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The Department's strategy, defined about 12 years ago, is based on goals to replace outdated and noncompliant systems with more modern, commercial off-the-shelf (COTS), Joint Financial Managers Improvement Program (JFMIP)-compliant systems based on new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

activities were phased out. Consequently, VA is proceeding with a plan to support an enhanced CoreFLS program moving forward to full deployment at VA facilities nationwide. For key early components of the plan, see page 38.

- VA is participating in the Federal-wide plan to consolidate Federal payroll services and processes that is included in the President's Management Agenda for Improving Internal Efficiencies and Effectiveness. VA has been aligned with the Defense Finance and Accounting Service as its future payroll provider.

VA's financial system recent accomplishments and plans for the next 5 years are detailed as follows.

Financial Management System (FMS) Accomplishments and Plans

As part of its financial systems strategy, VA is continuing migration of core accounting functions from mixed systems to the current core accounting system as opportunities arise. VA has already migrated small and manual benefit systems accounting to FMS. As the major benefit systems are replaced or modernized, the financial components of those systems will be made JFMIP- and Standard General Ledger-compliant or will be migrated to FMS.

A significant accomplishment in FY 2004 was the final accreditation of FMS by the VA Chief Information Officer on April 4, 2004. This accreditation provides full authorization for VA to operate FMS until April 1, 2007, unless a significant change warrants an earlier re-certification. Another major initiative planned for FMS and VA's other financial management systems was to implement the Department's proposed new budget structure. Although approval was not received from Congress to institute this new budget structure aligned with VA's major business lines effective for FY 2004, Congress did authorize a major restructure of the Veterans Health Administration

(VHA) budget. The successful realignment of the VHA budget structure was a significant accomplishment in FY 2004. FMS staff also completed work necessary to redefine various VHA funds in FMS (Nursing Home, Pershing Hall Extended Care, and Enhanced Use Lease Proceeds) to individual Medical Care Collection Fund collection accounts. VHA began using these new collection accounts effective October 2004. Following the decision to revert the Bay Pines VAMC and the two additional pilot sites that operated under CoreFLS during FY 2004 to FMS, substantial work was completed to successfully revert these sites in October 2004.

VA plans to continue operation of FMS as the Department's core financial management system through FY 2009, at which time CoreFLS will be fully operational.

CoreFLS Accomplishments and Plans

Although the Bay Pines VAMC and two other pilot sites began piloting the program in October 2003, the CoreFLS pilot was suspended in July 2004. The pilot was designed to test a new computerized financial management and logistics system and to highlight the strengths and weaknesses of certain commercial off-the-shelf technology programs in a complex medical environment. The target phase-out date of October 1 was established for the pilot program at Bay Pines and the two other pilot sites to return to VA's existing Financial Management System. An executive project committee, chaired by VA's Assistant Secretary for Information and Technology and made up of senior leaders of the Department, is examining the results of the CoreFLS pilot program at Bay Pines and the other two pilot sites and will make recommendations to the VA Secretary concerning the future of the program. CoreFLS was intended to comply with the Federal Financial Management Improvement Act of 1996, which required all governmental agencies to

integrate their financial management systems based on available commercial, off-the-shelf programs.

PAID Accomplishments and Plans

As part of VA's strategy to ensure the legacy payroll and HR systems (i.e., PAID and related systems) will still be useable for the next 5 to 10 years, VA has completed the following activities:

Following the successful implementation of Employee Express (EEX) in FY 2003, VA automated interfaces from EEX to PAID. This has allowed VHA to reassign staff at the VA Health Revenue Center (HRC) from duties relating to employee self service to cost recovery and revenue generation tasks. In May 2003 the HRC had 88 FTE supporting employee self service, and as of May 2004, only 8 FTE were supporting EEX. The recurring costs for VA's previous employee self-service system were approximately $3.8 million in FY 2003; VA's FY 2004 costs for EEX were $775,000, an annual savings of $3.025 million.

PAID received final accreditation by the VA Chief Information Officer on January 13, 2004. This accreditation provides full authorization for VA to operate PAID until December 10, 2006, unless a significant change warrants an earlier recertification.

VA made substantial progress in completing the Web-enabling of its HR system user interface. Nationwide roll-out of the Web interface was scheduled to begin in mid-October 2004 with all sites implemented by the end of the calendar year. Seventy deferred requirements were successfully completed for PAID, including:
• Implementation of "labor distribution" and new VHA accounting structure.
• Expansion of garnishment fields.
• Addition of a "telework" indicator and report.

• Advance notice when mandatory retirement date is near for certain law enforcement officers and firefighters.
• Changes to allow additional report distribution options for integrated stations.

Nine of the deferred requirements remain to be implemented and will be incorporated into the e-Payroll initiative.

Extending the Service Life Initiatives

Commensurate with work on the e-Payroll initiative, VA has begun planning for the following three initiatives to be completed by September 2005 in an attempt to extend the service life of PAID and related systems for the next 5 to 10 years:

Web-Reports (design, development, and implementation of a Web-based reporting tool for extraction of data from PAID). This initiative will use a relational database to create reports. It will also acquire and deploy Web-based reports and tools to improve human resources and payroll reporting. A pilot was completed in March 2004. Because of the need to focus resources on the e-Payroll initiative, further development on the Web-Reports has been deferred and will be incorporated into the e-Payroll project plan.

Web-Time & Attendance (development of a Web-based time and attendance (T&A) system for VA employees). This initiative will improve customer access and usability, contain better cost distribution and reporting features, contain modern graphical user interfaces, and feature drop-down menus, radio buttons, and online help. In support of e-Payroll, VA is soliciting technical support to assist in defining the functional requirements that a modern time and attendance system for VA must support.

Modernize the OLDE Infrastructure (convert the OLDE database to a relational database and use this database for the Web-Reports and Web-T&A initiatives). This initiative will improve the ability of PAID customers to share data between systems (e.g., accounting systems) and improve VA's ability to meet reporting needs. Given the movement to DFAS as VA's e-Payroll provider and the planned future migration under the eHR Line of Business initiative, the database conversion portion has been abandoned.

e-Payroll Accomplishments and Plans
### FY 2004 Accomplishments

Following the decision to align VA with the Defense Finance and Accounting Service (DFAS), VA has provided DFAS with high-level VA requirements for payroll and related services. This has included detailed requirements of earnings and deductions for the diverse types of VA employees as well as the requirements for using VA appropriations to issue payments to/on behalf of these employees. VA also provided DFAS with business processes for payroll, benefits, and human resources along with the associated policies and procedures. VA and DFAS have identified differences/gaps in processes between the two agencies. This fit-gap analysis is being negotiated for final resolution in early FY 2005. Internally, VA will be analyzing its "time and attendance" processes, in conjunction with this initiative, in order to provide necessary interfaces to DFAS and to evaluate the long-term support options regarding VA's decentralized Electronic Time and Attendance system (ETA). VA has also begun work to finalize a migration schedule and overall milestone plan based on a phased approach. Subsequent to conversion, VA's PAID system will continue to be used for HR processes until VA and other agencies migrate to the integrated HR and payroll system that is expected to be available under the eHR Line of Business.
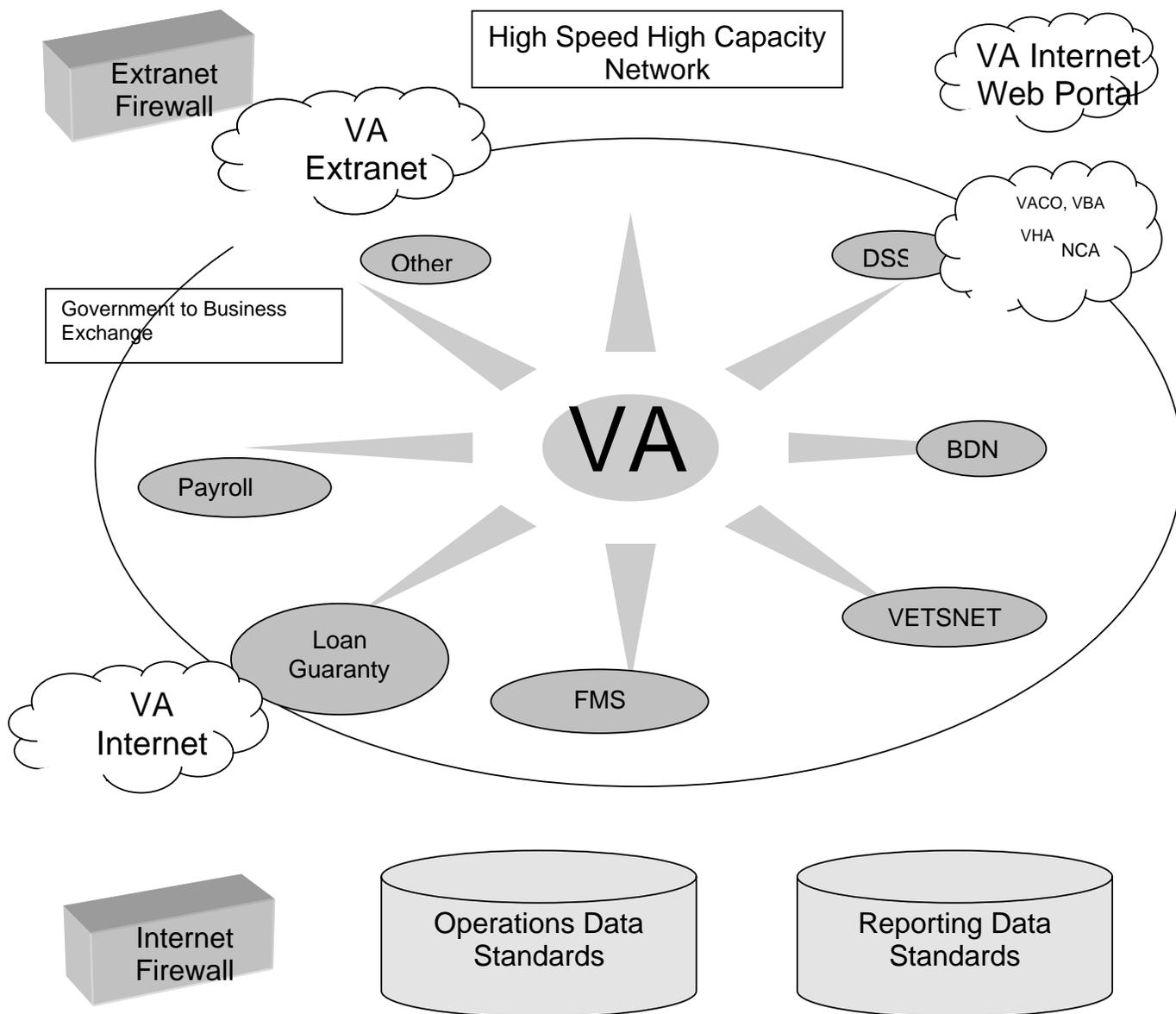
e-Travel Accomplishments and Plans
FY 2004 Accomplishments

Use of VA's existing travel systems continued in FY 2004, including PCTravel, Gelco, and Zegato. VA began working with the General Services Administration (GSA) in July 2004 on efforts to migrate to the government eTS travel solution. The GSA eTS system will allow travelers and/or travel arrangers to electronically prepare and submit travel information using a Web-based system and access an online booking engine for trip planning. VA is focusing efforts on evaluation and selection of one of the three GSA eTS vendors available on the GSA master contract. VA has established an e-Travel steering committee and evaluation panel to assist in this initiative. The steering committee will monitor project status, address issues presented by the evaluation panel, and recommend selection of a specific vendor to VA executives. The evaluation panel has completed the acquisition plan, test scenarios, and request for quote and will be involved in analyzing, reviewing, and testing the available vendor solutions. VA plans to complete the evaluation of eTS vendors in November and recommend a final award by December 31, 2004, in accordance with the GSA-mandated timeline. Final implementation of the approved vendor would proceed in FY 2005 and be completed by September 2006.

VA Financial Management Systems
Current Functional Model
FY 2004
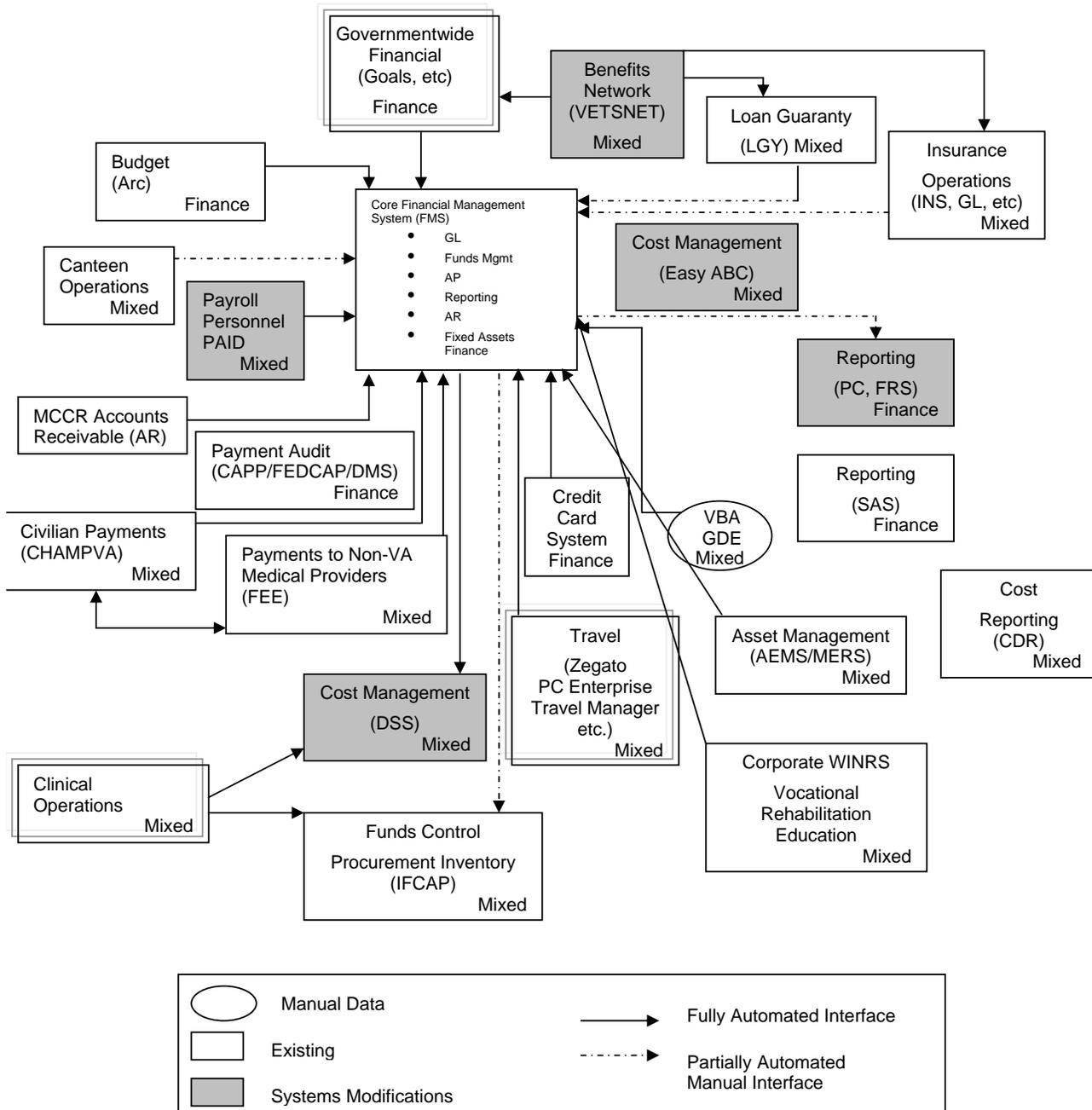
FINANCIAL AND LOGISTICS MANAGEMENT SYSTEMS MODEL FY 2005
Supporting
Veterans Health Administration, Veterans Benefits
Administration and National Cemetery Administration

Extranet Firewall

High Speed High Capacity Network

VA Internet Web Portal

VA Extranet

VACO, VBA
VHA   NCA

Other

DSS

Government to Business Exchange

VA

BDN

Payroll

VETSNET

Loan Guaranty

FMS

VA Internet

Internet Firewall

Operations Data Standards

Reporting Data Standards

VA is Building a High Capacity Network and Developing
Corporate Standards for Architecture, Data and Security

Other Systems Accomplishments and Plans

Electronic Commerce (EC)/Electronic Data Interchange (EDI) System. EC/EDI uses commercially available, off-the-shelf software and national standards to move mission-critical information between VA and each of its trading partners — which includes vendors, mortgage service providers, and health care entities. EC/EDI also provides for internal exchange of information among VA application systems. Electronic data transfers enable program offices to restructure their work processes, take advantage of the accuracy and timeliness of electronic data, and concentrate on service objectives.

VA's Financial Services Center (FSC) provides EDI services to process VHA Medical Care Cost Recovery (MCCR) health care billings. The FSC is also supporting VHA initiatives such as electronic Insurance Identification and Verification (e-IIV), electronic Pharmacy (e-Pharmacy), electronic Medicare Remittance Advice (e-MRA), and the MCCR lockbox initiative for recording receipt of payments for billed items. Additionally, the FSC provides EDI services to assist the Veterans Canteen Service in receiving and processing invoices.

The FSC will continue to support VA's efforts to increase cost savings and program efficiencies through the expansion of electronic data transfers in VA applications. The FSC will also continue to support VHA's efforts to comply with EC/EDI mandates identified in the Health Insurance Portability and Accountability Act (HIPAA) of 1996. The FSC recently procured software to electronically ensure the validity of data with regards to HIPAA compliancy.

In addition to VHA, the FSC provides EC services to VA's Denver Distribution Center for invoices and payment vouchers, and to VA's subsistence prime

vendor program. Furthermore, VBA benefits from FSC EC services in the FSC's handling of loan processing, identifying the status of loan defaults, and processing loan guaranty certificates.

Tasks	Target Dates
Support MCCR lockbox receipt of payments.	FY 2005
Support (by providing both development and production support services) VHA's HIPAA compliance efforts.	FY 2005
Support EDI production projects on a continuing basis.	FY 2005 - FY 2009

On-line Certification System (payment certification). The FSC developed the On-line Certification System (OLCS) in FY 2000. The OLCS application, based on input and suggestions from FSC customers, provides a simple, effective method for certifying officials to view and certify invoices without having to manually route paper invoices. Under OLCS, vendors send invoices directly to the FSC. Within 24 hours, an invoice is scanned into the FSC's document management system (DMS), given a document locator number, and indexed with the information required to process the invoice. The DMS is the FSC's optical imaging system used to route and process all documents in a paperless form. Once scanned, the invoice becomes an electronic image that can be stored for the remainder of its useful life. The OLCS allows officials in the field to have access to invoices requiring certification. When invoices are received at the FSC, the system sends an e-mail notification to certifying officials and provides information on how to access the invoices. This application received an *e-GOV 2000 Trailblazer* award. The OLCS was further improved in FY 2004 with system enhancements to allow VA activities to process rejected invoices online and by adding functionality to

permit review of invoices by fund control personnel at the VA activity. Approximately 11,700 employees currently use the OLCS within VA.

The OLCS was an essential enabler in permitting VA to successfully centralize VHA certified invoice payment processing to the FSC in FY 2004. Certified invoices sent to the FSC for processing are managed by certifying officials through the OLCS and then paid by the FSC. As a result, VA has realized a tremendous increase in the efficiency of the payment process resulting in significant savings in resources. At the same time, the OLCS and centralization has substantially reduced interest penalties and increased discounts earned.

The FSC's certified payments process represents a full life cycle of services performed from the time the FSC receives an invoice until the Department of the Treasury (Treasury) renders proper payment. The services include processing cancelled checks, check tracers, vendor re-certifications, rejects and adjustments, inquiries, vendor reclaims, bills of collection, Treasury offsets, tax levies, and fax-hold followups. The FSC provides these services in compliance with applicable VA regulations and directives and the Prompt Payment Act.

Tasks	Target Date
Implement programming enhancements based on customer feedback.	Ongoing

Document Management System (DMS). The FSC implemented an imaging system, referred to as the DMS, in May 1994. The DMS allows the FSC to provide a paperless work environment, reduce physical storage needs, and process high volumes of documents. Documents are stored on optical platters and can be retrieved in seconds. Backups are stored offsite.

Initially, DMS was used to process commercial payments and inquiries. Subsequently, the FSC's use of DMS has been expanded to include other functions such as vendorizing requests, Federal accounts, preparation of the SF-224 report, and OLCS. Additionally, the DMS has shown potential in storing and retrieving finance records, official personnel folder data, contract files, and legal documents.

VA's Franchise Fund Board of Directors approved the FSC's FY 2005 business plan, which further refined the FSC's plan to offer DMS as a product line. The FSC currently provides storage and retrieval services via the Intranet to VA customers and provides the same types of services to other government agencies (OGA) via the Internet.

Tasks	Target Dates
Add new OGA and VA customers.	FY 2005 – FY 2009
Upgrade DMS.	FY 2005
Provide program support for DMS.	FY 2005 – FY 2009