3 million) of its available discounts.

VA also continued to gain efficiencies and improve performance through the centralization of e-vendor payment activities at the FSC. By centralizing vendor payment activities, VA strengthened its focus on identifying and preventing vendor payment errors. The FSC also enhanced audit recovery efforts of 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 also reviews vendor payments to identify and collect improper payments resulting from payment processing such as erroneous interest penalties, service charges, and sales taxes. This initiative has recovered over $338,000 for reuse by VA entities during 2007. Overall, during 2007, collections of improper payments and the recovery of unapplied vendor statement credits totaled nearly $3 million. Improved payment oversight also enabled VA to identify and cancel nearly $10.4 million in potential improper payments prior to disbursement. Since the inception of the FSC's audit recovery effort in 2001, VA has recovered over $21.3 million in improper payments and prevented the improper payment of another $32.9 million.

2. Health Administration Center (HAC), Denver, CO

Public Law 108-199 extended the mandate for VA to conduct, by contract, a recovery audit program of past payments for hospital care through 2006. VA awarded the new recovery audit contract in December 2004. The contract started on July 11, 2005, with requests sent to providers and VA medical centers for information. As of August 7, 2007, the contractor had identified 5,926 receivables totaling $22,283,670 of which VA has recovered $11,792,406.

When comparing the FSC, HAC, and Supply Fund audits, the major difference in the amounts recovered has to do with the universe of payments for each. For the HAC (which includes two different programs - CHAMPVA and the Fee Program), the value of the payments in 2007 was $700 million; the audit is for inpatient payments only. For FSC the value of payments was approximately $13.6 billion, and for the Supply Fund the value was approximately $14 billion. Also, in the report narrative, the FSC provided information from 2001-2007, the Supply Fund reported for 2007 only, and the HAC reported for the period 2003-2006. Recoveries for 2007 for the HAC audit will begin after January 2008 (audits are retrospective).

In addition, the original legislation regarding HAC's recovery audit was Public Law 106-74, and the program actually began in 2000 with audits back to 1994. The total amount of recoveries for all years of the program is more than $60 million.

VHA's CBO is utilizing multiple initiatives to reduce improper payments. This includes piloting of a Fee software solutions product called the Fee Basis Claims System (FBCS) at 10 VAMC Fee sites. We expect that the product will be developed for national deployment and will provide functionality not currently available in VHA's Veterans Health Information Systems and Technology Architecture or at most VAMC Fee sites. Alerts may be programmed into the claims software that will trigger the need for special review (e.g., certain medical diagnostic codes). The CBO has requested deployment of the software at an additional 25 sites in 2008.

In addition, the CBO will continue use of the contract service (DRG Recovery Audit) for re-evaluating correct payment activities. This contract tool allows CBO to assess the accuracy of payments and has shown improvements in payment processing since its inception. It is estimated that recovery post-payment processing will decrease as software is deployed.

Additionally, the Department's Management Quality Assurance Service (MQAS), which conducts VA facility reviews, has included in its 2008 program review scope, a work plan to visit a sample of VAMC Fee sites to

review the effectiveness and efficiency of program processes.

3. Supply Fund

The VA Office of Acquisition and Logistics works with the OIG to recover funds owed VA due to (1) defective pricing -- whether the prices for the items awarded were based on accurate, complete, and current disclosures by the offeror during contract negotiations; and (2) price reduction violations -- whether the contractor complied with the terms and conditions of the price reduction clause. As part of the OIG post-award contract reviews, staff also looks for and collects overcharges that were the result of the contractor charging more than the contract price. Other reviews conducted by the Office of Contract Review include public law compliance, health care resource proposals, contractor claims, and other special purpose reviews. In 2007, this audit recovery program recovered over $18 million.

B. Audit Recovery Summary Table by Programs.

Audit Recovery Table
($ in millions)

Agency Component	Amount Subject to Review for FY 2007 Reporting	Actual Amount Reviewed and Reported FY 2007	Amounts Identified for Recovery FY 2007	Amounts Recovered FY 2007	Amounts Identified for Recovery FY 2005-2006	Amounts Recovered FY 2005-2006	Cumulative Amounts Identified for Recovery FY 2005-2007	Cumulative Amounts Recovered FY 2005-2007
FSC	13,838.68	13,599.09	4.75	3.05	15.12	11.34	19.87	14.39
HAC	520.38	129.85	12.47	5.93	37.21	21.35	49.68	27.28
Supply Fund	498.25	498.25	20.52	18.02	39.37	38.02	59.89	56.04

Detail VI

Describe the steps the agency has taken and plans to take (including time line) to ensure that agency managers (including the agency head) are held accountable for reducing and recovering improper payments.

The Under Secretary for Benefit's continued emphasis on accountability and integrity at every level underscores his commitment to achieving the goals set forth in the FY 2002 Improper Payment Reduction Act. One of the President's Management Agenda's objectives is to secure the best performance and highest measure of accountability within the agencies of the federal government. VBA continues to report progress through the President's Management Scorecard and through the Monthly Performance Reviews with the Deputy Secretary. In addition to the monthly reviews, annual information is shared in the Performance and Accountability Report. It is a VBA-wide effort and commitment to reduce the occurrence of improper payments.

1. Two Benefit Programs: Compensation and Pension
VBA is committed to ensuring agency managers are held accountable for reducing and recovering improper payments. This is accomplished in a number of ways for the C&P business line. First, regional directors, service center managers, and all management personnel share the same performance standards with respect to the management of delivery of compensation and pension. Non-supervisory field staffs have performance standards that measure them against quality and timeliness standards. Within C&P Service, management and staff are responsible for measuring quality, development of counter measures and training, and development of legislative and technological changes where possible to avoid, reduce, and recover overpayments.

2. Education
Performance accountability measures, including payment accuracy, are set by VBA top management for directors of the offices that process Education claims, and set by the directors for subordinates. Education Service has developed standardized nationwide performance standards including payment accuracy for personnel who process claims.

3. Vocational Rehabilitation & Employment
VR&E Service is currently using the Quality Assurance Review results to track improper payments. There are national performance measures for VR&E employees and managers, which include a fiscal accuracy measure. After the Quality Assurance Team has conducted a review of cases, each regional office is required to submit its certification of compliance on the corrective actions within 90 days from receipt of the QA Review Results Letter. A database was developed and is being populated to track the regional office's compliance to required fiscal corrective actions, including the amount of under and overpayments.

4. Loan Guaranty
Quality of work performed at the RLCs and regional offices that have an LGY presence is of key importance to the LGY program. Performance standards for the directors of these LGY stations include quality standards that cover virtually all facets of the program, accuracy of payments being part of these standards. LGY Service works with the Office of Field Operations to set performance requirements and stretch goals for the LGY quality measures. Award money is available for stations that exceed requirements and achieve the stretch goals.

5. Non-VA Care Fee
VHA has implemented key elements of the IPIA with the focus being placed on the reduction of improper payment. VA's Monthly Performance Review (a process whereby senior VA management brief VA's Deputy Secretary on top VA issues) reports on improper payment recovery data.

During 2007, MQAS conducted Fee Program pilot reviews at three VAMC Fee sites. As a result of these reviews, MQAS developed a comprehensive Fee review audit guide, which will be used in its upcoming 2008 Fee audits. In addition, VAMC facility managers are responsible for responding to audit or review recommendations and implementing corrective action plans as needed.

Based on the OIG report released in 2007, VHA will reevaluate its risk assessment methodology for all programs.

Detail VII

Agency Information Systems and Other Infrastructure:

A. Describe whether the agency has the information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.

1. Two Benefit Programs: Compensation (including Dependency & Indemnity Compensation) and Pension
The agency has information systems and infrastructure to reduce improper payments. The information systems, however, reflect old technology and do not prevent or reduce the size of overpayments to the extent possible. The elimination of batch cycle processing and conversion to real time processing will enable us to discontinue payments up to the day before payment is to be issued. The system will be integrated such that the disability rating decision will be entered once and support the rating, eliminating or substantially reducing errors due to data entry and effective date problems. The amount of retroactive payments is calculated as the award is being prepared and is known to the decision-maker and the authorizer prior to authorizing the payment. Where three signatures are required, the system will have the internal control to ensure that three signatures are present. We will also eliminate problems with the calculation of manual out-of-system payments.

2. Education
Education Service is developing a rules-based automated claims processing system. The goal of this system, when fully implemented, is to automatically process 90 percent of all enrollments and changes in enrollment. While the principal effect of implementation is to reduce processing times, it is also expected to reduce erroneous payments.

In addition, the Training Performance Support System (TPSS), an on-line delivery and record-keeping system for training, is under development and is expected to help improve claims processing performance in the future.

3. Non-VA Care Fee
As mentioned in Detail V, VHA is testing a Fee software solutions product at 10 VAMC Fee sites. After reviewing the results of this pilot, VHA plans on deploying this software at an additional 25 VAMC Fee sites in 2008.

B. If the agency does not have such systems and infrastructure, describe the resources the agency requested in its most recent budget submission to Congress to obtain the necessary information systems and infrastructure.

Funding for TEES ($3.5 million) is included in the 2008 VA budget request. Constraints in resource allocation (both human capital and monetary resources) have hampered any substantial progress to date. Full implementation of TEES will be coordinated with the retirement of VBA's legacy system, the Benefits Delivery Network.

Detail VIII

Describe any statutory or regulatory barriers which may limit the agencies' corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.

1. Two Benefit Programs: Compensation (including Dependency & Indemnity Compensation) and Pension
There are statutory and regulatory barriers that limit our corrective actions in reducing improper payments. Many of these barriers are in the Pension program. Under current governing legislation, adjustments to

payments are effective the first of the month following the month of the change in income or net worth. Additionally, benefits are paid on a prospective basis based on the beneficiary's estimate of anticipated income.

Thus, an award adjustment due to changes in income is always after the fact and creates an overpayment. While this process does create overpayments, we believe it should not be changed since the program meets the requirement to provide income support for current need.

Likewise, the need to provide due process to claimants where adjustment or termination of their award is needed results in continued payment at improper rates for approximately 90 days following discovery. When the award is done, however, adjustment is from the first of the month following the month in which the change in circumstance occurred. Again, we believe that the principles of due process are so important that these continued payments are a cost of administering the program.

2. Non-VA Care Fee
There are no statutory or regulatory impediments that would limit VHA's corrective actions in reducing improper payments.

Detail IX

Additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPIA implementation.

No additional comments.

Definitions–*Key and Supporting Measures and Other Terms*

Definitions of Key Measures

Please note: Key Measures are also defined in the Key Measures Data Table (see page 204).

Annual percent increase of non-institutional, long-term care average daily census using 2006 as the baseline.
The percentage increase is based on the Average Daily Census (ADC) of veterans enrolled in Home and Community-Based Care programs (e.g., Home-Based Primary Care, Contract Home Health Care, Adult Day Health Care (VA and Contract), and Homemaker/Home Health Aide Services). The percentage increase is also based on the number of veterans being cared for under the Care Coordination/Home Telehealth settings.

Average days to complete original and supplemental education claims
This measure represents the elapsed time, in days, from receipt of a claim in the regional processing office to closure of the case by issuing a decision. Original claims are those for first-time use of this benefit. Any subsequent school enrollment is considered a supplemental claim. (Education)

Average days to process – DIC actions
This measure represents the average length of time (in days) it takes to process a Dependency and Indemnity Compensation (DIC) claim from the date the claim is received by VA to the date the claim is completed. The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of claims completed. DIC actions are all Original Service Connected Death Claims (End Product 140) processed. (Compensation)

Average number of days to process TSGLI disbursements
Traumatic Injury Protection Program (TSGLI) is a disability rider to the SGLI program that provides automatic traumatic injury coverage to all service members covered under the SGLI program who suffer losses due to traumatic injuries. TSGLI payments range from $25,000 to a maximum of $100,000 depending on the type and severity of injury. Processing time, calculated as days, begins when the veteran's claim is complete and ends when the internal controls staff approves the disbursement. (Insurance)

Clinical Practice Guidelines Index II
The Clinical Practice Guidelines Index is a composite measure comprised of the evidence and outcomes-based measures for high-prevalence and high-risk diseases that have significant impact on overall health status. The indicators within the Index are comprised of several clinical practice guidelines in the areas of ischemic heart disease, hypertension, diabetes mellitus, major depressive disorder, schizophrenia, and tobacco use cessation. The percent compliance is an average of the separate indicators. As clinical indicators become high performers, they are replaced with more challenging indicators. The Index is now in Phase II. (Medical Care)

Foreclosure avoidance through servicing (FATS) ratio
The FATS ratio measures the effectiveness of VA supplemental servicing of defaulted guaranteed loans. The ratio measures the extent to which foreclosures would have been greater had VA not pursued alternatives to foreclosure. (Loan Guaranty)

National accuracy rate (Compensation core rating work)
This measure assesses claims processing accuracy for compensation claims that normally require a disability or death rating determination. Review criteria include: addressing all issues, Veterans Claims Assistance Act (VCAA)-compliant development, correct decision, correct effective date, and correct payment date if applicable. Accuracy rate is determined by dividing the total number of cases with no errors in any of these categories by the number of cases reviewed. (Compensation)

National accuracy rate (Pension authorization work)
This measure assesses claims processing accuracy for pension claims that normally do not require rating decisions (i.e., determinations and verifications of income as well as dependency and relationship matters). Review criteria include: correct decision, correct effective date, and correct payment date when applicable and Veterans Claims Assistance Act (VCAA)-compliant development. Accuracy rate is

determined by dividing the total number of cases with no errors in any of these categories by the number of cases reviewed. (Pension)

Non-rating pension actions - average days to process
This measure represents the average length of time (in days) it takes to process a pension claim that does not require a rating decision from the date the claim is received by VA to the date the claim is completed. The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of claims completed. Includes the end products (EPs): Disability and Death Dependency Claims (EP 130); Income, Estate and Election Issues (EP 150); Income Verification Match Cases (EP 154); Eligibility Verification Report Referrals (EP 155); and Original Death Pension Claims (EP 190). (Pension)

Percent of graves in national cemeteries marked within 60 days of interment
This measure represents the number of graves in national cemeteries for which a permanent marker has been set at the grave or the reverse inscription completed within 60 days of the interment divided by the number of interments, expressed as a percentage. (Burial)

Percent of patients rating VA health care service as very good or excellent: Inpatient and Outpatient
Data are gathered for these measures via a VA survey that is applied to a representative sample of inpatients and a sample of outpatients. The denominator is the total number of patients sampled who answered the question, "Overall, how would you rate your quality of care?" The numerator is the number of patients who respond 'very good' or 'excellent.' (Medical Care)

Percent of primary care appointments scheduled within 30 days of desired date
This measure tracks the time between when the primary care appointment request is made (entered into the computer) and the date for which the appointment is actually scheduled. The percent is calculated using the numerator, which is all appointments scheduled within 30 days of desired date (includes both new and established patient experiences), and the denominator, which is all appointments in primary care clinics posted in the scheduling software during the review period. (Medical Care)

Percent of respondents who rate national cemetery appearance as excellent
This measure represents the number of survey respondents who agree or strongly agree that the overall appearance of the national cemetery is excellent divided by the total number of survey respondents, expressed as a percentage. (Burial)

Percent of respondents who rate the quality of service provided by the national cemeteries as excellent
This measure represents the number of survey respondents who agree or strongly agree that the quality of service received from national cemetery staff is excellent divided by the total number of survey respondents, expressed as a percentage. (Burial)

Percent of specialty care appointments scheduled within 30 days of desired date
This measure tracks the time between when the specialty care appointment request is made (entered into the computer) and the date for which the appointment is actually scheduled. This includes both new and established specialty care patients. The percent is calculated using the numerator, which is all appointments scheduled within 30 days of desired date, and the denominator, which is all appointments posted in the scheduling software during the review period in selected high volume/key specialty clinics. (Medical Care)

Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence
The measure is the number of veterans served by a burial option divided by the total number of veterans, expressed as a percentage. A burial option is defined as a first family member interment option (whether for casketed remains or cremated remains, either in-ground or in columbaria) in a national or state veterans cemetery that is available within 75 miles of the veteran's place of residence. (Burial)

Prevention Index III
The Prevention Index is an average of nationally recognized primary prevention and early detection interventions for nine diseases or health factors that significantly determine health outcomes. The nine diseases or health factors include: rate of

immunizations for Influenza and Pneumococcal pneumonia; screening for tobacco consumption, alcohol abuse, breast cancer, cervical cancer, colorectal cancer, and cholesterol levels; and prostate cancer education. Each disease has an indicator. Each indicator's numerator is the number of patients in the random sample who actually received the intervention they were eligible to receive. The denominator is the number of patients in the random sample who were eligible to receive the intervention. As prevention indicators become high performers, they are replaced with more challenging indicators. This Index is now in Phase III. (Medical Care)

Progress towards development of one new treatment for post-traumatic stress disorder (PTSD)

Background: Clinical trials include in their construct, clear interim milestone achievements leading to the final phase or conclusion of the trial process. These milestones mark a level of achievement and provide the researchers an opportunity to assess the progress to that point in achieving the end goal and completion of the trial.

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, as in the example of combat. PTSD related to combat exposure is a major concern in the health of the veteran population. The long-term goal of this research is to develop at least one new effective treatment for PTSD and publish the results by 2011.

Rating-related actions - average days to process

The average elapsed time (in days) it takes to complete claims that require a rating decision is measured from the date the claim is received by VA to the date the decision is completed. The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of cases completed. Includes the end products (EPs): Original Compensation, with 1-7 issues (EP110); Original Compensation, 8 or more issues (EP010); Original Service Connected Death Claim (EP140); Reopened Compensation Claims (EP020); Review Examination (EP310); Hospitalization Adjustment (EP320); Original Disability Pension claims (EP180) and Reopened Pension claims (EP120). (Compensation and Pension)

Rating-related compensation actions - average days pending

The measure is calculated by counting the number of days for all pending compensation claims that require a rating decision from the date each claim is received through the current reporting date. The total number of days is divided by the total number of pending claims. Compensation Rating includes all pending claims in the following categories: EPs 110, 010, 020, 140, 310, and 320. (Compensation)

Vocational Rehabilitation and Employment (VR&E) Rehabilitation Rate

The rehabilitation rate calculation is as follows: (a) the number of disabled veterans who successfully complete VA's vocational rehabilitation program and acquire and maintain suitable employment and veterans with disabilities for which employment is infeasible but who obtain independence in their daily living with assistance from the program divided by (b) the total number leaving the program—both those rehabilitated plus discontinued cases with a plan developed in one of three case statuses (Independent Living, Rehabilitation to Employability, or Employment Services) minus those individuals who benefited from but left the program and have been classified under one of three "maximum rehabilitation gain" categories: (1) the veteran accepted an employment position incompatible with disability limitations, (2) the veteran is employable but has informed VA that he/she is not interested in seeking employment, or (3) the veteran is not employed and not employable for medical or psychological reasons.

The results calculation for FY 2007 is shown below:

Base Data

Total number of rehabilitations:	11,008
Discontinued:	6,068
Maximum Rehabilitation Gains	2,025
Discontinued (Excluding MRGs)	4,043

Results Calculation

11,008/(11,008+6,068-2,025) = **73.1%** rehab. rate.

Rehabilitation totals are provided below for the past 5 years:

Year	Employment	Independent Living	Total
2003	7,525	2,024	9,549
2004	8,392	2,737	11,129
2005	9,279	2,734	12,013
2006	9,225	2,892	12,117
2007	8,252	2,756	11,008

Definitions of Supporting Measures

Accuracy of decisions (Services)
This measure represents the percent of cases completed accurately for veterans who receive Chapter 31 (disabled veterans receiving vocational rehabilitation) services and/or educational/vocational counseling benefits under several other benefit chapters. Accuracy of service delivery is expressed as a percent of the highest possible score (100) on cases reviewed. (VR&E)

Accuracy of Vocational Rehabilitation program completion decisions
This measure seeks to ensure the accuracy of decisions made to declare a veteran rehabilitated or discontinued from a program of services. (VR&E)

Achieve adoption of recommendations relative to IT systems in compliance with FISMA, regulations, and policies within one year from issuance of a report
This measure represents the percentage of recommendations made in FISMA reports that are implemented by the Department within 1 year from the date the report is issued. (OIG)

Achieve a professional, competent, and credible reputation as a result of work performed
Customer satisfaction scores (measured on a scale of one through five, with five being the highest possible score) are based on surveys returned to OIG by the principals impacted by investigations, audits, health care inspections, and Combined Assessment Program Reviews. In instances where customer surveys are returned with lower than anticipated ratings, management may follow up with survey participants to identify any issues that caused low ratings and possible solutions. (OIG)

Appeals decided per Veterans Law Judge
This measure represents the total number of decisions, remands, dismissals, and vacaturs issued by the Board of Veterans' Appeals, divided by the total number of Veterans Law Judges. (BVA)

Appeals resolution time (in days)
This measure represents the average length of time it takes the Department to process an appeal from the date a claimant files a Notice of Disagreement (NOD) until a case is finally resolved, including resolution at a regional office or by a final decision by the Board. (BVA and Compensation and Pension)

Attainment of statutory minimum goals for service-disabled veteran-owned small businesses expressed as a percent of total procurement
This number represents the percentage of total dollars spent with service-disabled veteran-owned small businesses based on total dollars reported. Data are obtained from the Federal Procurement Data System–Next Generation (FPDS-NG), provided by the Federal Procurement Data Center at https://www.fpds.gov. (Departmental Management)

Average cost of placing participant in employment
This performance measure is a Common Measure under the President's Management Agenda. The annual cost per participant represents the average cost of providing service to all who utilize federal resources allocated to the VR&E program per fiscal year. VA is working with the Departments of Labor, Education, and Health and Human Services to receive the first release of data in January 2008. (VR&E)

Average number of days to process a claim for reimbursement of burial expenses
This measure represents the average length of time (in days) it takes to process burial allowance claims from the date the claim is received by VA to the date the claim is completed. Claims for reimbursement of burial expenses includes all Burial, Plot, Headstone, Marker, and Engraving Claims (End Product 160) processed. (VBA/Burial)

BVA cycle time
BVA cycle time measures the time a case spends at the Board, other than the time the case file is in the possession of a veterans service organization. (BVA)

Conversion rate of disabled SGLI members to VGLI
This measure represents the rate at which servicemembers who are discharged with a DoD disability rating of 50% or greater and are covered under the Servicemembers' Group Life Insurance (SGLI) program convert to the Veterans' Group Life Insurance (VGLI) program after their separation from military service. (Insurance)

Cost – Obligations per unique patient user
This measure represents the average cost of total obligations for medical care divided by unique patients served. (Medical Care)

Cost per case
This measure represents a unit decision cost derived by dividing BVA's total obligational authority by the number of decisions produced. (BVA)

Cumulative percent of FTEs (compared to total planned) included in Management Analysis/Business Process Reengineering (MA/BPR) studies initiated
The MA/BPR initiative studies the effectiveness and efficiency of select VA non-core support functions over a 6-year time horizon. Each function to be studied has a related number of FTE positions coded as being commercial in nature on the FAIR Act inventory. The measure identifies the cumulative total number of FTE associated with functions for which studies have been initiated and compares that number to the total number of FTE to be studied in the 6-year plan, thus indicating how much progress has been made in completing the 6-year plan. (Departmental Management)

Cumulative percentage decrease in facility traditional energy consumption per gross square foot from the 2003 baseline
A 20 percent energy consumption reduction in facilities is called for in the Energy Policy Act of 2005 by 2015 at a 2 percent per year consumption reduction rate starting in 2006. Traditional energy consumption includes electricity, fuel oil, natural gas, purchased steam, LPG/propane, coal, chilled water, and water. (Departmental Management)

Customer satisfaction – high rating
This measure represents the national percentage of respondents to the education customer satisfaction survey who were "very satisfied" or "somewhat satisfied" with the way VA handled their education benefits claim. (Education)

Customer satisfaction (Survey)
This measure represents the percent of veterans who answered "very satisfied" or "somewhat satisfied" overall with the VR&E program (of those who completed or withdrew from the program). (VR&E)

Deficiency-free decision rate
This goal is based on a random sampling of 5 percent of Board decisions. Decisions are checked for deficiencies in the following categories: identification of issues, findings of fact, conclusions of law, reasons and bases/rationale for preliminary orders, and due process. (BVA)

Dollar value of 1st and 3rd party collections
Medical care received within VHA has a co-payment attached in some cases. This co-payment is referred to as 1st party collections. In addition, for veterans who have other insurance, as appropriate, those insurance companies are billed for services. Those collections are referred to as 3rd party collections. (Medical Care)

E-FATS - Efficiency Foreclosure Avoidance Through Servicing
This efficiency measure represents the ratio of dollars saved as a result of VA Loan Administration FTE successfully intervening on defaulted VA-guaranteed loans compared to the amount of dollars spent by VA on Loan Administration FTE who performed the intervention work. (Loan Guaranty)

Gross Days Revenue Outstanding (GDRO) for third party collections
GDRO compares cash flow and level of receivables. For VHA, it represents the number of days to collect from Third Party payors measured from the Bill Authorization Date to Payment Date. GDRO is widely used in the healthcare industry as it specifically defines the age of outstanding receivables and the number of accounts receivable liquidation days. (Medical Care)

Maintain unqualified audit opinion of financial statements containing no material weaknesses or reportable conditions (Yes/No)
An unqualified or "clean" audit is a complete examination and verification of the Department's financial records and supporting documents. (OIG)

Medical residents' and other trainees' scores on a VHA survey assessing their clinical training experience
The satisfaction survey for residents and other medical trainees assists VHA in determining how well we are achieving VA's academic mission of providing innovative and high-quality health care training for VA and the Nation. The survey results

are used to learn what satisfies medical trainees and to improve the clinical training experience. The sources of this data are the responses to a summary question from the Learners' Perceptions Survey. (Medical Care)

Monetary benefits gained from review of VA activities and processes (dollars in millions)
Monetary benefits represent the actual and potential monetary benefits identified during the conduct of OIG investigations, audits, inspections, and other reviews. (OIG)

Montgomery GI Bill usage rate: All program participants
The MGIB usage rate is derived by dividing the number of veterans who have received MGIB benefits by the number of all veterans who participated in the MGIB program and have separated from active military service, including those veterans who are still within their 10-year eligibility period but have not, as yet, applied for education benefits. (Education)

Montgomery GI Bill (MGIB) usage rate: Veterans who have passed their 10-year eligibility period
The MGIB usage rate is derived by dividing the number of veterans who have received benefits and are beyond their 10-year delimiting date by the number of all veterans who have participated in the MGIB program and whose 10-year period in which to use the benefit has expired. (Education)

National accuracy rate (Compensation authorization work)
This measure represents claims processing accuracy for compensation claims that do not require a rating decision. Review criteria include: addressing all issues, Veterans Claims Assistance Act (VCAA)-compliant development, correct decision, correct effective date, and correct payment date if applicable. Accuracy rate is determined by dividing the total number of cases with no errors in any of these categories by the number of cases reviewed. (Compensation)

National accuracy rate (fiduciary work)
This measure represents the national percentage of field examinations and account audits completed and determined to be technically accurate. The accuracy rate for the Nation is a compilation of the C&P Service's review of a sampling of field examinations and account audits completed by the 57 regional offices. Accuracy rate is determined by dividing the total number of cases with no errors by the number of cases reviewed. (Compensation and Pension)

National accuracy rate (Pension core rating-related work)
This measure represents claims processing accuracy for pension claims that normally require a disability or death rating determination. Review criteria include: addressing all issues, Veterans Claims Assistance Act (VCAA)-compliant development, correct decision, correct effective date, and correct payment date if applicable. Accuracy rate is determined by dividing the total number of cases with no errors in any of these categories by the number of cases reviewed. (Pension)

National Accuracy Rate for burial claims processed
This measure represents the percentage of burial claims (EP 160) completed and determined to be technically accurate. Accuracy rate is determined by dividing the total number of cases with no errors by the number of cases reviewed. (VBA/Burial)

Number of arrests, indictments, convictions, administrative sanctions, and pretrial diversions
This number represents the output resulting from the conduct of an OIG investigation into allegations of criminal activities related to programs and operations of VA or into allegations against senior VA officials and other high profile matters of interest to Congress and the Department. (OIG)

Number of audit qualifications identified in the auditor's opinion on VA's Consolidated Financial Statements
Audits are performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and the requirements of OMB Bulletin No. 06-03, *"Audit Requirements for Federal Financial Statements."* This measure reports how many audit qualifications are identified each year in VA's consolidated financial statements. (Departmental Management)

Number of CAP reports issued that include relevant health care delivery pulse points
Combined Assessment Program (CAP) reviews provide cyclical oversight of VA facilities focusing on the quality, efficiency, and effectiveness of services provided. Pulse points are identified in order

to assess key areas of management concern derived from concentrated and continuing analysis of operational databases and management information. (OIG)

Number of disbursements (death claims, loans, and cash surrenders) per FTE
This measure is calculated by dividing the number of disbursements -- which includes death claims, loans, and cash surrenders -- by the total number of FTE who process those disbursements. (Insurance)

Number of distinct data exchanges between VA and DoD
Data exchanges are defined as the routine transfer of data between DoD and VA using an information technology system. The results data will be verified by monitoring the number of data exchanges via VA network monitoring tools and through the joint VA/DoD Benefits Executive Committee (BEC) and Health Executive Council (HEC). (Departmental Management)

Number of inpatient admissions and outpatient visits at Joint Ventures and significant sites (Facilities providing 500 or more outpatient visits and/or admissions per year)
This measure captures the cumulative total of DoD beneficiaries being seen at VA facilities as outpatients. (A way of collecting data on inpatient admissions has not yet been established.) (Medical Care)

Number of international and domestic benefit reviews conducted to determine the appropriateness of monetary benefits processing for claimants
The Veterans Benefits Administration pays millions in monetary benefits each month to beneficiaries living outside the United States. OIG reviews involve data matching, analysis, and verification of eligibility for beneficiaries living outside the 50 states. Previous reviews at the VA regional office in Manila in 2003, and in Puerto Rico in 2004, identified 5-year savings in excess of $66 million. Additional reviews are scheduled to be conducted in Europe, Mexico, and Canada. (OIG)

Number of material weaknesses identified during the annual independent financial statement audit or separately identified by management
Audits are performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and the requirements of the Office of Management and Budget (OMB) Bulletin No. 01-02, *"Audit Requirements for Federal Financial Statements,"* as amended. This measure reports how many material weaknesses are identified each year in VA's consolidated financial statements. (Departmental Management)

Number of new enrollees waiting to be scheduled for their first appointment (electronic waiting list)
This measure represents the number of veterans that have recently enrolled with the VA healthcare system who have not been scheduled for their first appointment but who have requested an appointment and have been placed on an electronic waiting list until they are scheduled for their first appointment. (Medical Care)

Number of reports issued that identify opportunities for improvement and provide recommendations for corrective action
This measure shows the number of reports issued by the OIG in which substantive corrective actions, in the form of report recommendations, are documented and which require remedial action by the Department. (OIG)

Out of all original claims filed within the first year of release from active duty, the percentage filed at a BDD site prior to a service member's discharge
This is the percentage of original claims filed by separating servicemembers through the Benefits Delivery Discharge (BDD) program. The percentage is determined by dividing the number of claims filed at the BDD sites by the total number of original claims that are filed within 1 year of discharge from service. (Compensation)

Overall satisfaction rate (Compensation)
This measure represents the percentage of respondents to the C&P customer satisfaction survey who were "very satisfied" or "somewhat satisfied" with the way VA handled/is handling their compensation claim. (Compensation)

Overall satisfaction rate (Pension)
This measure represents the percentage of respondents to the C&P customer satisfaction survey who were "very satisfied" or "somewhat satisfied" with the way VA handled/is handling their pension claim. (Pension)

Payment accuracy rate
This measure assesses how well decisions reflect payment at the proper rate for the correct period of time. (Education)

Percentage of beneficiaries that believe their VA educational assistance has been either very helpful or helpful in the attainment of their educational or vocational goal
This draft measure will determine the proportion of beneficiaries who report their VA educational benefits helped them accomplish their educational or vocational goal. (Education)

Percentage of preaward recommendations sustained during contract negotiations
The OIG reviews contracts to determine if lower contract prices could be negotiated to allow for better use of funds. This measure shows the percent of OIG preaward recommendations sustained after negotiation with vendors. (OIG)

Percentage of recommendations implemented to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural changes in VA
This measure represents the percentage of recommendations made in OIG reports that are implemented by the Department in order to improve operations. (OIG)

Percentage of responses to pre- and post-hearing questions that are submitted to Congress within the required timeframe
VA's Office of Congressional and Legislative Affairs monitors on a monthly basis the timeliness of VA's responses to pre-and post-hearing questions received from Congress. (Departmental Management)

Percentage of successful prosecutions
This measure represents those cases referred for prosecution for which a conviction was obtained. (OIG)

Percentage of testimony submitted to Congress within the required timeframe
VA's Office of Congressional and Legislative Affairs monitors on a monthly basis the timeliness of VA's submission of testimony to Congress. (Departmental Management)

Percentage of title 38 reports that are submitted to Congress within the required timeframe
VA's Office of Congressional and Legislative Affairs monitors on a monthly basis the timeliness of VA's submission of title 38 reports to Congress. (Departmental Management)

Percentage of VA employees who are veterans
This is the percentage of employees who are entitled to statutory types of preference in the federal service based on certain active military service. (Departmental Management)

Percent change in earnings from pre-application to post-program employment
This performance measure is a Common Measure under the President's Management Agenda. It measures the percentage change in earnings pre-registration to post-program. VA is working with the Departments of Labor, Education, and Health and Human Services to receive the first release of data in January 2008. (VR&E)

Percent Condition Index (owned buildings)
This measure is calculated by comparing the cost of repair needs to plant replacement value. (Departmental Management)

Percent of admission notes by residents that have a note from attending physician within one day of admission: Surgery
This measure represents the percent of attending physician notes that are entered within one day after admission notes are entered by a resident; this attests to the supervision of residents and ensures a higher level of quality of care. (Medical Care)

Percent of applications for headstones and markers for the graves of veterans who are not buried in national cemeteries processed within 20 days
This measures the timeliness of processing applications for headstones and markers -- using NCA's Automated Monument Application System -- for the graves of veterans who are not buried in national cemeteries. This percentage represents the number of headstones and markers ordered within 20 days of receipt of the application divided by the number of applications for headstones and markers received. (Burial)

Percent of appointments for primary care scheduled within 30 days of desired date for veterans and service members returning from a combat zone
This measure ensures veterans and servicemembers returning from a combat zone have priority access to primary care appointments. (Medical Care)

Percent of compensation recipients who perceive that VA compensation redresses the effect of service-connected disability in diminishing the quality of life
This measure represents the percent of veterans in receipt of compensation who believe that they are justly compensated for the disabilities they incurred in service. (Compensation)

Percent of compensation recipients who were kept informed of the full range of available benefits
This measure represents the national percentage of respondents to the C&P customer satisfaction survey who indicated that VA kept those in need of such information informed of the full range of VA benefits and services available. (Includes both persons applying for and receiving compensation.) (Compensation)

Percent of DIC recipients above the poverty level
This measure represents the percent of DIC recipients who are above the poverty level threshold set by Congress. (Compensation)

Percent of DIC recipients who are satisfied that VA recognized their sacrifice
This measure represents the percent of DIC recipients who believe the DIC benefits they are receiving fairly compensate them for their sacrifice. (Compensation)

Percent of funeral directors who respond that national cemeteries confirm the scheduling of the committal service within 2 hours
This measure represents the percent of funeral directors who respond that the amount of time it typically takes to confirm the scheduling of an interment is less than two hours. (Burial)

Percent of gravesites that have grades that are level and blend with adjacent grade levels
This percentage represents the number of gravesites that are level and blend with adjacent grade levels divided by the number of gravesites assessed. (Burial)

Percent of headstones and markers ordered by national cemeteries for which inscription data are accurate and complete
This percentage represents the number of headstone and marker inscriptions ordered by national cemeteries for which inscription information is correctly and accurately recorded by cemetery personnel divided by the total number of inscriptions ordered. (Burial)

Percent of headstones and markers that are undamaged and correctly inscribed
This percentage represents the number of headstones and markers that are undamaged and correctly inscribed, divided by the number of headstones and markers ordered. (Burial)

Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment
This percentage represents the number of headstones and markers in national cemeteries that are at the proper height and alignment divided by the total number assessed. (Burial)

Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations
This percentage represents the number of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations divided by the total number assessed. (Burial)

Percent of lenders who indicate that they are satisfied with the VA Loan Guaranty Program
This measure represents the percent of VA participating lenders who indicate via survey that they are "very satisfied" or "somewhat satisfied" with the VA Loan Guaranty Program. (Loan Guaranty)

Percent of Montgomery GI Bill participants who successfully completed an education or training program
This draft measure will determine the proportion of Montgomery GI Bill participants who accomplished their education or training goals. (Education)

Percent of participants employed first quarter after program exit
This performance measure is a Common Measure under the President's Management Agenda. It measures the percentage of disabled veterans employed in the first quarter after VR&E program

exit. VA is working with the Departments of Labor, Education, and Health and Human Services to receive the first release of data in January 2008. (VR&E)

Percent of participants still employed three quarters after program exit
This performance measure is a Common Measure under the President's Management Agenda. It measures the percentage of disabled veterans employed in the first quarter after VR&E program exit that were still employed in the second and third quarter after program exit. VA is working with the Departments of Labor, Education, and Health and Human Services to receive the first release of data in January 2008. (VR&E)

Percent of patients who report being seen within 20 minutes of scheduled appointments at VA health care facilities
This measure represents the percent of patients who report in the Survey of Health Care Experiences of Patients that they were seen by the provider within 20 minutes or less of their scheduled appointment time. (Medical Care)

Percent of pension recipients who believe that the processing of their claim reflects the courtesy, compassion, and respect due to a veteran
This measure represents the national percentage of respondents to the C&P customer satisfaction survey who signified that the claims process was carried out in a courteous, compassionate, and respectful manner. (Includes both persons applying for and receiving pension.) (Pension)

Percent of pension recipients who said their claim determination was very or somewhat fair
This measure represents the national percentage of respondents to the C&P customer satisfaction survey who indicated that VA's determination of their claim was "somewhat" or "very" fair. (Includes both persons applying for and receiving pension.) (Pension)

Percent of pension recipients who were informed of the full range of available benefits
This measure represents the national percentage of respondents to the C&P customer satisfaction survey who indicated that VA kept those in need of such information informed of the full range of VA benefits and services available. (Includes both persons applying for and receiving pension.) (Pension)

Percent of respondents who would recommend the national cemetery to veteran families during their time of need
This measure represents the percent of survey respondents who agree or strongly agree that they would recommend the national cemetery to veteran families during their time of need. (Burial)

Percent of servicemembers covered by SGLI
This is the percentage of active duty military servicemembers who are insured by the Servicemembers' Group Life Insurance (SGLI) program. (Insurance)

Percent of severely-injured or ill OEF/OIF servicemembers/veterans who are contacted by their assigned VA case manager within 7 calendar days of notification of transfer to the VA system as an inpatient or outpatient
This measure represents the percentage of OIF/OEF servicemembers that have been contacted by a VA case manager within 7 days of being notified of their transfer into the VA health care system. This measure provides a way for veterans and their families to navigate VA's system of health care and financial benefits and ensures a smooth transition for wounded servicemembers into VA health facilities in a timely and efficient manner. The percentage is calculated monthly and reported regionally on a quarterly basis. This provides a monitoring system to identify process and system issues that can then be resolved in a timely manner. (Medical Care)

Percent of space utilization as compared to overall space (owned and direct-leased)
This measure is calculated by comparing owned and direct-leased square feet not needed to the owned and direct-leased square feet available. (Departmental Management)

Percent of Specially Adapted Housing (SAH) grant recipients who indicate that grant-funded housing adaptations increased their independence
This measure represents the national percentage of SAH grant recipients who indicated via survey that adaptations made to their homes increased their independence of living. (Loan Guaranty)

Percent of tort claims decided accurately at the administrative stage
This measure represents, at the administrative level, the percent of veterans' tort claims decided accurately. The process aims to fairly compensate veterans who have been injured by substandard medical treatment. These veterans will not have to file law suits in federal court. Administrative settlement of meritorious claims will reduce the cost of handling tort claims against the government. (Departmental Management)

Percent of Under Secretaries, Assistant Secretaries, and Other Key Officials who self-certify their teams "ready to deploy" to their COOP site
The goal of this performance measure is to ensure that the highest levels of leadership within the Department know the requirements for maintaining continuity of operations and service to veterans and have plans in place and are ready to relocate to their alternate site if necessary.
(Departmental Management)

Percent of VA beneficiaries receiving financial assistance for medical expenses
This measure represents the percent of beneficiaries whose pension benefit is increased because unreimbursed medical expenses reported reduced their countable income for VA purposes. (Pension)

Percent of veterans in receipt of compensation whose total income exceeds that of like-circumstanced veterans
This measure represents the percent of service-connected disabled veterans in receipt of compensation whose available income and other cash and non-cash resources exceed the total income of similarly situated nonservice-connected veterans. (Compensation)

Percent of veterans returning from a combat zone who respond "yes completely" to survey questions regarding how well they perceive that their VA provider listened to them and if they had trust and confidence in their VA provider
The continual assessment of patient satisfaction tells VHA what patient expectations are and what dimensions of care concern veterans the most. This enables VHA to identify our strengths and to quickly address areas where patients are less satisfied. VHA continues to be a leader in achieving a high level of patient satisfaction. (Medical Care)

Productivity Index
This efficiency measure determines the output generated by VBA FTE nationally and for each regional office. (Compensation and Pension)

Progress towards development of a standard clinical practice for pressure ulcers
Background: Clinical trials include in their construct, clear interim milestone achievements leading to the final phase or conclusion of the trial process. These milestones mark a level of achievement and provide the researchers an opportunity to assess the progress to that point in achieving the end goal and completion of the trial.

The cumulative number of milestones achieved for three clinical trials on pressure ulcers is expressed as a percentage of the total number of milestones. The long-term goal is to develop treatments or interventions that will prevent or lessen the duration and severity of pressure ulcers. (Medical Research)

Rate of high veterans' satisfaction ratings on services delivered
This measure represents the percent of insurance customers who rate different aspects of insurance services in the highest two categories, based on a 5-point scale, using data from the insurance customer survey. (Insurance)

Rating-related pension actions – average days pending
This measure represents the average length of time (in days) that pension claims requiring a rating decision are pending. The measure is calculated by counting the number of days for all currently pending pension claims from the date each claim is received through the current reporting date. The total number of days is divided by the total number of pending claims. Includes the end products (EPs): Original Disability Pension Claims (EP180) and Reopened Pension Claims (EP120). (Pension)

Ratio of non-mission dependent assets to total assets
This measure is calculated by comparing the number of non-mission dependent assets to total assets. (Departmental Management)

Ratio of operating costs per gross square foot
This measure is calculated by dividing operating costs by owned and direct-leased square feet. Operating and maintenance costs are actual costs

based on roads and grounds maintenance, utility plant operations, rent, energy, cleaning and janitorial services, and recurring maintenance and repairs. (Departmental Management)

Ratio of premium rates charged per $1,000 by other organizations compared to the SGLI premium rates charged per $1,000 by VA for similar coverage.
This measure is calculated by comparing the premiums charged by other organizations for $1,000 of similar coverage to the cost per $1,000 of SGLI coverage. (Insurance)

Ratio of premium rates charged per $1,000 by other organizations compared to the VGLI premium rates charged per $1,000 by VA for similar coverage.
This measure is calculated by comparing premiums charged by other organizations for $1,000 of similar coverage to the cost per $1,000 of VGLI coverage. (Insurance)

Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average enlisted service member
The calculation of this measure occurs in two steps: (1) dividing $400,000 (SGLI maximum coverage) by the average salary of the average enlisted service member, which yields the multiple of salary that SGLI covers and (2) then dividing that number by six, which is the multiple of salary that the private sector covers. (Insurance)

Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average officer
The calculation of this measure occurs in two steps: (1) dividing $400,000 (SGLI maximum coverage) by the average salary of the average officer, which yields the multiple of salary that SGLI covers and (2) then dividing that number by six, which is the multiple of salary that the private sector covers. (Insurance)

Serious Employment Handicap Rehabilitation Rate
The serious employment handicap rehabilitation rate calculation is as follows: (a) the number of disabled veterans with a serious employment handicap who successfully complete VA's vocational rehabilitation program and acquire and maintain suitable employment and veterans with disabilities for which employment is infeasible but who obtain independence in their daily living with assistance from the program divided by (b) the total number of disabled veterans with a serious employment handicap leaving the program—both those rehabilitated plus discontinued cases with a plan developed in one of three case statuses (Independent Living, Rehabilitation to Employability, or Employment Services) minus those individuals with a serious employment handicap who benefited from but left the program and have been classified under one of three "maximum rehabilitation gain" categories: (1) the veteran accepted a position incompatible with disability limitations, (2) the veteran is employable but has informed VA that he/she is not interested in seeking employment, or (3) the veteran is not employed and not employable for medical or psychological reasons. (VR&E)

Speed of entitlement decisions in average days
This measure represents the average number of days from the time the application is received until the veteran is notified of the entitlement decision. (VR&E)

Statistical quality index
This is a quality index that reflects the number of correct Loan Guaranty actions, as determined by Statistical Quality Control reviews, expressed as a percentage of total actions reviewed. (Loan Guaranty)

Study subject accrual rate for multi-site clinical trials
The percentage of study sites that reach 100 percent of annual targets for patient recruitment is calculated to ensure that multi-site clinical trials are completed in a reasonable amount of time. Timely completion of studies will ensure that costs are contained and that clinical benefits are not postponed. (Medical Research)

Total annual value of joint VA/DoD procurement contracts for high-cost medical equipment and supplies
This measure represents the dollar value of the amount of purchases made through joint procurement contracts with DoD for high-cost medical equipment and supplies. VA and DoD jointly negotiate procurement contracts to reduce costs through bulk purchasing. (Medical Care)

Veterans satisfaction level
This measure represents the percentage of veterans answering the Loan Guaranty customer satisfaction survey who were "very satisfied" or "somewhat satisfied" with the process of obtaining a VA home loan. (Loan Guaranty)

Definitions of Financial and Other Terms

Accounts payable
This term is defined as the money VA owes to vendors and other federal entities for products and services purchased. This is treated as a liability on the balance sheet. (Financial)

Accounts receivable
This term is defined as the amount of money that is owed to VA by a customer (including other federal entities) for products and services provided on credit. This is treated as a current asset on the balance sheet and includes such items as amounts due from third-party insurers for veterans' health care and from individuals for compensation, pension, and readjustment benefit overpayments. (Financial)

Allowance
This term is defined as the amounts included in the President's budget request or projections to cover possible additional proposals, such as statutory pay increases and contingencies for relatively uncontrollable programs and other requirements. As used by Congress in the concurrent resolutions on the budget, allowances represent a special functional classification designed to include amounts to cover possible requirements, such as civilian pay raises and contingencies. Allowances remain undistributed until they occur or become firm, then they are distributed to the appropriate functional classification(s). (Financial)

Apportionment
This term is defined as a distribution made by the Office of Management and Budget of amounts available for obligation in an appropriation or fund account. Apportionments divide amounts available for obligation by specific time periods (usually quarters), activities, projects, objects, or a combination thereof. The amounts so apportioned limit the amount of obligations that may be incurred. (Financial)

Appropriation
This term is defined as the specific amount of money authorized by Congress for approved work, programs, or individual projects. (Financial)

Appropriation Authority
This term is defined as the authority granted by Congress for the agency to spend government funds. (Financial)

Average daily census
The number is the average number of patients enrolled in the specified programs over the course of the year. Specified programs include Home and Community-Based Care programs (e.g., Home-Based Primary Care, Purchased Skilled Home Health Care, Spinal Cord Injury Home Health Care, Adult Day Health Care (VA and Contract), Home Hospice, Outpatient Respite, Community Residential Care, and Homemaker/Home Health Aide Services). (Medical Care)

Balance sheet
This term is defined as a summary of all the assets the agency owns and the liabilities owed against those assets as of a point in time (the end of the fiscal year for VA is September 30). This statement always shows two consecutive fiscal year snapshots so the reader can compare the information. There is no "owners' equity" in a federal agency as there is in a non-government company. However, we instead report our "net position," which is the amount of unexpended appropriation authority. (Financial)

Budget Authority
This term is defined as the authority provided by law to enter into obligations that will result in immediate or future outlays involving Federal Government funds, except that budget authority does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government. The basic forms of budget authority are appropriations, authority to borrow, and contract authority. Budget authority may be classified by the period of availability (1-year, multiple-year, no-year), by the timing of congressional action (current or permanent), or by the manner of determining the amount available (definite or indefinite). (Financial)

Budgetary resources
Budgetary resources are forms of authority given to an agency allowing it to incur obligations. Budgetary resources include new budget authority, unobligated

balances, direct spending authority, and obligation limitations. (Financial)

CARES – Capital Asset Realignment for Enhanced Services
CARES is the VA program designed to assess veteran health care needs in VHA Networks, identify service delivery options to meet those needs in the future, and guide the realignment and allocation of capital assets to support the delivery of health care services. (Medical Care)

Chief Financial Officers Act of 1990
This legislation was enacted to improve the financial management practices of the Federal Government and to ensure the production of reliable and timely financial information for use in the management and evaluation of federal programs. (Financial)

Exchange Revenue
Exchange revenues arise when a federal entity provides goods and services to the public or to another government entity for a price. (Financial)

Federal Credit Reform Act of 1990
This legislation was enacted to improve the accounting for costs of federal credit programs. (Financial)

Federal Financial Management Improvement Act (FFMIA)
The FFMIA requires agencies to produce timely and reliable financial statements that demonstrate their compliance with federal financial management systems requirements, federal accounting standards, and the U.S. government standard general ledger. If an agency believes its systems are not FFMIA-compliant, it must develop a remediation plan to achieve compliance within 3 years. (Financial)

Federal Information Security Management Act of 2002 (FISMA)
The purposes of this act are to:

- Provide a comprehensive framework for ensuring the effectiveness of information security controls over information resources that support federal operations and assets.
- Recognize the highly networked nature of the current federal computing environment and provide effective governmentwide management and oversight of the related information security risks, including coordination of information security efforts throughout the civilian, national security, and law enforcement communities.
- Provide for development and maintenance of minimum controls required to protect federal information and information systems.
- Provide a mechanism for improved oversight of federal agency information security programs.
- Acknowledge that commercially developed information security products offer advanced, dynamic, robust, and effective information security solutions, reflecting market solutions for the protection of critical information infrastructures important to the national defense and economic security of the nation that are designed, built, and operated by the private sector.
- Recognize that the selection of specific technical hardware and software information security solutions should be left to individual agencies from among commercially developed products. (Information Security)

Federal Information Systems Control Audit Manual (FISCAM)
This manual describes the computer-related controls that auditors should consider when assessing the integrity, confidentiality, and availability of computerized data. It is a guide applied by GAO primarily in support of financial statement audits and is available for use by other government auditors. It is not an audit standard. (Information Security)

Federal Managers' Financial Integrity Act (FMFIA) of 1982
This legislation requires federal agencies to establish processes for the evaluation and improvement of financial and internal control systems in order to ensure that management control objectives are being met. (Financial)

Franchise Fund
VA's fund is comprised of six enterprise centers that competitively sell common administrative services and products throughout the Federal Government. The funds are deposited into the Franchise Fund. The Centers' operations are funded solely on a fee-for-service basis. Full cost recovery ensures they are self-sustaining. (Departmental Management)

Fund Balance with the Treasury
This term is defined as the aggregate amount of funds in VA's accounts with the Department of the Treasury for which we are authorized to make expenditures and pay liabilities. This account includes clearing account balances and the dollar equivalent of foreign currency account balances. (Financial)

Government Management Reform Act of 1994
This legislation was enacted to provide more effective and efficient executive branch performance in reporting financial information to Congress and committees of Congress. (Financial)

Heritage Assets
Heritage Assets are unique and are generally expected to be preserved indefinitely. Heritage assets may have historical or natural significance; be of cultural, educational, or artistic importance; or have significant architectural characteristics. (Financial)

Intragovernmental assets
These assets arise from transactions among federal entities. These assets are claims of the reporting entity against other federal entities. (Financial)

Intragovernmental liabilities
These liabilities are claims against the reporting entity by other federal entities. (Financial)

Inventory
An inventory is a tangible personal property that is (i) held for sale, including raw materials and work in process, (ii) in the process of production for sale, or (iii) to be consumed in the production of goods for sale or in the provision of services for a fee. (Financial)

Management (or internal) controls
This term is defined as safeguards (organization, policies, and procedures) used by agencies to reasonably ensure that (i) programs achieve their intended results; (ii) resources are used consistent with agency mission; (iii) programs and resources are protected from waste, fraud, and mismanagement; (iv) laws and regulations are followed; and (v) reliable and timely information is obtained, maintained, reported, and used for decision making. (Financial)

Material weakness
This term is defined as a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. (Financial)

Memorial Service Network
NCA's field structure is geographically organized into five Memorial Service Networks (MSNs). The national cemeteries in each MSN are supervised by the MSN Director and staff. The MSN offices are located in Philadelphia, Pennsylvania; Atlanta, Georgia; Indianapolis, Indiana; Denver, Colorado; and Oakland, California. The MSN Directors and staff provide direction, operational oversight, and engineering assistance to the cemeteries located in their geographic areas. (Burial)

National Institute of Standards and Technology (NIST) and its Computer Security Division
NIST is a non-regulatory federal agency within the U.S. Commerce Department's Technology Administration. NIST's mission is to promote U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve our quality of life. The Computer Security Division is one of eight divisions within NIST's Information Technology Laboratory. The mission of the Computer Security Division is to improve information systems security. (Information Security)

Net cost of operations
Net cost of operations is the gross cost incurred by VA less any exchange revenue earned from its activities. The gross cost of a program consists of the full cost of the outputs produced by that program plus any non-production costs that can be assigned to the program. (Financial)

Net position
Net position comprises the portion of VA's appropriations represented by undelivered orders and unobligated balances (unexpended appropriations) and the net results of the reporting entity's operations since inception, plus the cumulative amount of prior period adjustments (cumulative results of operations). (Financial)

Net program cost
Net program cost is the difference between a program's gross cost and its related exchange revenues. If a program does not earn any exchange revenue, there is no netting and the term used might be total program cost. (Financial)

Notes to the Consolidated Financial Statements
The notes provide additional disclosures that are necessary to make the financial statements more informative and not misleading. The notes are an integral part of the financial statements. (Financial)

Obligations
Obligations represent the amount of orders placed, contracts awarded, services received, and other transactions occurring during a given period that would require payments during the same or future period. (Financial)

OMB Circular No. A-123
The Office of Management and Budget (OMB) issued Circular No. A-123 to provide guidance to federal managers on improving the accountability and effectiveness of federal programs and operations by establishing, assessing, correcting, and reporting on management controls. (Financial)

OMB Circular No. A-127
The Office of Management and Budget (OMB) issued Circular No. A-127 to prescribe policies and standards for executive departments and agencies to follow in developing, operating, evaluating, and reporting on financial management systems. (Financial)

OMB Circular No. A-130, Appendix III
The Office of Management and Budget (OMB) issued Circular No. A-130, Appendix III to establish a minimum set of controls to be included in federal automated information security programs; assign federal agency responsibilities for the security of automated information; and link agency automated information security programs and agency management control systems established in accordance with OMB Circular No. A-123. (Information Security)

Outlay
Outlay is the amount of checks, disbursement of cash, or electronic transfer of funds made to liquidate a Federal obligation. Outlays also occur when interest on the Treasury debt held by the public accrues and when the Government issues bonds, notes, debentures, monetary credits, or other cash-equivalent instruments in order to liquidate obligations. (Financial)

Program evaluation
This term is defined as an assessment, through objective measurement and systematic analysis, of the manner and extent to which federal programs achieve intended outcomes. (Departmental Management)

Prompt Payment Act
The Prompt Payment Final Rule (formerly OMB Circular No. A-125, "Prompt Payment") requires executive departments and agencies to pay commercial obligations within certain time periods and to pay interest penalties when payments are late. (Financial)

Property, Plant, and Equipment
Property, plant, and equipment consist of tangible assets, including land, that have estimated useful lives of 2 years or more, not intended for sale in the ordinary course of operations, and have been acquired or constructed with the intention of being used, or being available for use, by the reporting entity. (Financial)

PTSD – Post-Traumatic Stress Disorder
PTSD is an anxiety disorder that can occur following the experience or witnessing of life-threatening events, such as military combat, natural disasters, terrorist incidents, serious accidents, or violent personal assaults such as rape. People who suffer from PTSD often relive the experience through nightmares and flashbacks, have difficulty sleeping, and feel detached or estranged. These symptoms can be severe enough and last long enough to significantly impair the person's daily life. Common PTSD stressors in veterans include war zone stress (e.g., combat and exposure to mass casualty situations), the crash of a military aircraft, or sexual assault. VA is committed to providing an integrated, comprehensive, and cost-effective continuum of care for veterans with PTSD. (Medical Care)

Reportable Conditions
This term is defined as matters coming to the auditor's attention that, in the auditor's judgment, should be communicated because they represent significant deficiencies in the design or operation of internal control that could adversely affect the organization's ability to properly record, process, and summarize transactions and comply with applicable laws and regulations. (Financial)

Research and Development
Research and development investments are expenses included in the calculation of net costs to support the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new and improved products and processes, with the expectation of maintaining or increasing national economic productivity capacity or yielding other future benefits. (Financial)

Significant Deficiency
A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles (GAAP) such that there is more than a remote likelihood that a misstatement of the entity's financial statements, that is more than inconsequential, will not be prevented or detected. (Financial)

State Veterans Cemetery
State veterans cemeteries, which complement VA's system of national cemeteries, provide burial options for eligible veterans and their family members. These cemeteries may be established by the States with the assistance of VA's State Cemetery Grants Program (SCGP). The SCGP provides grants to states of up to 100 percent of the cost of establishing, expanding, or improving state veterans cemeteries. (Burial)

Statement of Budgetary Resources
This term is defined as a financial statement that provides assurance that the amounts obligated or spent did not exceed the available budget authority, obligations and outlays were for the purposes intended in the appropriations and authorizing legislation, other legal requirements pertaining to the account have been met, and the amounts are properly classified and accurately reported. (Financial)

Statement of Changes in Net Position
This term is defined as a financial statement that provides the manner in which VA's net costs were financed and the resulting effect on the Department's net position. (Financial)

Statement of Financing
This term is defined as a financial statement that explains how budgetary resources obligated during the period relate to the net cost of operations. It also provides information necessary to understand how the budgetary resources finance the cost of operations and affect the assets and liabilities of the Department. (Financial)

Statement of Net Costs
This term is defined as a financial statement that provides information to help the reader understand the net costs of providing specific programs and activities, and the composition of and changes in these costs. (Financial)

Statement of Written Assurance
A statement of written assurance is required by the Federal Managers' Financial Integrity Act. Each year, the head of each executive agency must prepare a statement that the agency's systems of internal accounting and administrative control fully comply with the requirements of the law, or that they do not comply. In the latter case, the head of the agency must provide a report that identifies (a) the material weaknesses in the agency's system of internal accounting and administrative controls and (b) the plans and schedules for correcting any such weaknesses. (Financial)

Status of Budgetary Resources
This term is defined as the obligations incurred, the unobligated balances at the end of the period that remain available, and unobligated balances at the end of the period that are unavailable except to adjust or liquidate prior year obligations. (Financial)

Stewardship Land
This term is defined as land not acquired for or in connection with items of general property, plant, and equipment. (Financial)

Stewardship Property, Plant, and Equipment (PP&E)
This term is defined as assets whose physical properties resemble those of general PP&E that are traditionally capitalized in financial statements. However, due to the nature of these assets, (1) valuation would be difficult and (2) matching costs with specific periods would not be meaningful. Stewardship PP&E consists of heritage assets, national defense PP&E, and Stewardship Land. (Financial)

Telehealth
This term is defined as the use of electronic communications and information technology to provide and support health care when distance separates the participants. It includes health care practitioners interacting with patients, and patients interacting with other patients. (Medical Care)

Telemedicine
This term is defined as the provision of care by a licensed independent health care provider who directs, diagnoses, or provides clinical treatment via electronic communications and information technology when distance separates the provider and the patient. (Medical Care)

Unobligated Balances
This term is defined as balances of budgetary resources that have not yet been obligated. (Financial)

VA Domiciliary
A VA domiciliary provides comprehensive health and social services in a VA facility for eligible veterans who are ambulatory and do not require the level of care provided in nursing homes. (Medical Care)

VA Hospital
A VA hospital is an institution that is owned, staffed, and operated by VA and whose primary function is to provide inpatient services. Note: Each division of an integrated medical center is counted as a separate hospital. (Medical Care)

VA National Cemetery
A VA national cemetery provides gravesites for the interment of deceased veterans and their eligible family members. VA's 125 national cemeteries are national shrines that are important sites for patriotic and commemorative events.

VA Regional Office
A VA regional office is located in each state plus Puerto Rico and the Philippines. The regional offices receive and process claims for VA benefits. (VBA)

Veterans Integrated Service Network (VISN)
VA's 21 VISNs are integrated networks of health care facilities that provide coordinated services to veterans to facilitate continuity through all phases of health care and to maximize the use of resources. (Medical Care)

Abbreviations and Acronyms

ACSI
American Customer Satisfaction Index

AFGE
American Federation of Government Employees

ALS
Amyotrophic Lateral Sclerosis

AMC
Appeals Management Center

BDD
Benefits Delivery at Discharge

BDN
Benefits Delivery Network

BHIE
Bi-Directional Health Information Exchange

BPA
Blanket Purchase Agreement

BVA
Board of Veterans' Appeals

C&A
Certification and Accreditation

C&P
Compensation and Pension

CAMS
Capital Asset Management System

CAP
Combined Assessment Program

CARES
Capital Asset Realignment for Enhanced Services

CBOC
Community-based Outpatient Clinic

CFS
Consolidated Financial Statements

CHAMPVA
Civilian Health and Medical Program of the Department of Veterans Affairs

CIO
Chief Information Officer

COOP
Continuity of Operations Plan

COTS
Commercial Off-the-Shelf

CPEP
Compensation and Pension Examination Program

CSRS
Civil Service Retirement System

DMDC
Defense Manpower Data Center

DIC
Dependency and Indemnity Compensation

DOOR
Distribution of Operational Resources

EA
Enterprise Architecture

E-GOV
Electronic Government

EVM
Earned Value Management

EVR
Eligibility Verification Reports

EWL
Electronic Wait List

F&FE
Fiduciary and Field Examination

FASAB
Federal Accounting Standards Advisory Board

FASB
Financial Accounting Standards Board

FATS
Foreclosure avoidance through servicing

FECA
Federal Employees' Compensation Act

FERS
Federal Employees Retirement System

FFMIA
Federal Financial Management Improvement Act

FHIE
Federal Health Information Exchange

FISMA
Federal Information Security Management Act

FLITE
Financial and Logistics Integrated Technology Enterprise

FMS
Financial Management System

FRPC
Federal Real Property Council

FSC
Financial Services Center

FTE
Full-time Equivalent

GAO
Government Accountability Office

GPRA
Government Performance and Results Act

GWOT
Global War on Terror

HAC
Health Administration Center

HIPAA
Health Information Portability and Accountability Act

HRPP
Human Research Protection Program

IHS
Indian Health Service

IPIA
Improper Payments Information Act of 2002

IVM
Income Verification Match

JCAHO
Joint Commission on Accreditation of Healthcare Organizations

JFMIP
Joint Financial Management Improvement Program

LGY
Loan Guaranty

LTC
Long-Term Care

MCCF
Medical Care Collections Fund

MSN
Memorial Service Network

MTF
Military Treatment Facility

NAGE
National Association of Government Employees

NCA
National Cemetery Administration

NDMS
National Disaster Medical System

NRP
National Response Plan

OA&MM
Office of Acquisition and Materiel Management

OAI
Organizational Assessment and Improvement

OGC
Office of General Counsel

OIF/OEF
Operation Iraqi Freedom/Operation Enduring Freedom

OLCS
On Line Certification System

OWCP
Office of Workers' Compensation Program

P&F
Program and Financing

PAID
Personnel and Accounting Integrated Data

PAR
Performance and Accountability Report

PART
Program Assessment Rating Tool

PMA
President's Management Agenda

PMC
Pension Maintenance Center

PP&E
Property, Plant & Equipment

PPA
Prompt Payment Act

PTSD
Post-Traumatic Stress Disorder

RPO
Regional Processing Office

RVSR
Rating Veterans Service Representative

SAH
Specially Adapted Housing

SCI
Spinal Cord Injury

SFFAS
Statement of Federal Financial Accounting Standards

SGLI
Servicemembers' Group Life Insurance

SMC
Strategic Management Council

SSA
Social Security Administration

STAR
Systematic Technical Accuracy Review

TBI
Traumatic Brain Injury

TOP
Treasury Offset Program

TSGLI
Traumatic Injury Protection

VAMC
VA Medical Center

VARO
VA Regional Office

VBA
Veterans Benefits Administration

VETSNET
Veterans Services Network

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