is sent daily through the Department of the Treasury's Electronic Certification System. During FY 2004, the travel management program processed over 105,000 transactions, disbursed payments of over $19 million and earned over $300,000 in rebates compared to over $223,000 during FY 2003.

VA's FSC staff continued to provide vendor payment history on the Internet. Currently, the Vendor Inquiry System (VIS) Internet application stores almost 2 years of information on invoices. Once vendors complete an authentication process, they can access a secure Web site to view payment information for their company. Currently, there are 6,270 registered vendors who have made over 319,000 requests in FY 2004 and a total of over 619,000 requests since VIS's inception in April 2003. The VIS provides FSC vendors an easy-to-use tool for immediate access to their payment information 24 hours a day without having to call and wait for a person to provide payment information. The VIS has also improved customer service efficiency of the FSC staff by handling many routine inquiries and freeing staff to work the more difficult issues for customers.

The FSC also continued to improve the Intranet online invoice certification process that allows invoices to be certified electronically by VA facilities and schedule them for payment. VA's On Line Certification System (OLCS) allows the FSC to notify certifying officials via e-mail of any invoice requiring payment certification. Through the Intranet, the certifying official can view, certify, and forward the invoice to the FSC for payment processing, reducing the processing time to hours rather than days. During 2004, functionality was enhanced to add the Fund Control Point Clerk to the processing workflow as well as the capability to work rejected invoices at the station level. The FSC expanded the certified invoice service throughout the Veterans Health Administration (VHA) in 2004 and implemented OLCS at all facilities as part of the VHA payment centralization initiative. That brought the number of OLCS users to more than 9,000 VA employees. The FSC is currently working with the Veterans Benefits Administration to centralize their payments at the FSC.

Improper Payments Information Act of 2002

(Summary of Implementation Efforts for FY 2004 and Agency Plans for FY 2005 through 2007)

Overview

VA identified 19 programs, totaling $58.214 billion, for review under the Improper Payments Information Act of 2002 (IPIA). Two programs, Housing and Vocational Rehabilitation and Employment, were not able to be reviewed during the FY 2004 cycle. These programs will be reviewed during FY 2005. A risk assessment of all 19 VA programs was accomplished, but it was decided that statistical sampling would be performed on all programs.

The statistical samples revealed that 12 of the programs had estimated improper payments less than $10 million; thus, no report was required for these programs. The remaining five programs either had estimated improper payments exceeding $10 million or were programs previously identified in the former Section 57 of Office of Management and Budget Circular A-11. The five programs include Compensation, Dependency and Indemnity Compensation (which is reported as part of Compensation), Pension, Insurance, and Education. Further details are provided in Part IV starting on page 270.

Accomplishments

Because of the importance of all programs identified for review relative to the IPIA, VA designated a senior official to be responsible for implementing IPIA. VA's Assistant Secretary for Management (Chief Financial Officer) is the VA official responsible for establishing policies and procedures to assess VA program risks of improper payments, taking actions to reduce those payments, and reporting the results of those actions to VA management. Managers of all programs identified for review are aware of the importance of the IPIA. Seventeen of the 19 programs identified for review completed the required statistical sampling during 2004, in accordance with VA's IPIA plan. In addition, VA also used quality reviews to correct systemic problems, identified reports needed and training needs, piloted a prototype automated claims processing system, and identified accountability for the quality of claims processing.

Plans to Accomplish

Efforts are ongoing to rewrite regulations into clear and understandable language, develop an automated claims processing system for Education, consolidate pension workload processing, improve matching programs with other Government agencies, improve quality reviews to identify error trends and causes, and improve training programs for rating specialists. The goal is to reduce the amount of erroneous payments in all programs.

Financial Management Systems Framework

The Department's strategy, defined about 12 years ago, is based on goals to replace outdated and noncompliant systems with more modern, commercial off-the-shelf (COTS), Joint Financial Managers Improvement Program (JFMIP)-compliant systems based on new technology. In the last 7 years, the strategy was enhanced to incorporate business process reengineering in the requirements, acquisition, and development and implementation phases of projects.

VA's updated financial systems inventory provides details on all major financial and mixed systems. The major financial system initiatives funded by the Department over the last 12 years to achieve VA's strategic goals have included:

• The Financial Management System (FMS), a project to replace VA's 1970's central accounting system. In the FMS initiative, completed in 1995, VA successfully met its stated objectives and implemented FMS as its single, core accounting system based on a certified COTS, JFMIP-compliant system with interfaces to all other VA payment and accounting systems. In the succeeding, post-implementation years, VA completed several studies and determined there were remaining inefficiencies in the overall financial management processes, areas of noncompliance in our mixed systems, and new mission business requirements that could not be supported economically in the current systems. As a result, in 1998, VA began another initiative, the Core Financial and Logistics System (CoreFLS), to determine how best to address these weaknesses while continuing VA's overall strategy.

• CoreFLS was a project to replace FMS and the Integrated Funds Distribution, Control Point activity, Accounting and Procurement system, and other financial and logistics systems interfacing to FMS with a fully integrated system comprised of COTS software. Although piloted at three sites during FY 2004, pilot