



November 17, 2008

To the President of the United States, President of the Senate,  
President Pro Tempore of the Senate, and Speaker of the House of  
Representatives:

I am pleased to submit the *Department of Veterans Affairs (VA) FY 2008 Performance and Accountability Report*. The report documents the Department’s progress towards meeting its performance goals, which are aimed at providing America’s veterans with the best in benefits and health care services.



In 2008, with approximately \$97.0 billion in obligations and approximately 250,000 employees, VA achieved numerous accomplishments that helped improve the quality of life for America’s veterans and their families. Our major accomplishments are summarized below by major business line.

### **Medical Services: *Delivering High-Quality Health Care***

VA is working to maintain its status as the highest-rated health care provider in America. Workload has increased significantly over the past 8 years, rising from 3.8 million unique patients in 2000 to more than 5.5 million in 2008. Our commitment to delivering timely, high-quality health care to America’s veterans remains a top priority. In 2008, VA achieved key results to help meet the needs of veterans:

- **Patient Access**: In 2006, 94 percent of primary care appointments were scheduled within 30 days of the patient’s desired appointment date. In 2008, 98.7 percent of primary care appointments were scheduled within 30 days of the desired appointment date.
- **Quality of Health Care**: VA attained scores of 84 percent and 88 percent for the Clinical Practice Guidelines and Prevention Index, respectively. These indices are nationally recognized industry standards used to measure quality of health care.
- **Rural Health**: In rural areas where it is not feasible to establish a medical center or outpatient center, VA established the Rural Mobile Health Care Clinics pilot project to improve access to primary care and mental health services. The project has outfitted four new mobile health clinics to serve veterans in 24 predominately rural counties throughout Colorado, Nebraska, Wyoming, Maine, Washington, and West Virginia.
- **Suicide Hotline and Suicide Prevention**: Suicide is the 11th most frequent cause of death in America. Vet Centers and VA Medical Centers are ready to help veterans at risk for suicide. VA continued to operate a national suicide prevention hotline to provide veterans in emotional crisis with free, 24/7 access to trained counselors. To operate the hotline, VA partners with the U.S. Department of Health and Human Services’ Substance Abuse and Mental Health Services Administration.
- **Traumatic Brain Injury**: VA has developed innovative treatment for combat veterans returning from Iraq and Afghanistan. Recent developments include:
  - Developing a mandatory traumatic brain injury (TBI) training course for all VA health care professionals.
  - Instituting a program to screen all patients who served in the Operations Enduring Freedom and Iraqi Freedom (OEF/OIF) combat theaters for TBI.
- **AW2 Advocates**: In 2006, VA began hosting Army Wounded Warrior (AW2) Advocates at key VA medical centers. Advocates work closely with Network Polytrauma Sites and OEF/OIF Teams to provide transition assistance and community support to injured/ill soldiers, veterans, and their families. By December 31, 2008, AW2 Advocates will be in place at 59 VA medical centers.



- **Call Center:** In May 2008, VA began contacting nearly 570,000 recent combat veterans to inform them of VA’s medical services and other benefits. In the first phase, calls were made to approximately 15,500 veterans who were sick or injured while serving in Iraq or Afghanistan. VA offered to appoint a case manager to ensure that they receive appropriate care and know about their VA benefits. The second phase launched in June is targeting 550,000 OEF/OIF discharged veterans who had not contacted VA for services.
- **VA Nursing Academy:** VA’s Nursing Academy established six new partnerships with the country’s leading nursing schools. Through these partnerships, VA has increased the number of nursing students coming to VA facilities for clinical experiences and the number of baccalaureate degree nursing graduates who are making VA their first choice of employment after graduation.

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

VA is providing compensation and pension benefits to nearly 3.8 million veterans and beneficiaries. In 2008, VA processed more than 899,800 claims for disability benefits. Despite greater workload, VA achieved a number of significant positive performance results in the benefits delivery area:

- **Increasing Workforce:** Hired nearly 2,000 additional employees to process compensation and pension claims to reduce the backlog and improve claims processing timeliness.
- **Benefits Adjustments:** Adjusted compensation benefits for more than 37,000 veterans entitled to Combat Related Special Compensation or Concurrent Retired and Disability Pay.
- **Seamless Transition:** Received more than 47,000 pre-discharge claims in 2008 through its Benefits Delivery at Discharge (BDD) program and the newly introduced Quick Start program. Servicemembers who are within 60-180 days of discharge and who are available for examination prior to discharge can participate in the BDD program. Since VA rates disabilities while the servicemembers are still in military service, the BDD allows disability benefits to be awarded very soon after discharge. The Quick Start program was introduced so that servicemembers with fewer than 60 days to discharge or who do not meet the BDD criterion requiring availability for all examinations prior to discharge can submit a claim prior to discharge. In August, VA began processing all BDD claims in a paperless environment.
- **Quality:** Increased to 92 percent the national accuracy rate for authorization work for pension claims, compared to 91 percent in 2007.
- **Timeliness:** Processed insurance disbursements in an average of 1.6 workdays – significantly better than the industry average of 5.7 workdays.
- **Education:** Provided education benefits to approximately 539,000 students. Twenty percent of these students received VA education benefits for the first time. The number of students receiving education benefits continues to climb, with claims increasing 10 percent over the 2007 level to approximately 1.6 million in 2008.

### **Cemeteries: Honoring Veterans for Sacrifices on Behalf of the Nation**

VA honors the service and sacrifices of America’s veterans through the construction and maintenance of national cemeteries as national shrines. In 2008, VA maintained more than 2.9 million gravesites at 158 properties, including 125 national cemeteries and 33 other cemeterial installations. In this context, the Department accomplished the following:

- **Opened Four Cemeteries:** Through the funding of four new State veterans cemeteries in Glennville, Georgia; Anderson, South Carolina; Des Moines, Iowa; and Williamstown, Kentucky, VA increased to 84.2 percent the proportion of veterans served by a burial option within a reasonable distance (75 miles) of their residence -- up from 83.4 percent in 2007.



- **Six to Open Next Year:** Continued progress in establishing six new national cemeteries to serve veterans in the areas of Bakersfield, California; Birmingham, Alabama; Columbia, South Carolina; Jacksonville, Florida; Sarasota, Florida; and Philadelphia, Pennsylvania as part of the Department’s largest expansion of its system of national cemeteries since the Civil War era. These cemeteries are expected to begin operations in 2009 and will provide service to about 1 million veterans.
- **Timeliness:** Achieved a 93 percent threshold of the proportion of graves in national cemeteries marked within 60 days of interment, a remarkable improvement when compared to the 49 percent level of 2002.
- **Quality:** Ninety-eight percent of survey respondents rated national cemetery appearance as “excellent.”

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

In 2008, VA implemented various key initiatives to help ensure the successful transition of our returning military men and women to civilian life. Initiatives included the following:

- Began a Disability Evaluation pilot in the national capital region wherein the servicemembers undergo a single medical examination to aid in determining benefits.
- Evaluated and responded to several recommendations contained in the Interim Report of the Advisory Committee on OIF/OEF Veterans and Families.
- Identified San Antonio, Texas, for the location of a fifth polytrauma center to assist severely injured OEF/OIF veterans.

### **Advisory Committee on Gulf War Veterans**

In 1991, Gulf War veterans made an invaluable contribution to national security and peace in a volatile region. The Advisory Committee on Gulf War Veterans, established in April 2008, will advise the Secretary on the full spectrum of health care and benefits issues that confront veterans who served in the Gulf War. The Committee pays particular attention to issues that are unique to these veterans and expects to complete its work by January 2010.

### **VA/DoD Collaboration: *Working Together to Serve our Veterans***

In 2008, VA and DoD collaboration efforts were focused on the following:

- Developing implementation plans to improve the delivery of benefits and health care services to servicemembers and veterans, and developing reports in accordance with the 2008 National Defense Authorization Act. This work has been codified in the VA/DoD Joint Strategic Plan for FY 2009-2011.
- Developing a joint Traumatic Brain Injury (TBI) Center of Excellence at the Walter Reed National Military Medical Center in Bethesda, Maryland. When completed, this will be a state-of-the-art facility dedicated to the support and treatment of complications arising from TBI.
- Other initiatives are underway to address serious injuries such as amputations, spinal cord injuries, and blindness.

### **Finance: *Ensuring Proper Stewardship of Taxpayer Dollars***

VA is extremely proud to have obtained an unqualified audit opinion on our financial statements for the tenth consecutive year. VA remains committed to aggressively pursuing improvements in our business processes and remediating our material weaknesses. We have made significant strides in improving our financial systems and operations. VA further enhanced its automated financial reporting capabilities by completing implementation of all phases of the Financial Reporting Data Warehouse project, enabling VA to capture transaction details from targeted interfacing systems and reconciling the data reported in



the VA Financial Management System. In addition, the Financial and Logistics Integrated Technology Enterprise (FLITE) Program completed its Planning Phase and will begin the Execution Phase in 2009 with pilot implementation for asset management at the Milwaukee VAMC. Financial operational improvements were realized through our efforts to provide more definitive and consistent financial policies and guidance as well as to assess and improve financial and business processes and related internal controls. Initiatives such as these improve our efforts toward our goal of "getting to green" on the President's Management Agenda. Proper stewardship and accountability over the resources entrusted to us by the American people to care for our Nation's veterans and their families demands nothing less.

### **Data Quality: *Assuring Completeness and Reliability***

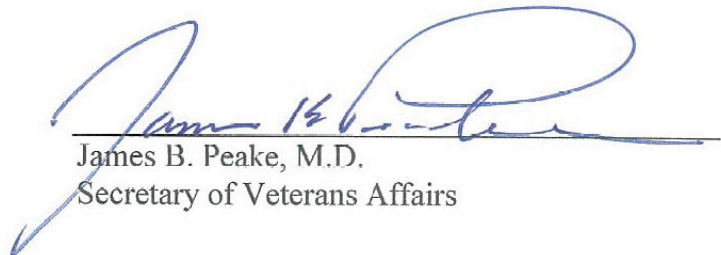
The financial and performance data presented in this report are complete and reliable. Throughout the year, our senior managers assess the efficiency and effectiveness of their organizations by analyzing financial and program performance data. Management relies on these data to identify control deficiencies and material inadequacies in the financial and program performance areas and to identify corrective tasks needed to resolve them. My signed Statement of Qualified Assurance on internal controls may be found on page 91 in the section entitled Management Controls, Systems, and Compliance with Laws and Regulations.

### **Data Security: *Safeguarding Sensitive Information***

VA made substantial progress in 2008 to safeguard sensitive information. VA has developed and continues to develop standardized security control policies and procedures in support of the Department's information security program. These policies help ensure a consistent approach to the information security program and improve the timeliness and effectiveness of remediation actions.

During 2008, more than 600 VA information systems were certified and accredited for continued operation. This accreditation allows senior officials to better understand and manage the risks associated with these systems and thus reduces the risk of compromise to VA information. The Department executed major organizational changes including the formation of a new Information Protection and Risk Management organization to centralize security-related functions, increase accountability, and standardize security processes. VA appointed a Chief Information Security Officer to improve security oversight and performance throughout the agency.

Finally, VA completed major security program milestones including the implementation of VA Information Technology (IT) Handbook 6500, *Information Security Program*; the inventory of all VA IT assets; and the implementation of the Information Protection Portal, Security Management and Reporting Tool, and VA Incident Response Tracking System. VA is committed to achieving the "Gold Standard" in information security and privacy.



James B. Peake, M.D.  
Secretary of Veterans Affairs



## VA On-Line: *Fast and Easy Access to Information*

Several Web sites that provide information for and about veterans are referenced in this report. The table below shows many of these and provides links to the information.



<i>What Information do You Need?</i>	<i>Link to Web Site</i>	<i>Link to PAR Location</i>
<b>Obtaining Hard Copies of This Report</b>	<a href="http://www.va.gov/budget/report">www.va.gov/budget/report</a>	<i>See Page 7</i>
<b>Health Care in VA</b>	<a href="http://www.va.gov/health/index.asp">www.va.gov/health/index.asp</a>	<i>See Page 10</i>
<b>Managing My Health as a Veteran</b>	<a href="http://www.myhealth.va.gov">www.myhealth.va.gov</a>	<i>See Page 206</i>
<b>Medical Research in VA</b>	<a href="http://www.research.va.gov">www.research.va.gov</a>	<i>See Page 10</i> <i>See Page 183</i>
<b>VA's Traveling Nurses</b>	<a href="http://www.travelnurse.va.gov">www.travelnurse.va.gov</a>	<i>See Page 198</i>
<b>Clinical Training Opportunities and Education Affiliates</b>	<a href="http://www.va.gov/oa">www.va.gov/oa</a>	<i>See Page 188</i>
<b>Disability Compensation for Veterans</b>	<a href="http://www.vba.va.gov/bln/21/compensation">www.vba.va.gov/bln/21/compensation</a>	<i>See Page 10</i>
<b>Pension Benefits for Veterans</b>	<a href="http://www.vba.va.gov/bln/21/pension">www.vba.va.gov/bln/21/pension</a>	<i>See Page 11</i> <i>See Page 155</i>
<b>Education Benefits for Veterans</b>	<a href="http://www.gibill.va.gov">www.gibill.va.gov</a>	<i>See Page 11</i> <i>See Page 31</i> <i>See Page 139</i>
<b>Vocational Rehabilitation and Employment for Veterans</b>	<a href="http://www.vba.va.gov/bln/vre">www.vba.va.gov/bln/vre</a>	<i>See Page 11</i>
<b>Home Loans for Veterans</b>	<a href="http://www.homeloans.va.gov">www.homeloans.va.gov</a>	<i>See Page 11</i> <i>See Page 176</i>
<b>Specially Adapted Homes for Veterans</b>	<a href="http://www.homeloans.va.gov/sah.htm">www.homeloans.va.gov/sah.htm</a>	<i>See Page 112</i>
<b>Insurance Benefits for Veterans</b>	<a href="http://www.insurance.va.gov">www.insurance.va.gov</a>	<i>See Page 12</i> <i>See Page 161</i>
<b>Burial Benefits for Veterans</b>	<a href="http://www.cem.va.gov">www.cem.va.gov</a>	<i>See Page 12</i> <i>See Page 193</i>
<b>VA's Status and Progress on the President's Management Agenda</b>	<a href="http://www.results.gov">www.results.gov</a>	<i>See Page 61</i>
<b>OMB's Assessment on how Well VA Programs are Managed</b>	<a href="http://www.ExpectMore.gov">www.ExpectMore.gov</a>	<i>See Page 74</i>
<b>Opportunities for Veteran-Owned Small Businesses</b>	<a href="http://www.vetbiz.gov">www.vetbiz.gov</a>	<i>See Page 189</i>



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**Notes**

<sup>(1)</sup> In this report, with the exception of table and chart titles, references to years (e.g., 2007, 2008) are fiscal years unless stated otherwise.

<sup>(2)</sup> For additional copies of this report, please call VA’s Office of Budget at 202-461-6630. An electronic version is available on the World Wide Web at [www.va.gov/budget/report](http://www.va.gov/budget/report)



# Performance Scorecard

Color coding for FY 2008 Results  
 ● Target Achieved  
 ○ Target Missed - Small Extent  
 ○ Target Missed - Great Extent

Strategic Goals	Key Performance Measures (page references)	FY 2007 Recap		FY 2008 Recap					
		Targets	Results	Targets	Results	Target Achieved?		Improved From FY 2007? Yes/No/Same	Measure Type
						Yes	No		
<b>Strategic Goal #1</b> RESTORATION AND IMPROVED QUALITY OF LIFE FOR DISABLED VETERANS	National accuracy rate for compensation core rating work (pp. 121, 228)	89%	88%	90%	86%*		No	No	Output
	Compensation and pension rating-related actions — average days to process (pp. 119, 228)	160	183	169	179		No	Yes	Output
	Rating-related compensation actions — average days pending (pp. 120, 228)	127	132**	120	121		No	Yes	Output
	Vocational rehabilitation and employment rehabilitation rate (pp. 126, 228)	73%	73%	75%	76%	Yes		Yes	Outcome
	Average days to process Dependency and Indemnity Compensation actions (pp. 130, 228)	125	132	118	121		No	Yes	Output
<b>Strategic Goal #2</b> SMOOTH TRANSITION TO CIVILIAN LIFE	Average days to complete education claims								
	Original claims (pp. 140, 228)	35	32	24	19	Yes		Yes	Output
	Supplemental claims (pp. 141, 228)	15	13	11	9	Yes		Yes	Output
<b>Strategic Goal #3</b> HONORING, SERVING, AND MEMORIALIZING VETERANS	Percent of patients rating VA health care service as very good or excellent: - Inpatient (pp. 150, 230)	78%	78%	79%	79%*	Yes		Yes	Outcome
	- Outpatient (pp. 151, 230)	78%	78%	79%	78%*		No	Same	Outcome
	Percent of primary care appointments scheduled within 30 days of desired date (pp. 148, 230)	96%	97%	97%	98.7% <sup>(a)</sup>	Yes		Yes	Output
	Percent of specialty care appointments scheduled within 30 days of desired date (pp. 149, 230)	95%	95%	95%	97.5% <sup>(a)</sup>	Yes		Yes	Output
	Percent of new patient appointments completed within 30 days of desired date (p. 230)	N/A	N/A	FY 2008 was a <b>Baseline</b> year		N/A		N/A	Output
	Percent of unique patients waiting more than 30 days beyond the desired appt. date (p. 230)	N/A	N/A	FY 2008 was a <b>Baseline</b> year		N/A		N/A	Output





# Performance Scorecard

Color coding for FY 2008 Results

- Target Achieved
- Target Missed - Small Extent
- Target Missed - Great Extent

Strategic Goals	Key Performance Measures (page references)	FY 2007 Recap		FY 2008 Recap					
		Targets	Results	Targets	Results	Target Achieved?		Improved From FY 2007?	Measure Type
						Yes	No		
Strategic Goal #3 (continued)  HONORING, SERVING, AND MEMORIALIZING VETERANS	Clinical Practice Guidelines Index II (pp. 146, 230)	84%	83%	85%	84%*		No	Yes	Outcome
	Prevention Index III (pp. 147, 232)	88%	88%	88%	88%*	Yes		Same	Outcome
	Annual percent increase of non-institutional, long-term care average daily census (2006 baseline=43,325) (pp. 152, 232)	26.3%	-5.3%	7.7%	31.7%	Yes		Yes	Output
	Non-rating pension actions — average days to process (pp. 157, 232)	96	104	84	119		No	No	Output
	National accuracy rate for pension authorization work (pp. 158, 232)	89%	91%	92%	92%*	Yes		Yes	Output
	Average number of days to process Traumatic Injury Protection Insurance disbursements (pp. 162, 232)	5	3.0	5.0	2.5	Yes		Yes	Output
	Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence (pp. 167, 234)	83.8%	83.4%	83.7%	84.2%	Yes		Yes	Outcome
	Percent of respondents who rate the quality of service provided by the national cemeteries as excellent (pp. 168, 234)	97%	94%	97%	94%		No	Same	Outcome
	Percent of graves in national cemeteries marked within 60 days of interment (pp. 173, 234)	90%	94%	95%	93%		No	No	Output
	Foreclosure avoidance through servicing (FATS) ratio (pp. 177, 234)	51.0%	57.0%	56.0%	52.4%		No	No	Outcome
Strategic Goal #4  CONTRIBUTING TO THE NATION'S WELL-BEING	Progress towards development of one new treatment for post-traumatic stress disorder (5 milestones over 4 years) (pp. 184, 234)	67%	67%	80%	80%	Yes		Yes	Outcome
	Percent of respondents who rate national cemetery appearance as excellent (pp. 194, 234)	99%	97%	99%	98%		No	Yes	Outcome

Notes: 1) \* Indicates partial or estimated actual data. 2) \*\*Indicates corrected data. 3) <sup>(a)</sup> Office of Inspector General reports in 2005, 2007 and 2008 found reported outpatient waiting times to be unreliable because of data integrity concerns associated with VHA's scheduling system. VHA non-concurred with the 2007 findings due to disagreements with the OIG's methodology. In 2008, VHA obtained the services of an expert consultant to perform a thorough analysis and assessment of its scheduling and wait times reporting system. VHA is in the process of implementing the recommendations.



## Department Overview

### Our Mission: *What we are Here to Do*

**To fulfill President Lincoln’s promise – “To care for him who shall have borne the battle, and for his widow, and his orphan”– by serving and honoring the men and women who are America’s veterans.**

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

VA fulfills these words by providing world-class benefits and services to the millions of men and women who have served this country with honor in the military. President Lincoln’s words guide the efforts of approximately 250,000 VA employees who are committed to providing the best medical care, benefits, social support, and lasting memorials to veterans and their dependents in recognition of veterans’ service to this Nation.

### Our Programs: *What We Do*

#### Veterans Health Administration

##### Providing Medical Care

VA operates the largest direct health care delivery system in America. In this context, VA meets the health care needs of America’s veterans by providing a broad range of primary care, specialized care, and related medical and social support services. VA focuses on providing health care services that are uniquely related to veterans’ health or special needs. VA is also the Nation’s largest provider of health care education and training for medical residents and other health care trainees. These education and training programs are designed to help ensure an adequate supply of clinical care providers for veterans and the Nation.

**Web:** <http://www1.va.gov/health/index.asp>

##### Conducting Vet-Centered Medical Research

VA advances medical research and development in ways that support veterans’ needs by pursuing medical research in areas that most directly

address the diseases and conditions that affect veterans.

Shared VA medical research findings contribute to the public good by improving the Nation’s overall knowledge of disease and disability.

**Web:** <http://www.research.va.gov>

#### Veterans Benefits Administration

##### Delivering Compensation Benefits

The Compensation program provides monthly payments and ancillary benefits to veterans in accordance with rates specified by law, in recognition of the average potential loss of earning capacity caused by a disability or disease incurred in or aggravated during active military service.



This program also provides monthly payments, as specified by law, to surviving spouses, dependent children, and dependent parents in recognition of the economic loss caused by the veteran's death during active military service or, subsequent to discharge from military service, as a result of a service-connected disability.

**Web:** [www.vba.va.gov/bln/21/compensation/](http://www.vba.va.gov/bln/21/compensation/)

#### **Providing Pension Benefits**

Pension benefits are monthly payments, specified by law, provided to veterans with nonservice-connected disabilities who served in a time of war. Veterans must meet specific income limitations and must be permanently and totally disabled or must have reached the age of 65. This program also provides monthly payments, as specified by law, to income-eligible surviving spouses and dependent children of deceased wartime veterans who die as a result of a disability unrelated to military service.

**Web:** [www.vba.va.gov/bln/21/pension/](http://www.vba.va.gov/bln/21/pension/)

#### **Providing Educational Opportunities**

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

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

**Web:** [www.gibill.va.gov](http://www.gibill.va.gov)

#### **Delivering Vocational Rehabilitation and Employment Services**

The Vocational Rehabilitation and Employment program assists veterans with service-connected disabilities to achieve functional independence in daily activities, become employable, and obtain and maintain suitable employment.

**Web:** <http://www.vba.va.gov/bln/vre/index.htm>

#### **Promoting Home Ownership**

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

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

**Web:** <http://www.homeloans.va.gov>

#### **Meeting Insurance Needs**

The Insurance program provides servicemembers and their families with universally available life insurance (automatically issued to all servicemembers and their families without underwriting), as well as traumatic injury protection insurance for servicemembers. It also provides for the optional continuation of insurance coverage after a servicemember's separation from service. In this context, the program continues to provide life insurance coverage to 1.2 million WWII and Korean War-era veterans.



In addition, the program provides life insurance to veterans who have lost or impaired insurability resulting from military service and therefore cannot obtain commercial insurance at standard (healthy) rates. Insurance coverage is made available in reasonable amounts and at premium rates largely comparable to those offered by commercial companies. The program ensures a competitive, secure rate of return on investments held on behalf of the insured.

**Web:** <http://www.insurance.va.gov>

### **National Cemetery Administration**

#### **Delivering Burial Services to Veterans**

Primarily through the National Cemetery Administration (NCA), VA honors veterans with final resting places in national shrine cemeteries and with lasting tributes that commemorate their service to our Nation.

**Web:** <http://www.cem.va.gov>

### **Staff Offices**

The Department's staff offices are critical to VA's ability to deliver services to veterans in a cost-effective manner. These offices provide a variety of services including information technology, human resources management, financial management, acquisition, and facilities management.



## Our Programs: *Who We Serve*

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

Program	Year-to-Year Comparison		
	FY 2007 Participants <sup>(1)</sup>	FY 2008 Participants <sup>(1)</sup>	Percent Change
<b>Medical Care</b>			
Unique Patients	5,479,000	5,565,000	1.6
<b>Compensation</b>			
Veterans	2,839,700	2,951,600	3.8
Survivors/Children	329,700	333,200	1.1
<b>Pension</b>			
Veterans	322,900	317,600	-1.7
Survivors	194,600	195,600	0.5
<b>Education<sup>(2)</sup></b>			
Veterans/Servicemembers	345,000	352,600	2.2
Reservists	101,700	106,200	4.4
Survivors/Dependents	77,300	80,100	3.6
<b>Vocational Rehabilitation<sup>(2)</sup></b>			
Program Participants	90,600	97,116	6.4
<b>Housing</b>			
Loans Guaranteed	133,300	179,700	34.8
<b>Insurance</b>			
Veterans	1,695,000	1,630,000	-3.8
Servicemembers/Reservists	2,354,000	2,337,000	-0.7
Spouses/Dependents	3,075,000	3,078,000	0.1
<b>Burial</b>			
Interments	100,200	103,300	3.1
Graves Maintained	2,842,700	2,914,500	2.5
Headstones/Markers (Processed)	359,500	361,200	0.5
Presidential Memorial Certificates	423,100	511,400	20.9

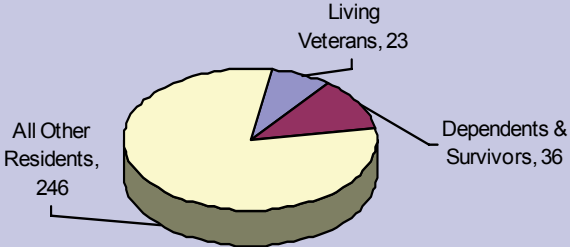
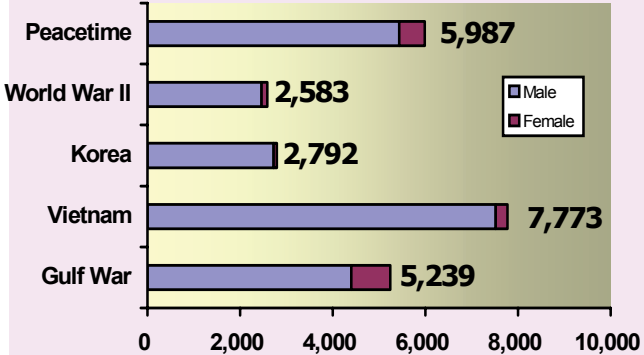
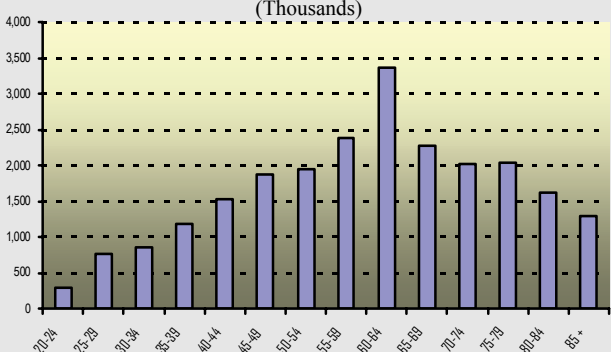
<sup>(1)</sup>Figures are rounded to nearest hundred.

<sup>(2)</sup>Figures represent 12-month rolling data through September.



## America's Veterans: *A Demographic Profile*

Beginning with our Nation's struggle for freedom more than two centuries ago, approximately 43 million men and women have served this country during wartime periods. The charts below provide various social and demographic information on today's veteran population.

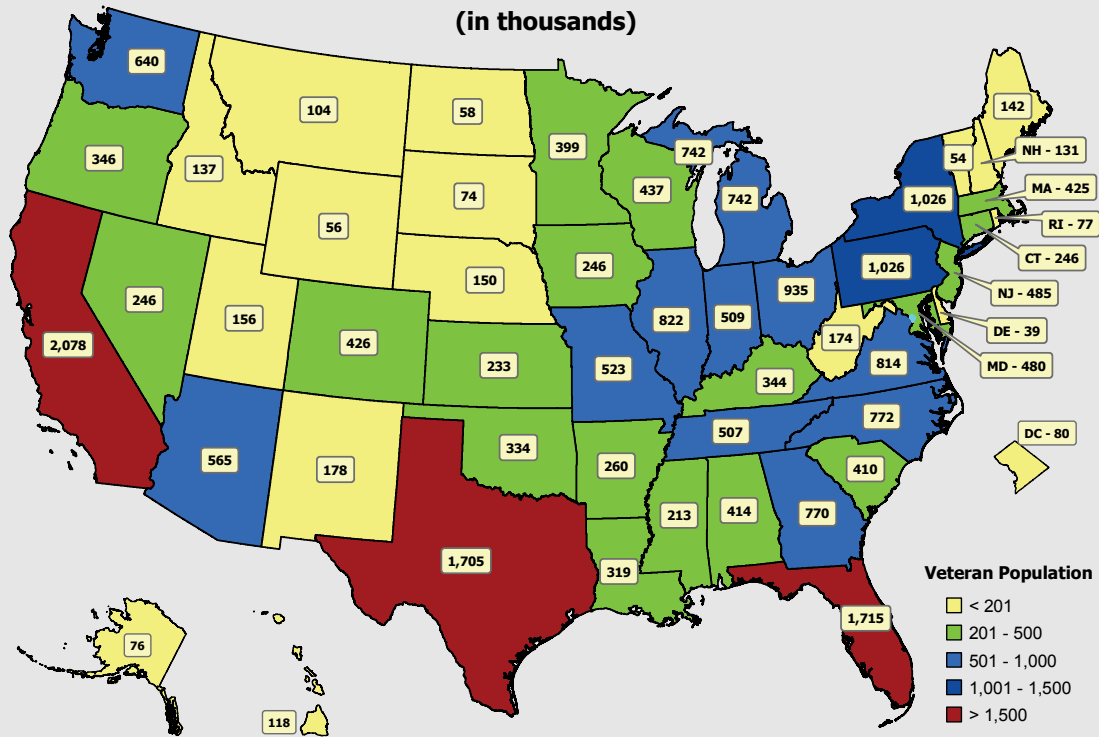
Data	Analysis
<p><b>Veteran Population Compared to Total U.S. Population</b> (Millions)</p>  <p>Living Veterans, 23 Dependents &amp; Survivors, 36 All Other Residents, 246</p>	<ul style="list-style-type: none"> <li>• Currently there are about 23.4 million living U.S. veterans, 8 percent of whom are women. The percentage of women veterans is expected to increase over time given the increased role of women in the Armed Forces.</li> <li>• There are an estimated 36 million dependents (spouses and dependent children) of living veterans and survivors of deceased veterans in the U.S.</li> <li>• Together, veterans, dependents, and survivors make up about 19 percent of America's population.</li> </ul>
<p><b>Veteran Population by Period of Service*</b> (Thousands)</p>  <p>Peacetime 5,987 World War II 2,583 Korea 2,792 Vietnam 7,773 Gulf War 5,239</p> <p>Male (blue), Female (red)</p>	<ul style="list-style-type: none"> <li>• More than 17 million (74 percent) of America's veterans served during at least one wartime period.</li> <li>• The nearly 8 million Vietnam Era veterans account for the largest segment of the veteran population.</li> <li>• About 73 percent of all women veterans served during the post-Vietnam Era compared to 34 percent of men.</li> <li>• Between 2008 and 2018, the number of women veterans enrolled in VA's health care system is expected to increase from 474,621 to 747,408, or 58 percent.</li> </ul>
<p><b>Age Distribution of the Veteran Population By 5-Year Age Groups</b> (Thousands)</p>  <p>20-24, 25-29, 30-34, 35-39, 40-44, 45-49, 50-54, 55-59, 60-64, 65-69, 70-74, 75-79, 80-84, 85+*</p>	<ul style="list-style-type: none"> <li>• As of September 2008, the median age of all living veterans was 61 years.</li> <li>• Men's median age was 61; women's 48.</li> <li>• The number of veterans 85 and older totaled about 1,290,000, compared to 164,000 in 1990.</li> <li>• Between 2008 and 2018, veterans 85 and older enrolled in VA's health care system are expected to increase from 546,922 to 774,177, or 42 percent.</li> </ul>

\* The sum of period of service will exceed number of all veterans because veterans who served in multiple periods are shown in each period.



## Data

**Veteran Population by State  
As of September 30, 2008  
(in thousands)**



## Analysis

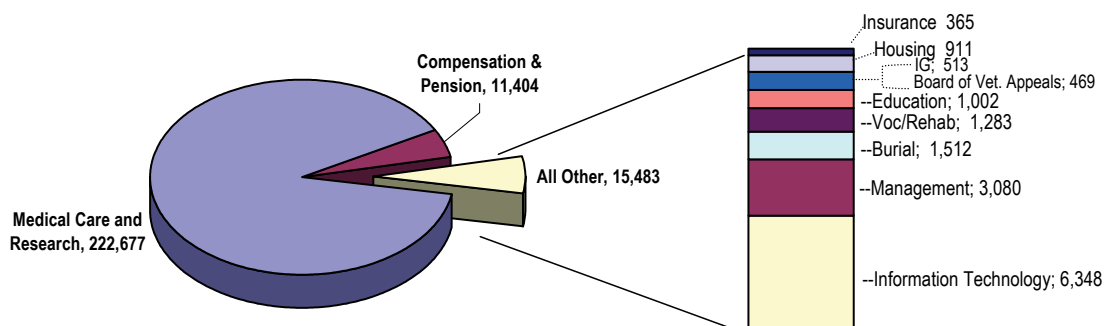
- Veterans in just three States – California, Texas and Florida – comprised almost 24 percent of the total number of veterans living in the U.S.
- The three next largest States in terms of veteran population are New York, Pennsylvania, and Ohio. These States account for 13 percent of the total number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



## Resources: *Our People*

As of September 30, 2008, the Department employed about 250,000 staff nationwide. The charts below show the distribution of full-time equivalent employees by program area.

**Number of Full-Time Equivalent Employees**  
as of September 30, 2008

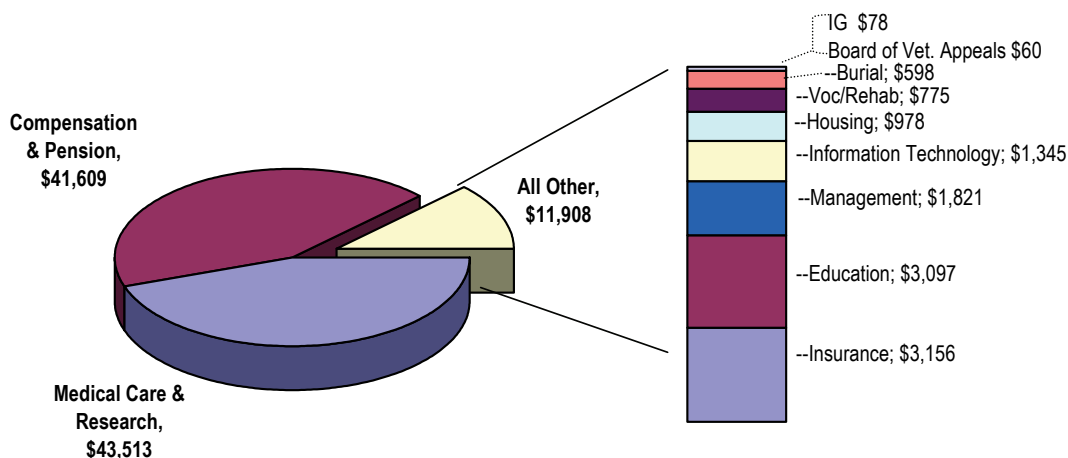


As shown above, more than 222,000 employees support VA's health care system, one of the largest in the world. Of the remaining employees, approximately 15,000 are involved with providing compensation and pension as well as other benefits to veterans and their families. About 1,500 provide burial and memorial services for veterans and their eligible spouses and children, and about 9,900 employees, located primarily in the Washington, DC area, provide policy, administrative, information technology, and management support to the programs.

## Resources: *Budgetary*

In 2008 VA obligated approximately \$97.0 billion. Approximately 98 percent of total funding went directly to veterans in the form of monthly payments of benefits or for direct services such as medical care. The depictions below show how VA spent the funds with which it was entrusted.

**FY 2008 Obligations**  
(\$ Millions)

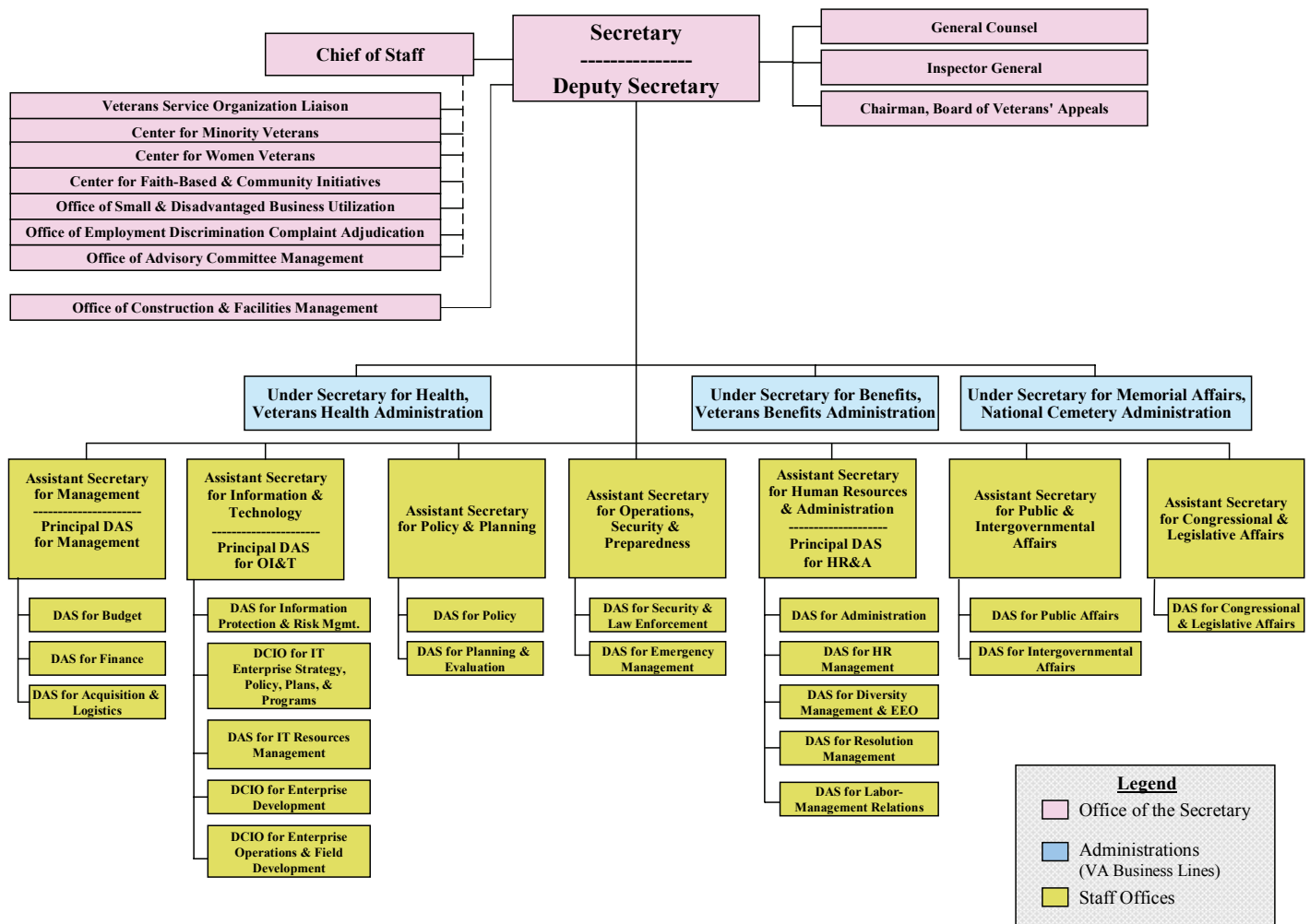






# Our Organization

## Department of Veterans Affairs





## Leadership and Governance

VA senior leadership makes policy decisions through various internal governing bodies. Two of the most critical are described below together with key actions they undertook in 2008.

Governance	Major FY 2008 Actions
<b>Strategic Management Council</b>	
<p><b><u>Membership</u></b></p> <p>The Strategic Management Council (SMC) is chaired by the Deputy Secretary and includes VA's seven Assistant Secretaries; the Deputy Under Secretaries for Health, Benefits, and Memorial Affairs; the Deputy General Counsel; Chair for the Board of Veterans' Appeals; Chief of Staff; Counselor to the Secretary; and the Senior Advisor to the Deputy Secretary.</p> <p><b><u>Purpose</u></b></p> <p>The SMC serves as a collaborative and deliberative body that provides oversight and guidance on key strategic and operational issues that confront VA decision-makers.</p>	<ul style="list-style-type: none"> <li>• Provided policy direction on several initiatives arising out of the <i>Disability Evaluation Report</i>. Those initiatives/improvements include the Disability Evaluation System (DES) pilot and the Federal Recovery Coordinator (FRC) program.</li> <li>• Provided policy direction on Joint Ventures between VA, DoD, academic affiliates, or other public or private entities.</li> <li>• Provided periodic assessments of high-risk activities including:                         <ul style="list-style-type: none"> <li>○ FLITE, VA's multi-year initiative to deploy enterprise-level integrated financial asset management system.</li> <li>○ The capital investment process.</li> <li>○ Reorganization of the Office of Information and Technology.</li> </ul> </li> <li>• Provided policy direction on workforce planning within the Veterans Health Administration.</li> <li>• Reviewed the status of VA's labor agreements and pending negotiations.</li> </ul>
<b>Monthly Performance Reviews (MPRs)</b>	
<p><b><u>Membership</u></b></p> <p>MPRs are chaired by the Deputy Secretary and are attended by principals from every VA organization.</p> <p><b><u>Purpose</u></b></p> <p>MPRs focus on financial and program performance. In this context, the principals discuss and make decisions on mission-critical issues within the context of performance, budget, and workload targets and associated results. Necessary corrective actions are identified and implemented to help ensure program goals and objectives are accomplished.</p>	<ul style="list-style-type: none"> <li>• Once a month, all VA Administrations and staff offices reported on progress made in meeting established monthly and/or fiscal year-to-date financial and performance goals.</li> <li>• MPR reporting was enhanced to improve the clarity and utility of reports presented to senior leadership.                         <ul style="list-style-type: none"> <li>○ Created more dashboard style presentations that integrated quantifiable data and robust narrative analysis on a single page.</li> </ul> </li> <li>• Developed special snapshot reports used by all organizations to focus leadership on Near-term (next 45 days) as well as Long-term (next 12 months) challenges.</li> <li>• Initiated quarterly "drill down" presentations to provide cross-cutting, specialized analyses on Capital Assets, Construction, Information Technology, Human Capital, Budget Execution, and Program Performance.</li> </ul>



## Performance Overview

### Purpose of This Report

VA's FY 2008 Performance and Accountability Report (PAR) describes VA's accomplishments and progress during FY 2008 toward fulfilling its mission. The report is designed to enable Department management, our stakeholders, and our employees to assess VA's program and financial performance as compared to its goals and to use this information to make necessary assessments and improvements.

### How We Measure Performance

VA employs a **five-tiered performance management framework** to measure performance.

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

VA's 21 strategic objectives are supported by 138 performance measures, 25 of which were identified by VA's senior leadership as **mission critical**. The Department's performance measures are a mix of program outcomes that measure the impact that VA programs have on the lives of veterans and their families, program outputs that measure activities undertaken to manage and administer these programs, and program efficiency that measures the cost of delivering an output or desired outcome.



## Improvements to the FY 2008 Report

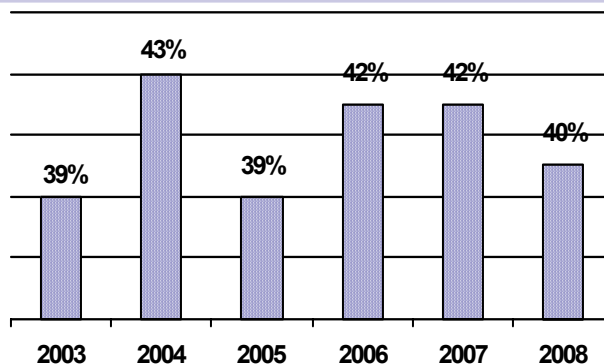
This year's PAR includes several new improvements designed to give our stakeholders more complete information on VA's performance and activities.

<i>Improvement</i>	<i>Benefit to VA's Stakeholders</i>
<i>Cost Per Measure Data</i>	Consistent with the President's Management Agenda, the Department is furthering its integration of performance and budget information. As part of this effort, this year's PAR includes information on the cost of achieving performance targets for <i>seven</i> measures. We provide this in addition to cost estimates provided by strategic goal and objective, respectively.
<i>Major Management Challenges</i>	This year's report improves how major management challenges are presented. For each challenge, in an easy-to-read tabular format, there is an estimated resolution date, a responsible official, a summary of actions taken, milestones planned for FY 2009, and anticipated impacts of actions taken. Together these elements provide a comprehensive analysis of the challenges facing the Department and what VA is doing to address them.
<i>Web Links</i>	Beginning with a table on page 5 that lists key VA Web links, this year's PAR includes numerous links to a variety of Web sites available to the reader who wishes to have more information about a given topic pertinent to VA.
<i>Data Quality Information</i>	This year's report contains more robust and detailed information on how VA verifies the quality of its performance results data. The report's Key Measures Data Table and the Assessment of Data Quality sections have been restructured to provide more comprehensive data quality information.
<i>Dashboard Style Tables</i>	Selected tables now include more dashboard-like features that convey performance results to the reader more quickly and clearly.
<i>VA Snapshots</i>	Snapshots are short vignettes that give the reader an easy way to understand VA through human interest stories.
<i>Strategic Objective Measures Recap</i>	Our strategic objective chapters in Part II now include a recap of all measures and associated results for a given objective including a statistical recap.

## 2008 Performance -- A Department-Level Summary

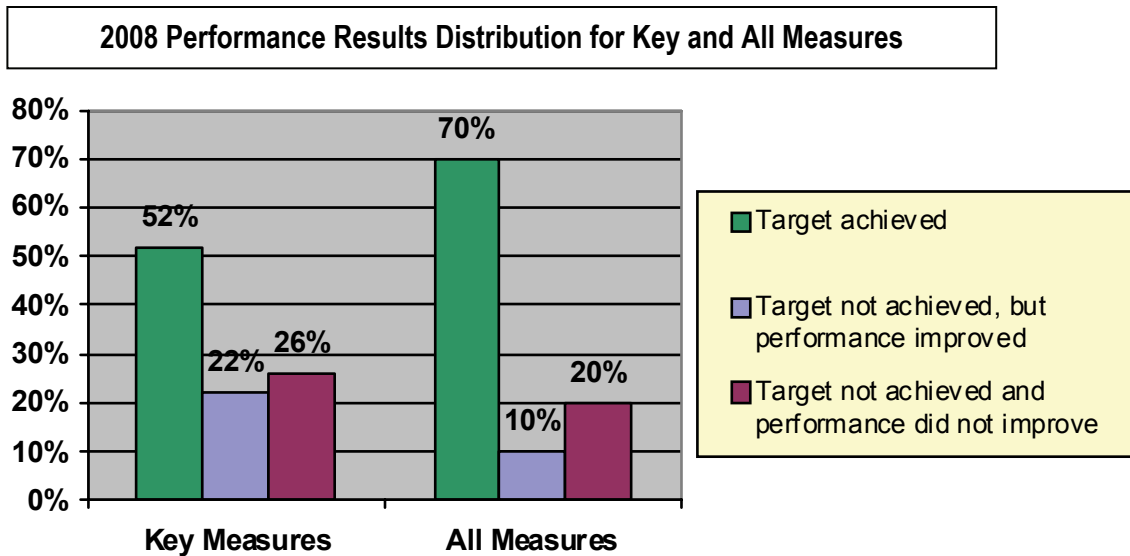
**Key Measures -- Continuity and Type:** Key measures are those that measure mission-critical activities. As of FY 2008, 22 of VA's 25 key measures have been in place for at least 4 years. This provides the Department's leadership with the ability to track significant performance trends over time and to make strategic adjustments when necessary. As shown in the chart below, over the past several years, outcome and efficiency measures account for around 40 percent of VA's key measures.

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

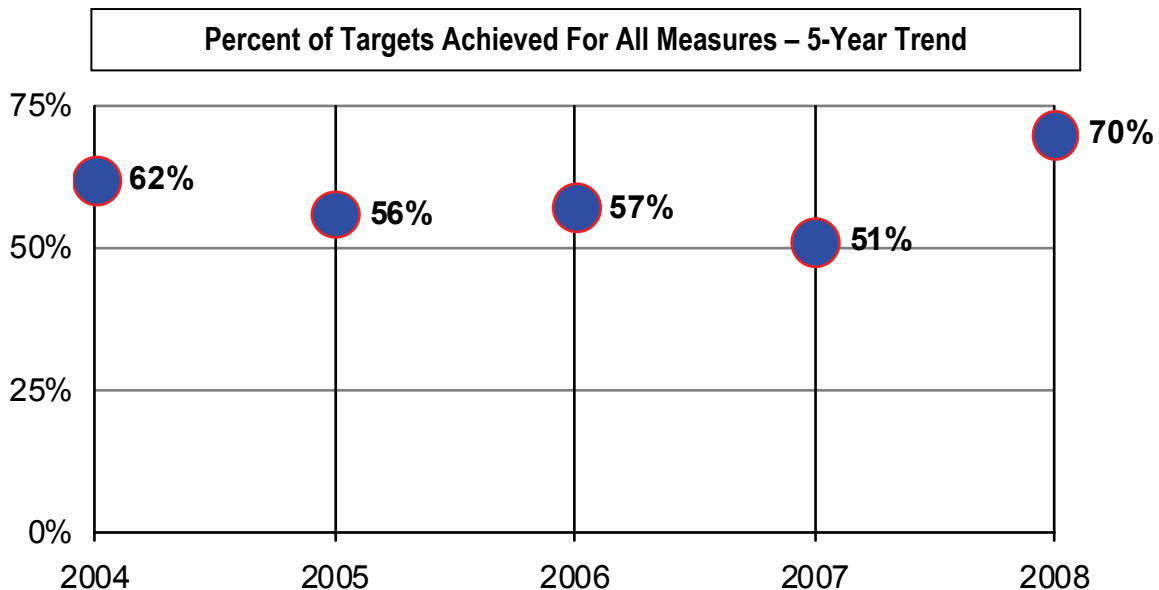




**Performance Results: Key vs. All Measures:** The chart below shows how well VA performed in meeting its performance targets. As shown, VA achieved the target for 52 percent of its key measures and 70 percent of all measures. In addition, for key measures, 22 percent of the targets were not achieved, but performance improved from 2007. Further details on performance by goal and objective are provided on the following pages.



**Performance Trends: All Measures:** The chart below shows how well VA performed in meeting its performance targets for all of its measures since 2004. Trend analysis should be considered in light of yearly changes to performance targets and, to a lesser extent, changes to the numbers and types of measures.





**Cost to Achieve Performance Goals – For 7 Selected Measures**

As in past reports, VA is providing an estimate of costs devoted to achieve *strategic goals* and *objectives*. However, as a continuing part of the Department’s overall effort to better identify resources required to achieve a certain level of performance, this year we show estimated costs to achieve a level of performance (i.e., a result) for *seven measures*.

Measure	Fiscal Year 2008		
	Performance		Estimated Cost (Obligations) (\$ in Millions)
	Target	Result	
<b>Annual percent increase of non-institutional, long-term care average daily census</b>	7.7%	31.7%	\$680.6 <sup>1</sup>
<b>Impact of Result on the Veteran</b>	Increasing the number of veterans receiving Home and Community-Based Care (HCBC) services provides veterans with an opportunity to improve the quality of their lives. HCBC promotes independent physical, mental, and social functioning of veterans in the least restrictive settings.		
<b>How VA Uses Performance Data</b>	VA uses the data to project the need for services, evaluate existing services, and promote access to required services. In addition, the data are used to establish VISN targets and evaluate VISN performance in meeting assigned workload levels in the HCBC area.		
<b>FY 2008 Program and Cost Efficiencies Implemented</b>	Fiscal year 2008 saw the largest ever expansion in access to non-institutional long-term care services, a 31.7% increase over the previous year. Non-institutional long-term care programs were delivered to more veterans than ever before, resulting in increased services as well as increased numbers served. In addition, delivery of several services received targeted attention due to identified special needs for Care Coordination/Home Telehealth, homemaker/home health aide, and home hospice services.		
<b>Progress towards development of one new treatment for post-traumatic stress disorder</b>	80%	80%	\$2.7
<b>Impact of Result on the Veteran</b>	PTSD is an anxiety disorder that can develop after a person has been exposed to a terrifying event or ordeal in which physical harm occurred or was threatened. PTSD related to military service or combat exposure is a major concern in the health of the veteran population. In cases where veterans do not respond to initial treatment, symptoms (including nightmares, disturbing memories during the day, sleep problems, and aggressive behavior) may persist for years. Therefore, effective relief of symptoms is needed. The milestones involve four clinical trials, three of which have been completed. The fourth trial is still ongoing.		
<b>How VA Uses Performance Data</b>	Results of PTSD studies are rapidly translated into clinical practice. Findings have been published in the <u>Journal of the American Medical Association</u> and <u>Biological Psychiatry</u> . Research has been discussed at conferences with VA, DoD, and university attendees.		
<b>FY 2008 Program and Cost Efficiencies Implemented</b>	Three of the four studies comprising this performance measure have been completed. One study evaluated the efficacy of exposure therapy for treating PTSD in female veterans and active-duty military personnel. The investigators concluded that it is an effective treatment that is feasible to implement across a range of clinical settings. Researchers leading a study with the drug prazosin found that it is an effective and well-tolerated treatment for trauma nightmares, sleep disturbance, and for veterans with chronic PTSD.		

<sup>1</sup> Preliminary estimate; actuals are anticipated in December.



Measure	Fiscal Year 2008		
	Performance		Estimated Cost (Obligations) (\$ in Millions)
	Target	Result	
a) Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment	72%	65%	\$32.7
b) Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations	80%	84%	
c) Percent of gravesites that have grades that are level and blend with adjacent grade levels	88%	86%	
<b>Impact of Result on the Veteran</b>	National cemeteries carry expectations of appearance that set them apart from private cemeteries. Our Nation's veterans have earned the appreciation and respect not only of their friends and families, but also of the entire country and our allies. VA's cemeteries reflect this appreciation and respect.		
<b>How VA Uses Performance Data</b>	VA uses these data to identify areas where improvements in appearance are needed. Data are broken out by individual cemetery. Best practices are shared with cemeteries that are having difficulty.		
<b>FY 2008 Program and Cost Efficiencies Implemented</b>	VA implemented an analytical method to more accurately link the impact of resources to performance results attained for this measure. This new method enables NCA to more accurately project the funding needed to achieve targets pertaining to the maintenance of headstones and markers at the proper height and alignment as well as being free of debris, and level with adjacent grade levels.		
Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence	83.7%	84.2%	\$188.4
<b>Impact of Result on the Veteran</b>	By the end of 2008, more than 19 million veterans and their families had reasonable access to a burial option.  One of VA's primary objectives is to ensure that the burial needs of veterans and eligible family members are met. Having reasonable access is integral to realizing this objective.		
<b>How VA Uses Performance Data</b>	VA analyzes census data to determine areas of the country that have the greatest number of veterans not currently served by a burial option. This information is used in planning for new national cemeteries and for gravesite expansion projects to extend the service lives of existing national cemeteries, as well as in prioritizing funding requests for state veterans cemetery grants.		
<b>FY 2008 Program and Cost Efficiencies Implemented</b>	VA locates new national cemeteries in areas of the country with the largest concentration of unserved veterans. Grants for new state veterans cemeteries are prioritized by the number of currently unserved veterans who will be served by the new cemetery. This enables VA to maximize the provision of burial benefits at new national and state cemeteries.		



Measure	Fiscal Year 2008		
	Performance		Estimated Cost (Obligations) (\$ in Millions)
	Target	Result	
Vocational Rehabilitation and Employment Rehabilitation Rate	75%	76%	\$106.9
Impact of Result on the Veteran	A “rehabilitated” veteran is one who successfully completes the rehabilitation program plan. Rehabilitated veterans are capable and equipped with the required skills and tools needed to hold suitable employment or have improved ability to live independently.		
How VA Uses Performance Data	The rehabilitation rate is a key indicator of the effectiveness of the VR&E program. The measure is used to assess the performance of vocational rehabilitation counselors, counseling psychologists, VR&E officers, and regional office directors as well as the effectiveness of the program and services provided.		
FY 2008 Program and Cost Efficiencies Implemented	The rehabilitation rate improved because of increased focus placed on making sure that veterans become employable by completing the program. Additional employment coordinators were hired, which allowed VR&E to refine the employment coordinator role and provide more direct job placement services. Further, the training of counselors, managers, and employment coordinators has enabled VA to provide higher quality service to veterans.		

## Performance Summaries by Strategic Goal

### STRATEGIC GOAL 1

#### *Restoration and Improved Quality of Life for Disabled Veterans*

Restore the capability of veterans with disabilities to the greatest extent possible, and improve the quality of their lives and that of their families.

#### Public Benefit

Providing for the **specialized health care** needs of veterans is an integral component of America’s commitment to its veterans. Due to the prevalence of certain chronic and disabling conditions among veterans, VA has developed strong expertise in certain specialized services that are not uniformly available in the private sector.

For example, VA has developed a **polytrauma system of care (PSC)** that provides coordinated inpatient, transitional, and outpatient rehabilitation services to active duty servicemembers and veterans who have experienced severe injuries resulting in multiple

traumas including spinal cord injuries, traumatic brain injuries, visual impairment, burns, amputations, combat stress, and post-traumatic stress disorder. The PSC provides intensive clinical and social work case management services essential to coordinating the complex components of care for polytrauma patients and their families.

VA’s expertise in these specialized services has been shared with health care systems across the **country** and throughout the **world**.

In addition to VA’s comprehensive system of health care, VA provides **compensation, vocational rehabilitation, life insurance,**





dependency and indemnity compensation, and dependents' and survivors' education services to veterans and their families.

Through the use of **Specially Adapted Housing (SAH) grants**, seriously disabled veterans'

homes are modified to help these veterans live more independent lives.

These services are concrete expressions of the pact between our Nation and those who bravely served it in uniform.

## Making a Difference for the Veteran

### Disabled Veteran Completes 3,200 Mile Cross Country Run



Vietnam veteran Eugene Roberts and his grandson run the final stretch of his more than 3,200-mile cross country journey to the Baltimore VA Medical Center where he was welcomed by hundreds of cheering supporters. Baltimore City Police and members of the Patriot Guard Riders escorted Roberts for the final five miles to the medical center.

Hundreds of Department of Veterans Affairs (VA) employees, veterans, and onlookers cheered, waved U.S. flags, and shed tears of joy as Marine veteran Eugene Roberts, Sr., turned from West Baltimore Street into the Baltimore VA Medical Center to finish his more than **3,200-mile cross country run** in April.

While any cross country run is a feat worthy of celebration, what made this Vietnam veteran's trek so special was that he has **two prosthetic legs**. Roberts began his incredible journey in early July 2007 from Marine Corps base Camp Pendleton, California. He crossed nine southern States to Parris Island Marine Corps Depot, South Carolina, and then ran to the VA medical center in Baltimore.

Nothing deterred Roberts -- not the 120-degree temperatures on the desert highways of Southern California and Arizona, or the torrential southern rain storms. "Running on these prosthetic legs wasn't easy," Roberts said to the crowd of supporters after he crossed the finish line. "But my

faith in Jesus kept me going each day." He also attributed his success to the loving support of his wife of more than 40 years, and continual assistance from the **VA Maryland Health Care System prosthetics team**.

Prosthetics Specialist Charlene Grant supported Roberts from day one. Grant made sure that Roberts had the latest athletic prostheses that were up to the task. She also worked with Roberts to coordinate health care "pit stops" at VA medical centers along his journey across the country. These medical centers quickly accommodated the VA Maryland Health Care System patient during his cross country journey. Due to the unprecedented use of his prosthetics, VA medical staff needed to make regular adjustments to his legs and sockets, and the soles of his prosthetic feet had to be replaced after the constant pounding on the pavement. As with any distance runner, Roberts also had his share of blisters and minor injuries.

"This is a great example of how the VA Maryland Health Care System and the VA as a whole is going the 'extra mile' to provide world-class health care services to our Nation's veterans," said Dennis Smith, Director of the VA Maryland Health Care System. "Veterans like Roberts are an inspiration to other amputees, veterans, health care providers, and just about anybody who learns of his amazing story," Smith added. "**His 'never surrender' attitude is an example to people of all walks of life** that no matter how bad things might seem, having the right attitude can lead you down the road to personal accomplishment and fulfillment."



### Five-Year Performance Trend – *Percent of Targets Achieved*

Based on the total number of reported results during a fiscal year, the chart below shows the *percent of performance targets that were achieved* for this strategic goal for the past five years.

Each year performance targets change and, to a lesser extent, so do the number and type of measures. Thus, as shown in the data table, the total number of targets may vary each year.



### Positive 2008 Outcomes

**Claims Processing Timeliness:** The average length of time it takes to complete compensation and pension rating-related claims **improved by 4 days**, the average age of pending compensation rating-related claims **improved by 11 days**, and the average length of time that it takes to complete a Dependency and Indemnity Compensation (DIC) claim has **improved by 11 days**.

**Timely appointments for veterans and servicemembers returning from a combat zone:** In addition, 89 percent of severely injured or ill combat servicemembers/veterans are being contacted by VA case managers within seven days of notification of transfer to the VA system.

**Vocational Rehabilitation and Employment:** The proportion of service-connected disabled veterans participating in the vocational rehabilitation and employment program who successfully completed the program **improved to 76 percent**. This program provides disabled veterans with the skills and opportunities to obtain employment or gain greater independence in daily living.



**FY 2008 Performance and Resource Summary Table – by Goal and Objective**

The following table highlights important achievements related to strategic goal one and its supporting strategic objectives. Also shown are estimates of the resources devoted to each objective as well as a total for the strategic goal.

<b>Strategic Goal 1</b>			
<i>Restoration and Improved Quality of Life for Disabled Veterans</i>			
<b>Resource Allocations by Objective</b>			
		Obligations (\$ in Millions)	Pct. of Total VA Resources
<b>Strategic Objectives</b>	SO 1.1- Specialized Health Care Services	29,794	30.7
	SO 1.2- Decisions on Disability Compensation Claims	37,589	38.7
	SO 1.3- Suitable Employment and Special Support	775	0.8
	SO 1.4- Improved Standard of Living for Eligible Survivors	443	0.5
	<b>Total for Strategic Goal 1</b>	<b>\$68,600</b>	<b>70.7%</b>

<b>Performance Summary by Objective</b> (Representative Measures)																				
Targets	Results	4-Year History																		
<b>Strategic Objective 1.1 – Specialized Health Care Services</b>																				
MAXIMIZE THE PHYSICAL, MENTAL, AND SOCIAL FUNCTIONING OF VETERANS WITH DISABILITIES AND BE A LEADER IN PROVIDING SPECIALIZED HEALTH CARE SERVICES.																				
<ul style="list-style-type: none"> <li><b>Achieve 98.0 percent</b> of Specially Adapted Housing grant recipients who indicate that grant-funded housing adaptations increased their independence (Supporting Measure)</li> </ul>	<ul style="list-style-type: none"> <li><b>TBD</b></li> </ul> <p>Final data are expected in 12/2009.</p>	<table border="1"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>98.0</td> <td>Avail. Dec. 2008</td> </tr> <tr> <td>FY 2006</td> <td>Baselined</td> <td>93.2%</td> </tr> <tr> <td>FY 2005</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>FY 2004</td> <td>N/A</td> <td>N/A</td> </tr> </tbody> </table> <p>N/A = Measure did not exist prior to FY 2006. In 2006, measure was baselined.</p>	4-Year Performance History			Year	Targets	Results	FY 2007	98.0	Avail. Dec. 2008	FY 2006	Baselined	93.2%	FY 2005	N/A	N/A	FY 2004	N/A	N/A
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Performance Summary by Objective, cont'd (Representative Measures)																				
Targets	Results	4-Year History																		
<b>Strategic Objective 1.1 – Specialized Health Care Services, cont'd.</b>																				
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<ul style="list-style-type: none"> <li>VA case managers contact <b>92 percent</b> of severely injured OEF/OIF service-members/veterans within 7 calendar days of notification of transfer to the VA system as an inpatient or outpatient (Supporting Measure)</li> </ul>	<ul style="list-style-type: none"> <li><b>89 percent</b> <span style="float: right;">(Y)</span></li> </ul> <p>Actual data through 07/2008. Final data are expected in 12/2008.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>90%</td> <td>91%</td> </tr> <tr> <td>FY 2006</td> <td colspan="2" style="text-align: center;">-Baselined-</td> </tr> <tr> <td>FY 2005</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>FY 2004</td> <td>N/A</td> <td>N/A</td> </tr> </tbody> </table> <p>N/A = Measure did not exist prior to FY 2006. In 2006, measure was baselined.</p>	4-Year Performance History			Year	Targets	Results	FY 2007	90%	91%	FY 2006	-Baselined-		FY 2005	N/A	N/A	FY 2004	N/A	N/A
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FY 2005	N/A	N/A																		
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<b>Strategic Objective 1.2 – Decisions on Disability Compensation Claims</b>																				
PROVIDE TIMELY AND ACCURATE DECISIONS ON DISABILITY COMPENSATION CLAIMS TO IMPROVE THE ECONOMIC STATUS AND QUALITY OF LIFE OF SERVICE-DISABLED VETERANS.																				
<ul style="list-style-type: none"> <li><b>Complete in 169 days</b> compensation and pension rating-related actions, on average (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li><b>179 days</b> <span style="float: right;">(R)</span></li> </ul>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>160</td> <td>183</td> </tr> <tr> <td>FY 2006</td> <td>185</td> <td>177</td> </tr> <tr> <td>FY 2005</td> <td>145</td> <td>167</td> </tr> <tr> <td>FY 2004</td> <td>145</td> <td>166</td> </tr> </tbody> </table>	4-Year Performance History			Year	Targets	Results	FY 2007	160	183	FY 2006	185	177	FY 2005	145	167	FY 2004	145	166
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FY 2006	185	177																		
FY 2005	145	167																		
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<ul style="list-style-type: none"> <li><b>Reduce to 120 days</b> rating-related compensation actions pending, on average (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li><b>121 days</b> <span style="float: right;">(Y)</span></li> </ul>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>127</td> <td>132**</td> </tr> <tr> <td>FY 2006</td> <td>150</td> <td>130</td> </tr> <tr> <td>FY 2005</td> <td>119</td> <td>122</td> </tr> <tr> <td>FY 2004</td> <td>Baselined*</td> <td>120</td> </tr> </tbody> </table> <p>*Measure did not exist prior to FY 2004. In 2004, measure was baselined. **2007 result is corrected.</p>	4-Year Performance History			Year	Targets	Results	FY 2007	127	132**	FY 2006	150	130	FY 2005	119	122	FY 2004	Baselined*	120
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FY 2007	127	132**																		
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FY 2005	119	122																		
FY 2004	Baselined*	120																		
<ul style="list-style-type: none"> <li><b>Achieve a 90 percent</b> national accuracy rate for compensation core rating work (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li><b>86 percent</b> <span style="float: right;">(Y)</span></li> </ul> <p>Actual data through 07/2008. Final data are expected in 12/2008.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>89%</td> <td>88%</td> </tr> <tr> <td>FY 2006</td> <td>87%</td> <td>88%</td> </tr> <tr> <td>FY 2005</td> <td>88%</td> <td>84%</td> </tr> <tr> <td>FY 2004</td> <td>Baselined*</td> <td>87%</td> </tr> </tbody> </table> <p>*Measure did not exist prior to FY 2004. In 2004, measure was baselined.</p>	4-Year Performance History			Year	Targets	Results	FY 2007	89%	88%	FY 2006	87%	88%	FY 2005	88%	84%	FY 2004	Baselined*	87%
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Performance Summary by Objective, <i>cont'd.</i> (Representative Measures)																				
Targets	Results	4-Year History																		
<b>Strategic Objective 1.3 – Suitable Employment and Special Support</b>																				
PROVIDE ELIGIBLE SERVICE-CONNECTED DISABLED VETERANS WITH THE OPPORTUNITY TO BECOME EMPLOYABLE AND OBTAIN AND MAINTAIN EMPLOYMENT, WHILE DELIVERING SPECIAL SUPPORT TO VETERANS WITH SERIOUS EMPLOYMENT HANDICAPS.																				
<ul style="list-style-type: none"> <li>• <b>Achieve a 75 percent rehabilitation rate</b> of all veteran participants who exit the vocational rehabilitation program and find and maintain suitable employment (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>76 percent</b> <span style="float: right; border: 1px solid black; border-radius: 50%; padding: 2px;">G</span></li> </ul>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">4-Year Performance History</th> </tr> <tr> <th style="text-align: left;">Year</th> <th style="text-align: center;">Targets</th> <th style="text-align: center;">Results</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">FY 2007</td> <td style="text-align: center;">73%</td> <td style="text-align: center;">73%</td> </tr> <tr> <td style="text-align: left;">FY 2006</td> <td style="text-align: center;">69%</td> <td style="text-align: center;">73%</td> </tr> <tr> <td style="text-align: left;">FY 2005</td> <td style="text-align: center;">66%</td> <td style="text-align: center;">63%</td> </tr> <tr> <td style="text-align: left;">FY 2004</td> <td style="text-align: center;">67%</td> <td style="text-align: center;">62%</td> </tr> </tbody> </table>	4-Year Performance History			Year	Targets	Results	FY 2007	73%	73%	FY 2006	69%	73%	FY 2005	66%	63%	FY 2004	67%	62%
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FY 2007	73%	73%																		
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FY 2004	67%	62%																		
<b>Strategic Objective 1.4 – Improved Standard of Living for Eligible Survivors</b>																				
IMPROVE THE STANDARD OF LIVING AND INCOME STATUS OF ELIGIBLE SURVIVORS OF SERVICE-DISABLED VETERANS THROUGH COMPENSATION, EDUCATION, AND INSURANCE BENEFITS.																				
<ul style="list-style-type: none"> <li>• <b>Complete in 118 days</b> dependency and indemnity compensation (DIC) actions, on average (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>121 days</b> <span style="float: right; border: 1px solid black; border-radius: 50%; padding: 2px;">Y</span></li> </ul>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">4-Year Performance History</th> </tr> <tr> <th style="text-align: left;">Year</th> <th style="text-align: center;">Targets</th> <th style="text-align: center;">Results</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">FY 2007</td> <td style="text-align: center;">125</td> <td style="text-align: center;">132</td> </tr> <tr> <td style="text-align: left;">FY 2006</td> <td style="text-align: center;">120</td> <td style="text-align: center;">136</td> </tr> <tr> <td style="text-align: left;">FY 2005</td> <td style="text-align: center;">120</td> <td style="text-align: center;">124</td> </tr> <tr> <td style="text-align: left;">FY 2004</td> <td style="text-align: center;">126</td> <td style="text-align: center;">125</td> </tr> </tbody> </table>	4-Year Performance History			Year	Targets	Results	FY 2007	125	132	FY 2006	120	136	FY 2005	120	124	FY 2004	126	125
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## STRATEGIC GOAL 2

### *Smooth Transition to Civilian Life*

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

#### Public Benefit

Beginning in May 2008, VHA's Outreach Office initiated a **national call center** to reach two distinct populations of OEF/OIF veterans. Veterans are being contacted by telephone to inform them about recent changes and enhanced benefits for VA services and to provide assistance in accessing these benefits, if requested.

VA's Center for Faith-Based and Community Initiatives expanded grassroots participation with VA programs and pilot programs in order to address a wide range of issues related to veterans in need, especially those who are **homeless**, returning from Afghanistan and Iraq, disabled, and hospitalized.

Recent results include the following:

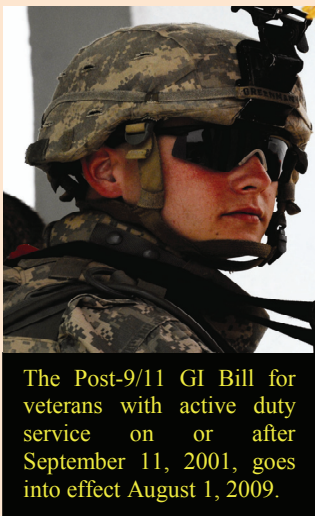
- From 2002-2007, the number of Faith-Based Community Organizations (FBCOs) in funded partnership with the VA's Homeless Veteran's Grant and Per Diem Program rose from 176 to 506 – a 187 percent increase. Further, 15,000 beds were created and 50,000 homeless veterans were served by these partners.

- In FY 2007, FBCOs in partnership with VA's Vocational Rehabilitation and Employment Service hired 673 service-connected disabled veterans. In FY 2008 through the third quarter, FBCOs hired 480 service-connected disabled veterans. From FY 2005-FY 2007, FBCOs hired a total of 1,600 disabled veterans.
- As a result of the VA Loan Guaranty Program for Homeless Veterans Multifamily Transitional Housing, Catholic Charities' St. Leo Campus opened a newly built apartment building, which is occupied by 141 homeless veterans.
- With VA's assistance, more than 350 FBCOs have enlisted 65 major veterans, civic, and service organizations in providing services to hospitalized veterans in their local communities.



## Making a Difference for the Veteran

### Post 9/11 GI Bill Expands Veterans' Benefits



The Post-9/11 GI Bill for veterans with active duty service on or after September 11, 2001, goes into effect August 1, 2009.

In June 2008, President Bush signed the "Post-9/11 GI Bill," which creates an entirely **new veterans' educational program**. The new law gives veterans with active duty service on or after September 11, 2001, enhanced educational benefits similar to those provided to veterans following World War II. It also provides the **opportunity** for veterans to transfer unused educational benefits to their spouses and children.

The Post-9/11 GI Bill offers **tuition payments** for approved training up to the cost of in-state tuition charged undergraduates at the most expensive public institution of higher learning in the veteran's state. A monthly housing stipend is paid if the veteran is attending school more than half-time in a classroom setting. The veteran also receives up to \$1,000 annually for books and supplies. The Post-9/11 GI Bill may be used for any education program that is approved under chapter 30 and offered by an institution of higher learning (IHL) beginning on or after August 1, 2009. The new program provides up to 36 months of benefits that can be used during the 15-year period following discharge. In August 2008 current Montgomery GI Bill education benefits increased to \$1,321 monthly

(3-year rate) and to \$1,073 (2-year rate). For training beginning on or after August 1, 2009, eligible veterans may elect to use the Post-9/11 GI Bill or continue under their existing benefit program.

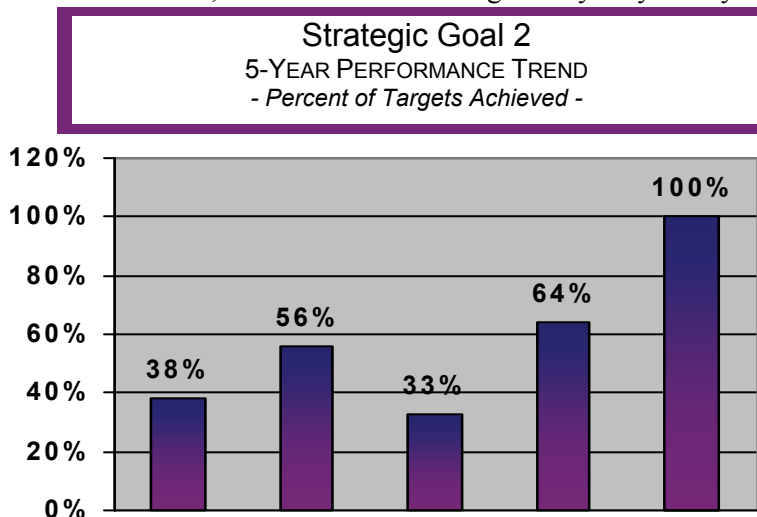
For more details about the Post-9/11 GI Bill and other veterans' educational programs, on the [Web](#) go to [www.gibill.va.gov](http://www.gibill.va.gov) or call 1-888-GI-BILL-1 (1-888-442-4551).



### Five-Year Performance Trend – *Percent of Targets Achieved*

Based on the total number of reported results during a fiscal year, the chart below shows the *percent of performance targets that were achieved* for this strategic goal for the past five years.

Each year performance targets change and, to a lesser extent, so do the number and type of measures. Thus, as shown in the data table, the total number of targets may vary each year.



Data Table	2004	2005	2006	2007	2008
Targets Achieved	5	5	4	7	12
Total Targets	13	9	12	11	12

Note: For 2006 and 2007, additional final results are now available. Thus, numbers and percentages have been adjusted from those appearing in the FY 2007 PAR.

### Positive 2008 Outcomes

Timely appointments for veterans and servicemembers returning from a combat zone: **Ninety-seven percent of primary care appointments** for veterans and servicemembers returning from a combat zone are being scheduled within 30 days of their desired appointment dates.

Timely Processing of Education Claims: For those veterans filing for education benefits for the first time, processing time **improved to 19 days**, while processing time **improved to 9 days** for those filing a claim to continue their program of education or training. The education program is a vital component of VA's ongoing effort to ease veterans' transition from active military duty to civilian life. This program provides financial assistance to veterans to assist them in achieving their educational or vocational goals.





**FY 2008 Performance and Resource Summary Table – by Goal and Objective**

The following table highlights important achievements related to strategic goal two and its supporting strategic objectives. Also shown are estimates of the resources devoted to each objective as well as a total for the strategic goal.

<b>Strategic Goal 2</b> <b>Smooth Transition to Civilian Life</b> <b>Resource Allocations by Objective</b>			
		Obligations (\$ in Millions)	Pct. of Total VA Resources
Strategic Objectives	SO 2.1- Reentry into Civilian Life	1,451	1.5
	SO 2.2- Decisions on Education Claims	2,788	2.9
	<b>Total for Strategic Goal 2</b>	<b>\$4,239</b>	<b>4.4%</b>

<b>Performance Summary by Objective</b> (Representative Measures)																				
Targets	Results	4-Year History																		
<b>Strategic Objective 2.1 – Reentry into Civilian Life</b> EASE THE REENTRY OF NEW VETERANS INTO CIVILIAN LIFE BY INCREASING AWARENESS OF, ACCESS TO, AND USE OF VA HEALTH CARE, BENEFITS, AND SERVICES.																				
<ul style="list-style-type: none"> <li>• <b>Achieve 96 percent</b> of primary care appointments scheduled within 30 days of desired date for veterans and servicemembers returning from a combat zone (Supporting Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>97 percent</b></li> </ul>	<div style="border: 1px solid black; padding: 5px;"> <table border="1"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>90%</td> <td>95%</td> </tr> <tr> <td>FY 2006</td> <td colspan="2" style="text-align: center;">-Baselined-</td> </tr> <tr> <td>FY 2005</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>FY 2004</td> <td>N/A</td> <td>N/A</td> </tr> </tbody> </table> <p>N/A = Measure did not exist prior to FY 2006. In 2006, measure was baselined.</p> </div>	4-Year Performance History			Year	Targets	Results	FY 2007	90%	95%	FY 2006	-Baselined-		FY 2005	N/A	N/A	FY 2004	N/A	N/A
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<b>Strategic Goal 2, cont'd.</b> <b>Smooth Transition to Civilian Life</b>																				
<b>Strategic Objective 2.1 – Reentry into Civilian Life, cont'd.</b> EASE THE REENTRY OF NEW VETERANS INTO CIVILIAN LIFE BY INCREASING AWARENESS OF, ACCESS TO, AND USE OF VA HEALTH CARE, BENEFITS, AND SERVICES.																				
Targets	Results	4-Year History																		
<ul style="list-style-type: none"> <li>• <b>Ensure 50 percent</b> of all original claims filed within the first year of release from active duty are filed at a BDD site prior to a service-member's discharge (Supporting Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>59 percent</b> <span style="float: right;">(G)</span></li> </ul>	<table border="1"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>48%</td> <td>53%</td> </tr> <tr> <td>FY 2006</td> <td>53%</td> <td>46%</td> </tr> <tr> <td>FY 2005</td> <td>Baselined</td> <td>55%</td> </tr> <tr> <td>FY 2004</td> <td>N/A</td> <td>N/A</td> </tr> </tbody> </table> <p>N/A = Measure did not exist prior to FY 2005. In 2005, measure was baselined.</p>	4-Year Performance History			Year	Targets	Results	FY 2007	48%	53%	FY 2006	53%	46%	FY 2005	Baselined	55%	FY 2004	N/A	N/A
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<b>Strategic Objective 2.2 – Decisions on Education Claims</b> ENHANCE THE ABILITY OF VETERANS AND SERVICEMEMBERS TO ACHIEVE EDUCATIONAL AND CAREER GOALS BY PROVIDING TIMELY AND ACCURATE DECISIONS ON EDUCATION CLAIMS AND CONTINUING PAYMENTS AT APPROPRIATE LEVELS.																				
<ul style="list-style-type: none"> <li>• <b>Complete in 24 days</b> original education claims, on average (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>19 days</b> <span style="float: right;">(G)</span></li> </ul>	<table border="1"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>35</td> <td>32</td> </tr> <tr> <td>FY 2006</td> <td>27</td> <td>40</td> </tr> <tr> <td>FY 2005</td> <td>25</td> <td>33</td> </tr> <tr> <td>FY 2004</td> <td>24</td> <td>26</td> </tr> </tbody> </table>	4-Year Performance History			Year	Targets	Results	FY 2007	35	32	FY 2006	27	40	FY 2005	25	33	FY 2004	24	26
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<ul style="list-style-type: none"> <li>• <b>Complete in 11 days</b> supplemental education claims, on average (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>9 days</b> <span style="float: right;">(G)</span></li> </ul>	<table border="1"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>15</td> <td>13</td> </tr> <tr> <td>FY 2006</td> <td>13</td> <td>20</td> </tr> <tr> <td>FY 2005</td> <td>13</td> <td>19</td> </tr> <tr> <td>FY 2004</td> <td>12</td> <td>13</td> </tr> </tbody> </table>	4-Year Performance History			Year	Targets	Results	FY 2007	15	13	FY 2006	13	20	FY 2005	13	19	FY 2004	12	13
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FY 2006	13	20																		
FY 2005	13	19																		
FY 2004	12	13																		
<ul style="list-style-type: none"> <li>• <b>Achieve a 96 percent</b> payment accuracy rate (Education claims) (Supporting Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>96 percent</b> <span style="float: right;">(G)</span></li> </ul>	<table border="1"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>96%</td> <td>95%</td> </tr> <tr> <td>FY 2006</td> <td>95%</td> <td>94%</td> </tr> <tr> <td>FY 2005</td> <td>95%</td> <td>96%</td> </tr> <tr> <td>FY 2004</td> <td>94%</td> <td>94%</td> </tr> </tbody> </table>	4-Year Performance History			Year	Targets	Results	FY 2007	96%	95%	FY 2006	95%	94%	FY 2005	95%	96%	FY 2004	94%	94%
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FY 2004	94%	94%																		



### STRATEGIC GOAL 3

#### *Honoring, Serving, and Memorializing Veterans*

*Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.*

#### **Public Benefit**

The Veterans Health Administration is the United States' largest integrated health system and continues to set the national standard of excellence in quality and patient safety for the **health care industry**. Interactive technology strategies are being implemented to provide care in the least restrictive environments to allow patients and families maximum participation in disease management and health maintenance.

**Telehealth** technologies continue to be implemented to facilitate access to care and to improve the health of veterans and provide the right care in the right place at the right time.

VA has developed and implemented **nationally recognized clinical guidelines** for treatment and care of patients with one or more high-volume diagnoses. VA's innovations in patient care and development of technology strategies serve as models for the health care industry.

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

Through **readjustment counseling**, employment services, vocational rehabilitation, education assistance, and home loan guarantees, VA helps veterans become fully reintegrated into their communities with minimal disruption to their lives.

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



## Making a Difference for the Veteran

### Michael E. DeBakey VAMC Performs First Liver Transplant



Liver transplant patient Michael Abshire, a 63 year-old, U.S. Navy veteran from Webster, Texas was released to go home in early December. Abshire poses with (from left) David H. Berger, M.D., MEDVAMC Operative Care Line Executive; John A. Goss, M.D., Chief, Division of Abdominal Transplantation at Baylor College of Medicine; Ralph G. Depalma, M.D., VA National Director of Surgery; and Donna Jackson, R.N.-C., Liver Transplant Clinical Coordinator.

A 63 year-old U.S. Navy veteran from Webster, Texas, became the first patient to undergo orthotopic liver transplantation at the Michael E. DeBakey VA Medical Center (MEDVAMC). The surgery, which took place in November 2007, represents a milestone locally in the field of organ transplantation and provides end-stage liver disease veterans with state-of-the-art care.

"The Michael E. DeBakey VA Medical Center's program for the treatment of liver disease is among the most advanced in the country. Given that we provide excellent care for veterans with end-stage liver disease preoperatively and postoperatively, the ability to now meet their transplantation surgical needs is a tremendous advantage," said David H. Berger, M.D., MEDVAMC Operative Care Line executive.

Partnering with John A. Goss, M.D., Chief, Division of Abdominal Transplantation at Baylor College of Medicine, the goal of the MEDVAMC Liver Transplant

Center is to provide the highest level of care to the veteran population. The surgery on Michael Abshire, who suffers from end-stage liver disease, was performed by the MEDVAMC Liver Transplant Team.

A Vietnam veteran who served aboard the U.S.S. Bon Homme Richard, Abshire said he and his family are most grateful for the care he received at MEDVAMC and for the availability of the donor organ that saved his life. "I am alive today because of this hospital, because of these wonderful doctors and nurses and everyone else involved in the transplant program, and most importantly, because of the gift of life that was bestowed to me from an organ donor and their family. I feel incredibly blessed," said Abshire.

The VA National Transplant Program began providing solid organ transplants to veteran patients in 1961. Thomas E. Starzl, M.D. performed VA's first kidney transplant at the VA Medical Center in Denver. Since then, the VA National Transplant Program has expanded services to provide veteran patients with heart transplant services in 1980, bone marrow in 1982, liver in 1989, and lung in 1991. In 1995, a national VA transplant office was established in Washington, DC to ensure all veterans receive equal access to transplant services and to establish a central referral center.

### Follow-up on the Liver Transplant Team

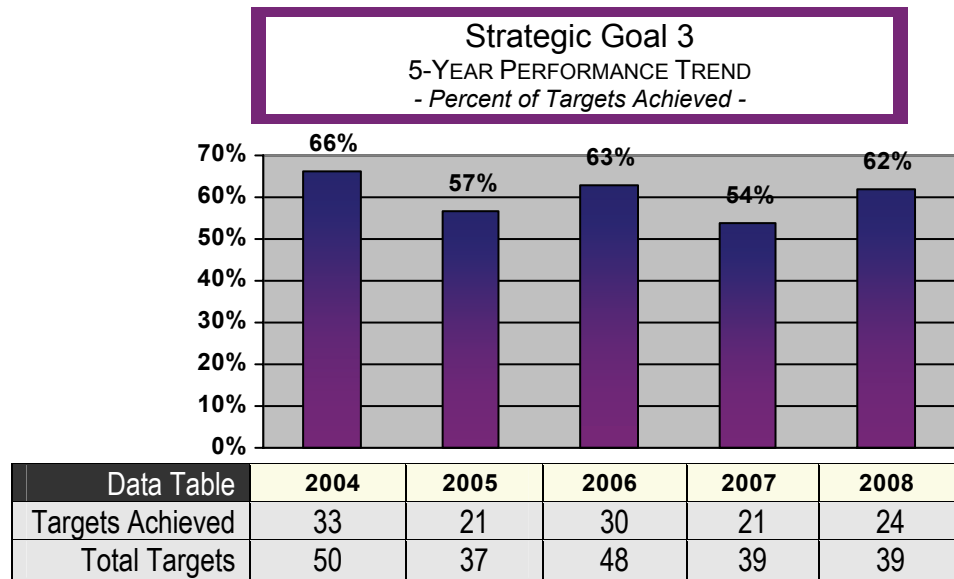
While surge waters crashed the beaches of the Texas Gulf Coast and neighborhoods boarded up windows, the Michael E. DeBakey VA Medical Center (MEDVAMC) performed orthotopic liver transplantation on a 59-year-old, Army veteran from Missouri. With Hurricane Ike building strength in the Gulf of Mexico, it only took 30 seconds to make the decision to perform the surgery. "We could not deny a veteran the chance for a potential life-saving procedure because of a little wind and rain," said David Berger, M.D., MEDVAMC Operative Care Line executive. The seven-hour surgery on Thomas Franklin, who suffered from end-stage liver disease caused by Hepatitis C, was performed by the MEDVAMC Liver Transplant Team on Friday, September 12, 2008. On Saturday, the storm forced the facility to go on generator power and the temperature in the building began creeping up. While coolers kept the air in the Intensive Care Units comfortable for patients, health care providers took extra precautions and transferred Franklin to an operating room with a constant 68 degree environment.



### Five-Year Performance Trend – *Percent of Targets Achieved*

Based on the total number of reported results during a fiscal year, the chart below shows the *percent of performance targets that were achieved* for this strategic goal for the past five years.

Each year performance targets change and, to a lesser extent, so do the number and type of measures. Thus, as shown in the data table, the total number of targets may vary each year.



Note: For 2007, additional final results are now available. Thus, numbers and percentages have been adjusted from those appearing in the FY 2007 PAR.

### Positive 2008 Outcomes

**Access to Medical Care:** VA continued to improve access to the Department’s health care system. The share of **primary care appointments scheduled within 30 days of the veteran’s desired date** increased to **98.7 percent**, while for **specialty care** appointments the figure increased to **97.5 percent**.

**Housing Assistance:** VA continued to assist veterans who became delinquent on their VA-guaranteed home loans. VA’s direct involvement helped **52.4 percent of the veterans** who otherwise **could have lost their homes** through **foreclosure** by assisting them with steps to retain ownership of their homes or at least significantly reducing their financial hardship by helping them sell their homes.

**Access to a Burial Option:** VA increased to **84.2 percent** the proportion of veterans who have reasonable **access to a burial option** in either a national or State veterans’ cemetery. Last year, four new State veterans cemeteries funded through VA’s **State Cemetery Grants Program** began interment operations, providing service to approximately 200,000 previously unserved veterans in the areas of Glennville, Georgia; Anderson, South Carolina; Des Moines, Iowa; and Williamstown, Kentucky.



**FY 2008 Performance and Resource Summary Table – by Goal and Objective**

The following table highlights important achievements related to strategic goal three and its supporting strategic objectives. Also shown are estimates of the resources devoted to each objective as well as a total for the strategic goal.

<b>Strategic Goal 3</b>			
<b>Honoring, Serving, and Memorializing Veterans</b>			
<b>Resource Allocations by Objective</b>			
		<b>Obligations (\$ in Millions)</b>	<b>Pct. of Total VA Resources</b>
<b>Strategic Objectives</b>	SO 3.1- Delivering Health Care	9,569	9.9
	SO 3.2- Decisions on Pension Claims	4,020	4.1
	SO 3.3- Providing Insurance Service	1,708	1.8
	SO 3.4- Meeting Burial Needs	397	0.4
	SO 3.5- Symbolic Expressions of Remembrance	77	0.1
	SO 3.6- Home Purchase and Retention	978	1.0
	<b>Total for Strategic Goal 3</b>		<b>\$16,749</b>

<b>Performance Summary by Objective</b>																				
<i>(Representative Measures)</i>																				
<b>Targets</b>	<b>Results</b>	<b>4-Year History</b>																		
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<ul style="list-style-type: none"> <li>• <b>Achieve a score of 85 percent</b> on the Clinical Practice Guidelines Index II (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>84 percent</b> <span style="float: right;">(Y)</span></li> </ul> (1) Actual data through 07/2008. Final data are expected in 12/2008. (2) The 2004 and 2005 results are for CPGI I. The 2006, 2007, and 2008 results are CPGI II. In FY 2009, VHA is transitioning to CPGI III.	<table border="1"> <thead> <tr> <th colspan="3"><b>4-Year Performance History</b></th> </tr> <tr> <th><b>Year</b></th> <th><b>Targets</b></th> <th><b>Results</b></th> </tr> </thead> <tbody> <tr> <td><i>FY 2007</i></td> <td>84%</td> <td>83%</td> </tr> <tr> <td><i>FY 2006</i></td> <td>77%</td> <td>83%</td> </tr> <tr> <td><i>FY 2005</i></td> <td>77%</td> <td>87%</td> </tr> <tr> <td><i>FY 2004</i></td> <td>70%</td> <td>77%</td> </tr> </tbody> </table>	<b>4-Year Performance History</b>			<b>Year</b>	<b>Targets</b>	<b>Results</b>	<i>FY 2007</i>	84%	83%	<i>FY 2006</i>	77%	83%	<i>FY 2005</i>	77%	87%	<i>FY 2004</i>	70%	77%
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<ul style="list-style-type: none"> <li>• <b>Establish a <i>baseline</i> for percent</b> of unique patients waiting more than 30 days beyond the desired appointment date (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>N/A</b></li> </ul>																			



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<ul style="list-style-type: none"> <li>• <b>Achieve a 7.7 percent</b> annual increase of non-institutional, long-term care average daily census using 2006 as the baseline (Baseline = 43,325) (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>31.7 percent</b> <span style="float: right;">(G)</span></li> </ul>	<table border="1"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>26.3%</td> <td>-5.3%</td> </tr> <tr> <td>FY 2006</td> <td colspan="2" style="text-align: center;">-Baselined-</td> </tr> <tr> <td>FY 2005</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>FY 2004</td> <td>N/A</td> <td>N/A</td> </tr> </tbody> </table> <p>N/A = Measure did not exist prior to FY 2006. In 2006, measure was baselined.</p>	4-Year Performance History			Year	Targets	Results	FY 2007	26.3%	-5.3%	FY 2006	-Baselined-		FY 2005	N/A	N/A	FY 2004	N/A	N/A
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<ul style="list-style-type: none"> <li>• <b>Complete in 169 days</b> compensation and pension rating-related actions, on average (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>179 days</b> <span style="float: right;">(R)</span></li> </ul>	<table border="1"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>160</td> <td>183</td> </tr> <tr> <td>FY 2006</td> <td>185</td> <td>177</td> </tr> <tr> <td>FY 2005</td> <td>145</td> <td>167</td> </tr> <tr> <td>FY 2004</td> <td>145</td> <td>166</td> </tr> </tbody> </table>	4-Year Performance History			Year	Targets	Results	FY 2007	160	183	FY 2006	185	177	FY 2005	145	167	FY 2004	145	166
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<ul style="list-style-type: none"> <li>• <b>Complete in 84 days</b> non-rating pension actions, on average (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>119 days</b> (R)</li> </ul>	<table border="1"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>96</td> <td>104</td> </tr> <tr> <td>FY 2006</td> <td>66</td> <td>92</td> </tr> <tr> <td>FY 2005</td> <td>73</td> <td>68</td> </tr> <tr> <td>FY 2004</td> <td>Baselined*</td> <td>58</td> </tr> </tbody> </table> <p>*Measure did not exist prior to FY 2004. In 2004, measure was baselined.</p>	4-Year Performance History			Year	Targets	Results	FY 2007	96	104	FY 2006	66	92	FY 2005	73	68	FY 2004	Baselined*	58
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<ul style="list-style-type: none"> <li>• <b>Achieve a 92 percent</b> national accuracy rate for pension authorization work (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>92 percent</b> (G)</li> </ul> <p>Actual data through 07/2008. Final data are expected in 12/2008.</p>	<table border="1"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>89%</td> <td>91%</td> </tr> <tr> <td>FY 2006</td> <td>88%</td> <td>88%</td> </tr> <tr> <td>FY 2005</td> <td>84%</td> <td>86%</td> </tr> <tr> <td>FY 2004</td> <td>Baselined*</td> <td>84%</td> </tr> </tbody> </table> <p>*Measure did not exist prior to FY 2004. In 2004, measure was baselined.</p>	4-Year Performance History			Year	Targets	Results	FY 2007	89%	91%	FY 2006	88%	88%	FY 2005	84%	86%	FY 2004	Baselined*	84%
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<ul style="list-style-type: none"> <li>• <b>Complete in 5 days</b> TSGLI disbursements, on average (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>2.5 days</b> (G)</li> </ul>	<table border="1"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>5</td> <td>3.0</td> </tr> <tr> <td>FY 2006</td> <td>Baselined</td> <td>3.8</td> </tr> <tr> <td>FY 2005</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>FY 2004</td> <td>N/A</td> <td>N/A</td> </tr> </tbody> </table> <p>N/A = Measure did not exist prior to FY 2006. In 2006, measure was baselined.</p>	4-Year Performance History			Year	Targets	Results	FY 2007	5	3.0	FY 2006	Baselined	3.8	FY 2005	N/A	N/A	FY 2004	N/A	N/A
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<ul style="list-style-type: none"> <li>• <b>Achieve a 95 percent</b> rate of high satisfaction from veterans for insurance services delivered (Supporting Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>95 percent</b> (G)</li> </ul>	<table border="1"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>95%</td> <td>96%</td> </tr> <tr> <td>FY 2006</td> <td>95%</td> <td>96%</td> </tr> <tr> <td>FY 2005</td> <td>95%</td> <td>96%</td> </tr> <tr> <td>FY 2004</td> <td>95%</td> <td>96%</td> </tr> </tbody> </table>	4-Year Performance History			Year	Targets	Results	FY 2007	95%	96%	FY 2006	95%	96%	FY 2005	95%	96%	FY 2004	95%	96%
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<b>Strategic Objective 3.4 – Meeting Burial Needs</b>																				
ENSURE THAT THE BURIAL NEEDS OF VETERANS AND ELIGIBLE FAMILY MEMBERS ARE MET.																				
<ul style="list-style-type: none"> <li>• <b>Serve 83.7 percent</b> of veterans with a burial option within a reasonable distance (75 miles) of their residence (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>84.2 percent</b> <span style="float: right;">(G)</span></li> </ul>	<table border="1"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>83.8%</td> <td>83.4%</td> </tr> <tr> <td>FY 2006</td> <td>81.6%</td> <td>80.2%</td> </tr> <tr> <td>FY 2005</td> <td>78.3%</td> <td>77.1%</td> </tr> <tr> <td>FY 2004</td> <td>75.3%</td> <td>75.3%</td> </tr> </tbody> </table>	4-Year Performance History			Year	Targets	Results	FY 2007	83.8%	83.4%	FY 2006	81.6%	80.2%	FY 2005	78.3%	77.1%	FY 2004	75.3%	75.3%
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<ul style="list-style-type: none"> <li>• <b>Achieve 97 percent</b> of survey respondents rating the quality of service provided by the national cemeteries as excellent (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>94 percent</b> <span style="float: right;">(Y)</span></li> </ul>	<table border="1"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>97%</td> <td>94%</td> </tr> <tr> <td>FY 2006</td> <td>96%</td> <td>94%</td> </tr> <tr> <td>FY 2005</td> <td>95%</td> <td>94%</td> </tr> <tr> <td>FY 2004</td> <td>95%</td> <td>94%</td> </tr> </tbody> </table>	4-Year Performance History			Year	Targets	Results	FY 2007	97%	94%	FY 2006	96%	94%	FY 2005	95%	94%	FY 2004	95%	94%
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FY 2006	96%	94%																		
FY 2005	95%	94%																		
FY 2004	95%	94%																		
<b>Strategic Objective 3.5 – Symbolic Expressions of Remembrance</b>																				
PROVIDE VETERANS AND THEIR FAMILIES WITH TIMELY AND ACCURATE SYMBOLIC EXPRESSIONS OF REMEMBRANCE.																				
<ul style="list-style-type: none"> <li>• <b>Mark 95 percent</b> of graves in national cemeteries within 60 days of interment (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>93 percent</b> <span style="float: right;">(Y)</span></li> </ul>	<table border="1"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>90%</td> <td>94%</td> </tr> <tr> <td>FY 2006</td> <td>90%</td> <td>95%</td> </tr> <tr> <td>FY 2005</td> <td>88%</td> <td>94%</td> </tr> <tr> <td>FY 2004</td> <td>78%</td> <td>87%</td> </tr> </tbody> </table>	4-Year Performance History			Year	Targets	Results	FY 2007	90%	94%	FY 2006	90%	95%	FY 2005	88%	94%	FY 2004	78%	87%
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FY 2007	90%	94%																		
FY 2006	90%	95%																		
FY 2005	88%	94%																		
FY 2004	78%	87%																		
<b>Strategic Objective 3.6 – Home Purchase and Retention</b>																				
IMPROVE THE ABILITY OF VETERANS TO PURCHASE AND RETAIN A HOME BY MEETING OR EXCEEDING LENDING INDUSTRY STANDARDS FOR QUALITY, TIMELINESS, AND FORECLOSURE AVOIDANCE.																				
<ul style="list-style-type: none"> <li>• <b>Achieve a 56.0 percent</b> foreclosure avoidance through servicing ratio (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>52.4 percent</b> <span style="float: right;">(Y)</span></li> </ul>	<table border="1"> <thead> <tr> <th colspan="3">4-Year History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>51.0%</td> <td>57.0%</td> </tr> <tr> <td>FY 2006</td> <td>47.0%</td> <td>54.0%</td> </tr> <tr> <td>FY 2005</td> <td>47.0%</td> <td>48.0%</td> </tr> <tr> <td>FY 2004</td> <td>47.0%</td> <td>44.0%</td> </tr> </tbody> </table>	4-Year History			Year	Targets	Results	FY 2007	51.0%	57.0%	FY 2006	47.0%	54.0%	FY 2005	47.0%	48.0%	FY 2004	47.0%	44.0%
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FY 2005	47.0%	48.0%																		
FY 2004	47.0%	44.0%																		



## STRATEGIC GOAL 4

### *Contributing to the Nation's Well-Being*

*Contribute to the public health, emergency management, socioeconomic well-being, and history of the Nation.*

#### Public Benefit

VA advances **medical research** and development programs to support veterans' needs and contribute to the Nation's medical and scientific knowledge base as a public good.

VA continues to expand research efforts to evaluate the impact of **post-traumatic stress disorder (PTSD)** in both the clinical and non-clinical settings. VA assessed 800 U.S. Army soldiers before and after 1-year military deployments to Iraq. As part of the **Neurocognition Deployment Health Study** procedures, each soldier completed self-assessment reports on indices of PTSD symptom severity, health behaviors (smoking, alcohol use), and somatic health-related functioning.

Participants also completed a health-symptom checklist at the **postdeployment** assessment. Structural equation modeling revealed that postdeployment PTSD severity was associated with change in somatic health-related functioning, with postdeployment health symptoms as an intermediary variable. These relationships were independent of health risk behaviors, which had little association with somatic symptoms or PTSD. VA's findings highlight the functional impact of PTSD, which extends beyond psychological symptoms to health-related daily functioning.

Over **100,000 clinical trainees** rotate through VA facilities each year from accredited training programs. Trainees comprise an excellent pool from which to draw to maintain a high-quality health care workforce. In most disciplines, an experience in VA translates into a **doubling** of interest in a VA career. In 2008, the Office of Academic Affiliation proposed a new

performance metric that will give firm numbers regarding the success of our trainee program in contributing to our VA employee workforce. This metric will be implemented in the spring of 2009.

VA researchers are working to improve the construction of prostheses, using leading-edge technologies such as **robotics**, tissue engineering, and **nanotechnology** to create lighter limbs that closely mimic their real counterparts. The integration of body, mind, and machine is a major guiding principle as VA specialists design and build artificial limbs that look, feel, and respond like natural arms and legs. To meet the diverse needs of disabled veterans, VA researchers are working on numerous technologies such as **progressive wheelchairs**, artificial retinas, and hands-free computers with voice recognition.

Additionally, VA investigators are working to identify the best match for an individual veteran's prosthetic needs by collecting information such as how various **prosthetic devices** are used and the degree of satisfaction they provide to users. Important areas of advancement include the development of the first powered ankle-foot **prosthesis**, which thrusts users forward with tendon-like springs and an electric motor; the use of electrical stimulation delivered by devices implanted into the body, such as cardiac pacemakers, to enable veterans with varying degrees of **spinal cord injury** to improve their ability to walk and control the movement of paralyzed limbs; and the use of microelectronic implants in the eye to restore vision to veterans with such conditions as macular degeneration—the leading cause of blindness in the industrialized world.



VA's maintenance of **national cemeteries** as national shrines preserves our Nation's history, nurtures patriotism, and honors the service and sacrifice of our Nation's veterans. Each national cemetery exists as a national shrine providing an enduring memorial to this service, as well as a dignified and **respectful setting** for their final rest.

VA's Office of Operations, Security, and Preparedness (OSP) coordinates the

Department's **emergency management**, preparedness, security, and law enforcement activities to ensure the Department can continue to perform its essential functions under all circumstances across the spectrum of threats. Both VA's Central Office and Martinsburg Readiness Operation Centers are well equipped and are designed to help VA prepare for, respond to, and recover from natural or other disasters.



## Making a Difference for the Veteran

### VA In Space...Working to Prevent Salmonella Infection

A Department of Veterans Affairs (VA) researcher participated in a project that may lead to development of a vaccine to prevent *Salmonella* poisoning. NASA's space shuttle Endeavour, launched in March, transported research material to the International Space Station.

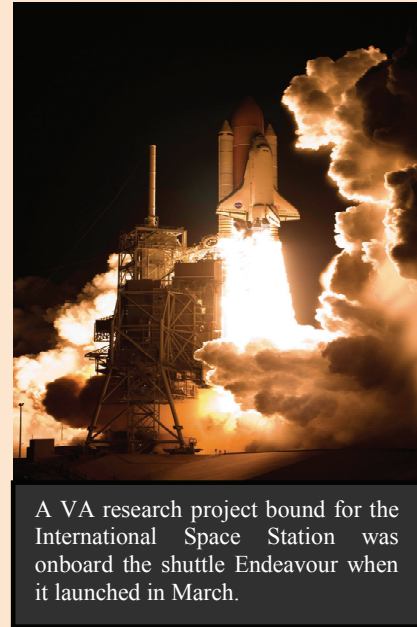
"This space flight is an exciting step in the development of a *Salmonella* vaccine that will benefit not only our Nation's veterans, but all mankind," said Secretary of Veterans Affairs Dr. James B. Peake. "This is a great example of VA working with the private and public sectors on vital research to create a life-saving advancement." The research will be used by VA investigators and other researchers to develop a *Salmonella* vaccine with the potential to save lives and billions of dollars.

The project came about through the teaming of VA researchers with investigators from the National Space Biomedical Research Institute, Duke University Medical Center, the University of Colorado at Boulder, and Germany's Max Planck Institute, as well as a commercial industry sponsor, SPACEHAB Inc.

Previous research has identified several genes that weaken *Salmonella* when they are removed. One of these weakened strains may be suitable to use in a vaccine, but the *Salmonella* organism quickly loses its infectious characteristics under normal test circumstances, making it difficult to study. Researchers believe the environment of space can bring about key genetic changes in cells that affect the ability of the organism to invade human tissue and cause disease. To induce these changes, worms will be grown from eggs on-board the space shuttle. While in space, the worms will be fed *Salmonella*. The extent of damage will be measured when the worms are returned to earth, helping to identify which of the weakened strains is the most effective to use in a vaccine.

"This represents a new approach to vaccine development, as it will be the first time a living organism is infected in space to study its immune response," said Timothy Hammond, lead VA investigator on the project at the Durham VA Medical Center in North Carolina.

*Salmonella* infection is the most common form of food poisoning in the United States, and leads to a loss of productivity estimated at close to \$100 billion annually. Worldwide, *Salmonella* diarrhea is one of the top three causes of infant mortality.



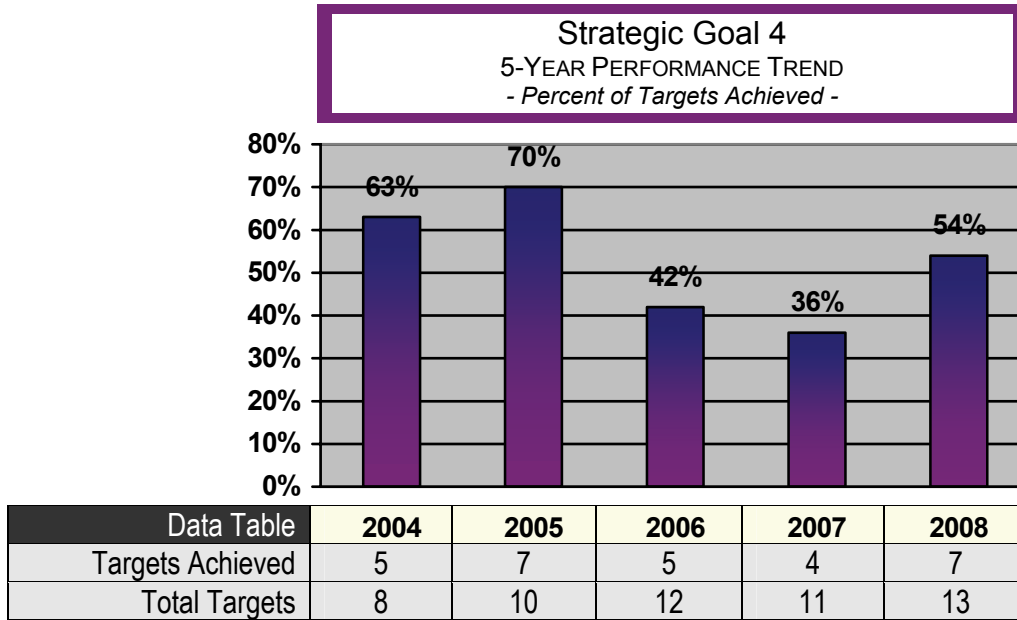
A VA research project bound for the International Space Station was onboard the shuttle Endeavour when it launched in March.



**Five-Year Performance Trend – Percent of Targets Achieved**

Based on the total number of reported results during a fiscal year, the chart below shows the *percent of performance targets that were achieved* for this strategic goal for the past five years.

Each year performance targets change and, to a lesser extent, so do the number and type of measures. Thus, as shown in the data table, the total number of targets may vary each year.



Note: For 2007, additional final results are now available. Thus, numbers and percentages have been adjusted from those appearing in the FY 2007 PAR.

**Positive 2008 Outcomes**

Medical Research: VA scientists **have made** notable progress in developing a new treatment for PTSD, specifically directed toward alleviating sleep disturbances and nightmares. This treatment utilizes a drug that has long been used for hypertension. Initial research studies provide evidence for effective relief in cases of veterans who have been struggling for years with chronic sleep problems.

Honoring our Fallen Heroes: Based on a survey of visitors to national cemeteries, **98 percent** of those surveyed rated the appearance of national cemeteries as **excellent**, and 98 percent indicated that they would recommend the national cemetery system to other veterans’ families during their time of need.

Supporting service-disabled veteran-owned small businesses: More than **12 percent or approximately \$1.3 billion** of VA’s total procurement obligations were directed to **service-disabled veteran-owned small businesses**. This accomplishment **ranked VA first** among all Federal agencies in this area.



**FY 2008 Performance and Resource Summary Table – by Goal and Objective**

The following table highlights important achievements related to strategic goal four and its supporting strategic objectives. Also shown are estimates of the resources devoted to each objective as well as a total for the strategic goal.

<b>Strategic Goal 4</b>			
<b>Contributing to the Nation's Well-Being</b>			
<b>Resource Allocations by Objective</b>			
		<b>Obligations (\$ in Millions)</b>	<b>% of Total VA Resources</b>
<b>Strategic Objectives</b>	SO 4.1- Emergency Preparedness	28	<0.1
	SO 4.2- Medical Research and Development	406	0.4
	SO 4.3- Academic Partnerships	1,110	1.1
	SO 4.4- Socioeconomic Well-Being of Veterans	2	<0.1
	SO 4.5- Maintaining National Cemeteries as Shrines	123	0.1
	<b>Total for Strategic Goal 4</b>		<b>\$1,670</b>

<b>Performance Summary by Objective</b> (Representative Measures)																				
<b>Targets</b>	<b>Results</b>	<b>4-Year History</b>																		
<b>Strategic Objective 4.1 – Emergency Preparedness</b>																				
IMPROVE THE NATION'S PREPAREDNESS FOR RESPONSE TO WAR, TERRORISM, NATIONAL EMERGENCIES, AND NATURAL DISASTERS BY DEVELOPING PLANS AND TAKING ACTIONS TO ENSURE CONTINUED SERVICE TO VETERANS, AS WELL AS TO SUPPORT NATIONAL, STATE, AND LOCAL EMERGENCY MANAGEMENT AND HOMELAND SECURITY EFFORTS.																				
<ul style="list-style-type: none"> <li><b>Achieve 100 percent</b> of Under Secretaries, Assistant Secretaries, and other key officials who self-certify that their teams are "ready to deploy" to their continuity of operations plan (COOP) site (Supporting Measure)</li> </ul>	<ul style="list-style-type: none"> <li><b>100 Percent</b></li> </ul>	<div style="text-align: center;">G</div> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3"><b>4-Year Performance History</b></th> </tr> <tr> <th><b>Year</b></th> <th><b>Targets</b></th> <th><b>Results</b></th> </tr> </thead> <tbody> <tr> <td><i>FY 2007</i></td> <td>100%</td> <td>90%</td> </tr> <tr> <td><i>FY 2006</i></td> <td>100%</td> <td>85%</td> </tr> <tr> <td><i>FY 2005</i></td> <td>Baselined</td> <td>85%</td> </tr> <tr> <td><i>FY 2004</i></td> <td>N/A</td> <td>N/A</td> </tr> </tbody> </table> <p>N/A = Measure did not exist prior to FY 2005. In 2005, measure was baselined.</p>	<b>4-Year Performance History</b>			<b>Year</b>	<b>Targets</b>	<b>Results</b>	<i>FY 2007</i>	100%	90%	<i>FY 2006</i>	100%	85%	<i>FY 2005</i>	Baselined	85%	<i>FY 2004</i>	N/A	N/A
<b>4-Year Performance History</b>																				
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<i>FY 2007</i>	100%	90%																		
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<i>FY 2005</i>	Baselined	85%																		
<i>FY 2004</i>	N/A	N/A																		



Strategic Goal 4, cont'd. Contributing to the Nation's Well-Being																				
<b>Strategic Objective 4.2 – Medical Research and Development</b>																				
ADVANCE VA MEDICAL RESEARCH AND DEVELOP PROGRAMS THAT ADDRESS VETERANS' NEEDS – WITH AN EMPHASIS ON SERVICE-CONNECTED INJURIES AND ILLNESSES – AND CONTRIBUTE TO THE NATION'S KNOWLEDGE OF DISEASE AND DISABILITY.																				
Targets	Results	4-Year History																		
<ul style="list-style-type: none"> <li>• <b>Achieve 80 percent</b> progress towards development of one new treatment for post-traumatic stress disorder (PTSD) (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>80 percent</b> <span style="float: right;">G</span></li> </ul>	<table border="1" style="width: 100%;"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>67%</td> <td>67%</td> </tr> <tr> <td>FY 2006</td> <td>60%</td> <td>47%</td> </tr> <tr> <td>FY 2005</td> <td>Baselined</td> <td>40%</td> </tr> <tr> <td>FY 2004</td> <td>N/A</td> <td>33%</td> </tr> </tbody> </table> <p>N/A = Measure did not exist prior to FY 2005. In 2005, measure was baselined.</p>	4-Year Performance History			Year	Targets	Results	FY 2007	67%	67%	FY 2006	60%	47%	FY 2005	Baselined	40%	FY 2004	N/A	33%
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FY 2004	N/A	33%																		
<b>Strategic Objective 4.3 – Academic Partnerships</b>																				
ENHANCE THE QUALITY OF CARE TO VETERANS AND PROVIDE HIGH-QUALITY EDUCATIONAL EXPERIENCES FOR HEALTH PROFESSION TRAINEES, CREATED INTERNALLY IN VA AND VIA PARTNERSHIPS WITH THE ACADEMIC COMMUNITY.																				
<ul style="list-style-type: none"> <li>• <b>Achieve XX percent</b> of VHA clinical healthcare professionals who had VA training prior to employment (Supporting Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>N/A</b></li> </ul>	<p>VA undertook a reassessment of its partnerships to increase emphasis on recruiting trainees as part of its succession and workforce planning initiatives. Trainees form an important recruitment pool from which to draw new VA employees. This new measure will identify the percent of VHA healthcare professionals who have had VA training prior to employment. The previous measure, "Medical residents' and other trainees' scores on a VHA survey assessing their clinical training experience," was dropped at the end of FY 2007.</p> <p>The new measure is being <b>baselined</b> in 2008; results reporting will begin in <b>2009</b>.</p>																		
<b>Strategic Objective 4.4 – Socioeconomic Well-Being of Veterans</b>																				
ENHANCE THE SOCIOECONOMIC WELL-BEING OF VETERANS, AND THEREBY THE NATION AND LOCAL COMMUNITIES, THROUGH VETERANS BENEFITS; ASSISTANCE PROGRAMS FOR SMALL, DISADVANTAGED, AND VETERAN-OWNED BUSINESSES; AND OTHER COMMUNITY INITIATIVES.																				
<ul style="list-style-type: none"> <li>• <b>Attain the statutory minimum goal of 3.00 percent</b> for awarding contracts to service-disabled veteran-owned small businesses expressed as a percent of total VA procurement (Supporting Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>12.35 percent</b> <span style="float: right;">G</span></li> </ul> <p>Actual data through September 2008. Data will not be final until September 2009.</p>	<table border="1" style="width: 100%;"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>3.00%</td> <td>6.94%</td> </tr> <tr> <td>FY 2006</td> <td>3.00%</td> <td>3.58%</td> </tr> <tr> <td>FY 2005</td> <td>3.00%</td> <td>2.15%</td> </tr> <tr> <td>FY 2004</td> <td>3.00%</td> <td>1.25%</td> </tr> </tbody> </table>	4-Year Performance History			Year	Targets	Results	FY 2007	3.00%	6.94%	FY 2006	3.00%	3.58%	FY 2005	3.00%	2.15%	FY 2004	3.00%	1.25%
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<b>Strategic Goal 4, cont'd.</b> <b>Contributing to the Nation's Well-Being</b>																				
<b>Objective 4.5 – Maintaining National Cemeteries as Shrines</b> <small>ENSURE THAT NATIONAL CEMETERIES ARE MAINTAINED AS SHRINES DEDICATED TO PRESERVING OUR NATION'S HISTORY, NURTURING PATRIOTISM, AND HONORING THE SERVICE AND SACRIFICE VETERANS HAVE MADE.</small>																				
Targets	Results	4-Year History																		
<ul style="list-style-type: none"> <li>• <b>Achieve 99 percent</b> of survey respondents rating the appearance of the national cemeteries as excellent (Key Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>98 percent</b></li> </ul>	<div style="text-align: center;"> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">Y</span> </div> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3">4-Year History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>99%</td> <td>97%</td> </tr> <tr> <td>FY 2006</td> <td>99%</td> <td>97%</td> </tr> <tr> <td>FY 2005</td> <td>98%</td> <td>98%</td> </tr> <tr> <td>FY 2004</td> <td>98%</td> <td>98%</td> </tr> </tbody> </table>	4-Year History			Year	Targets	Results	FY 2007	99%	97%	FY 2006	99%	97%	FY 2005	98%	98%	FY 2004	98%	98%
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Year	Targets	Results																		
FY 2007	99%	97%																		
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FY 2005	98%	98%																		
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## ENABLING GOAL

### *Applying Sound Business Principles*

*Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes, and financial resources.*

### Public Benefit

VA's enabling goal is different from the four strategic goals. The enabling goal and its corresponding objectives encompass cross-cutting activities such as information technology management, supply management, human capital planning, and budgeting that enable all organizational units of VA to carry out the Department's mission efficiently. The following examples demonstrate how VA is applying sound business principles to save time and money:

- **Advanced Clinic Access (ACA)** is a set of principles and tools for identifying and managing supply and demand to reduce waits and delays. The aim of ACA is to improve access and timeliness of services by redesigning systems to eliminate delays and enhance process flow, while maintaining and/or improving quality, outcomes, and satisfaction.
- Conducting **efficiency reviews** of VA **supply chain** processes to maximize standardization of supplies, equipment, and services, and to standardize policy and guidance for pharmacy, prosthetics, and fee basis management.
- **Advancing VA/DoD collaboration** through various processes and systems such as the Joint Executive Council and its sub-councils, the Health Executive Council and the Benefits Executive Council, the Senior Oversight Committee (SOC), the VA/DoD Joint Incentive Fund, and the Interagency Program Office.
- Providing state of the art **protections** to make VA data and systems **secure** so that they preserve the confidentiality, integrity, and availability of veterans' private information and to protect these systems from fraud, waste, and abuse.
- Implementing **VA's E-Gov** (Electronic Government) initiatives focused on using information technology to improve service to veterans. A major objective is to have **Web-based information readily and easily available for veterans** to reduce the time required to identify services and benefits for which they may qualify.
- Transferring **all of VA's employee personnel records** contained in the Official Personnel Folder to an **electronic format**. This will eliminate the need for paper records and enable the electronic transfer of employee information among Federal agencies. It will also improve access and **increase the security** of VA's personnel records.
- Creating a secure **Intranet Web** portal to house employee-specific information regarding background investigations in-process or completed. This effort, the Electronic Questionnaire for Investigations Processing (e-QIP), will speed up processing and enable VA managers to make hiring decisions for critical and sensitive jobs more quickly.
- Through an aggressive **real property management program**, VA seeks to reduce underutilized and vacant space, improve facility condition, decrease operating costs, and reduce non-mission dependent assets. A key element of VA's real property program is its 5-year Capital Plan, which is updated each year. The next plan is due to be published as part of the FY 2010 Congressional Budget Submission.



## Making a Difference for the Veteran

### VA Improves Transition for the Combat Wounded

The Department of Veterans Affairs (VA) is pleased to announce the implementation of the **Veterans Tracking Application (VTA)**, a modified version of the Department of Defense (DoD) Joint Patient Tracking



The Veterans Tracking Application provides near real-time tracking and in some cases medical information on active duty servicemembers as they move through the medical evacuation and care system and transition to veteran status.

Application. **VTA is a Web-based patient tracking tool** that assists in managing and tracking seriously injured servicemembers from the **battlefield** through Landstuhl, Germany to military **treatment** facilities in the United States, and on to VA medical facilities and regional offices.

VTA provides near **real-time** tracking and in some cases medical information along with the ability of Veterans Health Administration (VHA) and Veterans Benefits Administration (VBA) staff to

input data on active duty servicemembers as they move through the medical evacuation and care system and transition to veteran status. This additional information, direct from the battlefield, assists VA staff in coordinating the transition of healthcare to VA facilities and in processing claims for benefits.

VA's goal continues to be to provide the best care for our wounded heroes. VTA helps us ensure that combat veterans receive coordinated transition services and benefits and enables us to bring data from three sources -- DoD, VHA, and VBA -- together for display on one platform creating the beginning of a truly veteran-centric record.

### FY 2008 Performance and Resource Summary Table – *by Goal and Objective*

The following table highlights important achievements related to the enabling goal and its supporting objectives. Also shown are estimates of the resources devoted to each objective as well as a total for the strategic goal.

Enabling Goal			
Applying Sound Business Principles			
Resource Allocations by Objective			
	Obligations (\$ in Millions)	Pct of Total VA Resources	
Enabling Objectives	E-1- Development and Retention of a Competent Workforce	179	0.2
	E-2 – Outreach and Communications	89	0.1
	E-3 – Reliable and Secure Information Technology	1,052	1.1
	E-4 – Sound Business Principles	4,449	4.6
	<b>Total for Enabling Goal</b>	<b>\$5,769</b>	<b>6.0%</b>



Enabling Goal, <i>cont'd.</i> Applying Sound Business Principles																				
Performance Summary by Objective (Representative Measures)																				
Targets	Results	4-Year History																		
<b>Enabling Objective E-1 – Development and Retention of a Competent Workforce</b>																				
RECRUIT, DEVELOP, AND RETAIN A COMPETENT, COMMITTED, AND DIVERSE WORKFORCE THAT PROVIDES HIGH-QUALITY SERVICE TO VETERANS AND THEIR FAMILIES.																				
<ul style="list-style-type: none"> <li>• <b>Attain 33 percent</b> of VA employees who are veterans (Supporting Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>30 percent</b> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">Y</span></li> </ul>	<table border="1"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>32%</td> <td>31%</td> </tr> <tr> <td>FY 2006</td> <td>30%</td> <td>31%</td> </tr> <tr> <td>FY 2005</td> <td>28%</td> <td>28%</td> </tr> <tr> <td>FY 2004</td> <td>26%</td> <td>26%</td> </tr> </tbody> </table>	4-Year Performance History			Year	Targets	Results	FY 2007	32%	31%	FY 2006	30%	31%	FY 2005	28%	28%	FY 2004	26%	26%
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<b>Enabling Objective E-2 – Outreach and Communications</b>																				
IMPROVE COMMUNICATION WITH VETERANS, EMPLOYEES, AND STAKEHOLDERS ABOUT VA'S MISSION, GOALS, AND CURRENT PERFORMANCE, AS WELL AS BENEFITS AND SERVICES THAT THE DEPARTMENT PROVIDES.																				
<ul style="list-style-type: none"> <li>• <b>Submit 45 percent</b> of responses to pre- and post-hearing questions within the required timeframe (Supporting Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>57 percent</b> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">G</span></li> </ul>	<table border="1"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>35%</td> <td>27%</td> </tr> <tr> <td>FY 2006</td> <td>35%</td> <td>15%</td> </tr> <tr> <td>FY 2005</td> <td>Baselined</td> <td>21%</td> </tr> <tr> <td>FY 2004</td> <td>N/A</td> <td>N/A</td> </tr> </tbody> </table> <p>N/A = Measure did not exist prior to FY 2005. In 2005, measure was baselined.</p>	4-Year Performance History			Year	Targets	Results	FY 2007	35%	27%	FY 2006	35%	15%	FY 2005	Baselined	21%	FY 2004	N/A	N/A
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<ul style="list-style-type: none"> <li>• <b>Submit 50 percent</b> of title 38 reports to Congress by the due date (Supporting Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>59 percent</b> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">G</span></li> </ul>	<table border="1"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>45%</td> <td>40%</td> </tr> <tr> <td>FY 2006</td> <td>35%</td> <td>13%</td> </tr> <tr> <td>FY 2005</td> <td>100%</td> <td>21%</td> </tr> <tr> <td>FY 2004</td> <td>80% w/i 15 days of due date</td> <td>54% w/i 15 days of due date</td> </tr> </tbody> </table>	4-Year Performance History			Year	Targets	Results	FY 2007	45%	40%	FY 2006	35%	13%	FY 2005	100%	21%	FY 2004	80% w/i 15 days of due date	54% w/i 15 days of due date
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Enabling Goal, <i>cont'd.</i> Applying Sound Business Principles																				
Targets	Results	4-Year History																		
<p align="center"><b><u>Enabling Objective E-3 – Reliable and Secure Information Technology</u></b></p> <p align="center">IMPLEMENT A ONE-VA INFORMATION TECHNOLOGY FRAMEWORK THAT ENABLES THE CONSOLIDATION OF IT SOLUTIONS AND THE CREATION OF CROSS-CUTTING COMMON SERVICES TO SUPPORT THE INTEGRATION OF INFORMATION ACROSS BUSINESS LINES AND PROVIDES SECURE, CONSISTENT, RELIABLE, AND ACCURATE INFORMATION TO ALL INTERESTED PARTIES.</p>																				
<p><b>Receive a grade of XX</b> on the Federal Information Security Management Act report (Supporting Measure)</p>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<p>VA's IT function and underlying activities underwent significant reorganization in FY 2007 and 2008. This resulted in revisions of IT-related measures.</p>																		
<p><b>Achieve an XX overall EVM portfolio performance</b> as measured by Cost and Schedule Performance Variances (Supporting Measure)</p>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<p><b>FY 2008</b> was a "transition year" where VA's new measures were developed and <b>baselined</b>. VA's FY 2009 budget submission included the new measures together with FY 2009 targets. Results achieved against these targets will be reported in the Department's FY 2009 PAR.</p>																		
<p align="center"><b><u>Enabling Objective E-4 – Sound Business Principles</u></b></p> <p align="center">IMPROVE THE OVERALL GOVERNANCE AND PERFORMANCE OF VA BY APPLYING SOUND BUSINESS PRINCIPLES; ENSURING ACCOUNTABILITY; EMPLOYING RESOURCES EFFECTIVELY THROUGH ENHANCED CAPITAL ASSET MANAGEMENT, ACQUISITION PRACTICES, AND COMPETITIVE SOURCING; AND LINKING STRATEGIC PLANNING TO BUDGETING AND PERFORMANCE.</p>																				
<ul style="list-style-type: none"> <li>• <b>Achieve \$190 million</b> of joint VA/DoD procurement contracts for high-cost medical equipment and supplies (Supporting Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>\$188 million</b></li> </ul> <p>(1) 2006 and 2007 results are corrected. (2) Beginning in 2007, medical supplies were added to this measure. (3) Actual data through 07/2008. Final data are expected in 12/2008.</p>	<p align="center">Y</p> <table border="1"> <thead> <tr> <th colspan="3">4-Year Performance History</th> </tr> <tr> <th>Year</th> <th>Targets</th> <th>Results</th> </tr> </thead> <tbody> <tr> <td>FY 2007</td> <td>\$170 million</td> <td>\$328 million</td> </tr> <tr> <td>FY 2006</td> <td>\$150 million</td> <td>\$236 million</td> </tr> <tr> <td>FY 2005</td> <td align="center" colspan="2">-Baselined-</td> </tr> <tr> <td>FY 2004</td> <td>N/A</td> <td>N/A</td> </tr> </tbody> </table> <p>N/A = Measure did not exist prior to FY 2005. In 2005, measure was baselined.</p>	4-Year Performance History			Year	Targets	Results	FY 2007	\$170 million	\$328 million	FY 2006	\$150 million	\$236 million	FY 2005	-Baselined-		FY 2004	N/A	N/A
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<ul style="list-style-type: none"> <li>• <b>Fully utilize 95 percent</b> of space as compared to overall space (owned and direct-leased) (Supporting Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>113 percent</b> <span style="float: right;">(G)</span></li> </ul> <p>FY 2008 Estimate</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">4-Year Performance History</th> </tr> <tr> <th style="text-align: center;">Year</th> <th style="text-align: center;">Targets</th> <th style="text-align: center;">Results</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">FY 2007</td> <td style="text-align: center;">95%</td> <td style="text-align: center;">112%</td> </tr> <tr> <td style="text-align: center;">FY 2006</td> <td style="text-align: center;">95%</td> <td style="text-align: center;">104%</td> </tr> <tr> <td style="text-align: center;">FY 2005</td> <td style="text-align: center;">95%</td> <td style="text-align: center;">98%</td> </tr> <tr> <td style="text-align: center;">FY 2004</td> <td style="text-align: center;">Baselined*</td> <td style="text-align: center;">80%</td> </tr> </tbody> </table> <p>*Measure did not exist prior to FY 2004. In 2004, measure was baselined.</p>	4-Year Performance History			Year	Targets	Results	FY 2007	95%	112%	FY 2006	95%	104%	FY 2005	95%	98%	FY 2004	Baselined*	80%
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<ul style="list-style-type: none"> <li>• <b>Achieve a 9 percent cumulative decrease</b> in “facility traditional” energy consumption per gross square foot from the 2003 baseline (Supporting Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>4 percent</b> <span style="float: right;">(Y)</span></li> </ul> <p>Actual data through 08/2008. Final data are expected in 01/2009.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">4-Year Performance History</th> </tr> <tr> <th style="text-align: center;">Year</th> <th style="text-align: center;">Targets</th> <th style="text-align: center;">Results</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">FY 2007</td> <td style="text-align: center;">6%</td> <td style="text-align: center;">6%</td> </tr> <tr> <td style="text-align: center;">FY 2006</td> <td style="text-align: center;">2%</td> <td style="text-align: center;">4%</td> </tr> <tr> <td style="text-align: center;">FY 2005</td> <td style="text-align: center;">N/A</td> <td style="text-align: center;">N/A</td> </tr> <tr> <td style="text-align: center;">FY 2004</td> <td style="text-align: center;">N/A</td> <td style="text-align: center;">N/A</td> </tr> </tbody> </table> <p>N/A = Measure did not exist prior to FY 2006.</p>	4-Year Performance History			Year	Targets	Results	FY 2007	6%	6%	FY 2006	2%	4%	FY 2005	N/A	N/A	FY 2004	N/A	N/A
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<ul style="list-style-type: none"> <li>• <b>Achieve 3.0 percent</b> of total facility electricity consumption that is renewable (Supporting Measure)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>3.0 percent</b> <span style="float: right;">(G)</span></li> </ul> <p>Actual data through 08/2008. Final data are expected in 01/2009.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">4-Year Performance History</th> </tr> <tr> <th style="text-align: center;">Year</th> <th style="text-align: center;">Targets</th> <th style="text-align: center;">Results</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">FY 2007</td> <td style="text-align: center;">Baseline*</td> <td style="text-align: center;">3%</td> </tr> <tr> <td style="text-align: center;">FY 2006</td> <td style="text-align: center;">N/A</td> <td style="text-align: center;">3%</td> </tr> <tr> <td style="text-align: center;">FY 2005</td> <td style="text-align: center;">N/A</td> <td style="text-align: center;">N/A</td> </tr> <tr> <td style="text-align: center;">FY 2004</td> <td style="text-align: center;">N/A</td> <td style="text-align: center;">N/A</td> </tr> </tbody> </table> <p>*Measure did not exist prior to FY 2006. In 2007, measure was baselined.</p>	4-Year Performance History			Year	Targets	Results	FY 2007	Baseline*	3%	FY 2006	N/A	3%	FY 2005	N/A	N/A	FY 2004	N/A	N/A
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## Most Important Achievements and Current Challenges By Strategic Goal

The Department's most important FY 2008 achievements as well as its current challenges are summarized as follows by strategic goal.

### Strategic Goal 1

#### RESTORATION AND IMPROVED QUALITY OF LIFE FOR DISABLED VETERANS

##### Most Important Achievements

**TRAUMATIC BRAIN INJURY (TBI):** In collaboration with the Department of Defense, VA developed the first **evidence-based guideline** on the management of **traumatic brain injury** in primary care settings. This will form the basis of caring for this challenging population throughout the VA healthcare system.

**DEVELOPED SURGICAL QUALITY AND OPERATIVE COMPLEXITY INFRASTRUCTURE MODEL:** As surgical procedures and perioperative care become more complex, it is increasingly important to understand their nature, and to quantify and qualify the extent of processes and personnel involved in the **pre-operative assessment**, the operative intervention, and the post-operative care of the surgical patient. The model **quantifies optimal levels** of pre-operative, intra-operative, and post-operative support in order to assure quality, safety, and efficiency.

**SUICIDE PREVENTION HOTLINE:** VA continued operating a **national suicide prevention hotline** to ensure that veterans in emotional crisis have free, **24/7 access** to trained counselors. Veterans can call the Lifeline number, 1-800-273-TALK (8255), and press "1" and they are immediately connected to VA suicide prevention and mental health professionals.

**UNIFORM MENTAL HEALTH SERVICES PROGRAM HANDBOOK:** This Handbook establishes **minimum clinical requirements for VA Mental Health Services**. It delineates the essential components of the mental health program that are to be implemented nationally to ensure that all veterans, wherever they obtain care in VA, have access to needed mental health services.

**36 PERCENT INCREASE IN SPECIALLY ADAPTED HOUSING (SAH) GRANTS AWARDED:** VA assisted 985 severely **disabled veterans** in building a new or adapting an existing dwelling to meet their adaptive **housing needs** enabling them to live more independently. This is a **36 percent increase** from 2007.

**BEGAN PILOTING NEW DISABILITY EVALUATION SYSTEM (DES):** Starting in the National Capital Region in **cooperation with DoD**, VA began testing a pilot project that involves administering a single DoD medical examination and a single VA disability evaluation for active duty persons entering the Physical Evaluation Board (PEB) process. The goal of the pilot program is to reduce the overall time it takes a servicemember to progress through DES from time of referral to the Medical Examination Board to receipt of VA benefits.

**PAPERLESS PROCESSING OF CLAIMS:** Benefits Delivery at Discharge (BDD) claims are now being processed electronically -- in a **paperless, fully automated environment**. On average, VA processes 28,500 BDD claims per year. Veterans will receive benefits more quickly after separation from service.

**INCREASED EFFICIENCY AND EFFECTIVENESS THROUGH SPECIALIZATION:** VA consolidated all customer service calls into nine **National Call Centers**, created a **fiduciary hub pilot** consolidating oversight of fiduciary activities from several sites into one site, and centralized processing of original pension claims to three **Pension Management Centers**.

**UPGRADING WORKFORCE SKILLS AND CAPABILITIES:** VA has embarked on an **aggressive training program** for new and seasoned **employment and rehabilitation counselors** to ensure that all veterans receive the high quality care they deserve. Training focus areas include the following: leading people, new counselor training, new manager training, employment coordinator training, and contract management training.



## Strategic Goal 1

### RESTORATION AND IMPROVED QUALITY OF LIFE FOR DISABLED VETERANS

#### Challenges

**MAKING CULTURAL CHANGES AT VA'S COMMUNITY LIVING CENTERS (CLCs):** Cultural transformation at VA's CLCs means transforming the way we think about how we deliver care to our veterans in these facilities. The purpose of cultural transformation is to transform our CLCs from the institutional care model to **vibrant communities** where the focus is on resident-centered care and a homelike environment. Cultural transformation will take time.

**INCREASED SPECIAL ADAPTED HOUSING (SAH) WORKLOAD:** The SAH program's **workload increased 84 percent** from 2006 levels as a result of changes in Public Laws 109-233 and 110-289. These changes included **increased grant amounts**, multiple use provisions, and yearly adjustments to the grant maximums based on a cost-of-construction index.

**ADAPTING TO NEW WAYS OF DOING BUSINESS:** (1) The **DES Pilot** has required significant changes to business processes and extensive, **complex coordination** between VA and DoD. For example, service treatment records are transferred to VA in hard copy because the infrastructure to transfer the records electronically has yet to be built. (2) Adoption of **paperless processing** beyond just BDD will require a **robust electronic infrastructure** that builds on the efficiencies VA has achieved through its paperless processing pilots. (3) Consolidation of pension claims processing requires ongoing dedication to **training** of newly hired staff before improvements in efficiency are realized.

**DETERMINING WHAT VETERANS NEED FOR ENHANCED INDEPENDENT LIVING:** VA is conducting a study of **independent living services** and **outcomes** by reviewing a random sample of counseling files for veterans who entered independent living programs between February 2005 and December 2007. Through this analysis, VA will develop ways to enhance service delivery for veterans with independent living needs.

## Strategic Goal 2

### SMOOTH TRANSITION TO CIVILIAN LIFE

#### Most Important Achievements

**OUTREACH TO DEMOBILIZED TROOPS:** VA initiated a **pilot demobilization program** with the Army to inform demobilizing reserve component (RC) combat veterans of their enhanced **5 years of free VA health care** and 180 days for dental care at VA during their mandatory demobilization separation briefings. VA offered assistance to demobilizing RC soldiers with completion of the enrollment form, collected completed forms, and submitted them to the VA medical center of the veteran's choosing.

**RESTORING VISION FOR HOMELESS VETERANS:** More than **550 homeless veterans** received vision care and eye glasses through donations from faith-based and community organizations (FBCO) and private sector foundations.

**CREATED THE VETSUCCESS PILOT:** In this pilot program, VA's Vocational Rehabilitation and Employment Service developed **partnerships** with **150 new FBCOs**. As a result, approximately **1,600 veterans** with service-connected disabilities have been **employed** by FBCOs.

**MEETING EDUCATIONAL NEEDS OF VETERANS:** VA provided benefits to approximately **539,000 total students** in 2008. Coupled with this increased demand, **operational improvements** were realized as new staff became more experienced. Compared to FY 2007, **claims** were completed more **quickly** and **accurately**. For example, **payment accuracy** improved by 1 percentage point from **95 percent** in FY 2007 to **96 percent** in FY 2008 – and for original education claims, timeliness improved from **32 days** to **19 days** to process a claim.

#### Challenges

**MANAGING THE EXPANSION OF EDUCATION BENEFITS:** VA faces the challenge of implementing provisions of Public Law 110-252, the Supplemental Appropriations Act, 2008. The new law expands education benefits and creates the need to establish a **new payment and claims processing system**. There will be a significant increase in **workload**, which will make it increasingly difficult to ensure performance targets continue to be met.





### Strategic Goal 3

#### HONORING, SERVING, AND MEMORIALIZING VETERANS

##### Most Important Achievements

**VA HOSPITAL REPORT CARD ISSUED TO CONGRESS:** VA issued its first comprehensive **Hospital Report Card** to Congress, including **analysis of disparities in quality of care** and **satisfaction**, demonstrating VA's commitment to **transparency and accountability** in health system performance.

**STRENGTHENED HEALTH CARE CREDENTIALING AND PRIVILEGING REQUIREMENTS:** VA strengthened its requirements for **credentialing** and **privileging** licensed **independent health care practitioners** to ensure **safe care** to veterans is delivered by appropriately qualified clinicians.

**HIGH CUSTOMER SATISFACTION WITH NATIONAL CEMETERIES:** VA's National Cemetery Administration once again received the **highest rating** awarded for customer satisfaction on the American Customer Satisfaction Index (ACSI). NCA scored 95 out of a possible 100 points, **scoring higher** than all 200-plus **Federal agencies** and **private corporations** and matching NCA's top ranked score on the 2004 survey.

**FUNDING NEW STATE VETERANS CEMETERIES:** In 2008, **4 new State veterans cemeteries** funded by VA's State Cemetery Grants Program began interment operations. These new cemeteries in Glennville, Georgia; Anderson, South Carolina; Des Moines, Iowa; and Williamstown, Kentucky will provide a burial option for approximately **200,000 veterans**.

**TIMELY HEADSTONE AND MARKER PROCESSING:** VA annually processes approximately **220,000 applications** for headstones and markers that mark the graves of veterans in cemeteries other than VA national cemeteries worldwide. In 2008, VA processed **95 percent of headstone and marker applications** within 20 days of the date of receipt. This is a dramatic **improvement** over 2007, when VA processed **38 percent** of applications within 20 days of receipt.

**COST EFFECTIVE FORECLOSURE AVOIDANCE:** VA achieved an "Efficiency-Foreclosure Avoidance Through Servicing (E-FATS)" ratio of 5.8. This means VA **avoided \$5.80** in potential claim payments **for every dollar spent** on assisting veterans who were at risk of losing their homes because of foreclosure. This figure has been impacted by the conversion of VA loan servicing to a new business environment and system.

**HELPING SEVERELY WOUNDED VETERANS:** In 2008, the **Traumatic Injury Protection Program**, which is designed to provide short-term financial assistance to severely injured members, paid **\$303 million** to more than **4,900** severely wounded servicemembers and veterans. VA also provided \$1.4 billion in life insurance coverage and benefits to severely injured veterans who have recently separated from service.

##### Challenges

**MEETING SERVICE EXPECTATIONS DURING EXPANSION:** VA has established **5 new national cemeteries** since 2005 with plans underway to establish **6 more in 2009**. This is the **largest expansion** of VA's system of national cemeteries **since the Civil War**. As VA opens these new cemeteries, it must continue to provide high-quality service in all of its contacts with veterans and their families -- particularly with respect to scheduling committal services, arranging and conducting interments, and providing cemetery information.

**IMPACT OF AN ECONOMIC DOWNTURN:** Any significant **downturn** in the national or local economies will likely **increase** the number of defaults and **foreclosures** of VA-guaranteed loans. The levels of **defaults**, foreclosures, and property acquisitions are related to **interest rates** and the economy in general, and are particularly sensitive to regional downturns.

**IMPROVING PROGRAM IMPLEMENTATION:** In 2008, VA completed a "**Year One Review**" of the Servicemembers' Group Life Insurance Traumatic Injury Protection Program (TSGLI) to assess how well it is fulfilling its Congressional intent of providing short-term financial assistance to severely injured members. Over the next year or so, as recommended by the review, program **enhancements** providing for expanded benefits such as payments for limb salvage, uniplegia, and facial reconstruction along with administrative efficiencies and improved claims assistance must be **implemented**.



## Strategic Goal 4

### CONTRIBUTING TO THE NATION'S WELL-BEING

#### Most Important Achievements

**VA RESEARCH SHOWS HOW EARLIER INTERVENTION COULD BENEFIT HIV PATIENTS:** Highly Active Antiretroviral Therapy (HAART) is the standard treatment for HIV infection. VA investigators identified human genes that may inform the decision of when to initiate HAART treatment for each patient. VA's research has shown that patients with a CCL3L1-CCR5 genotype would **benefit** from **earlier initiation** of therapy.

**ENABLING GAINFUL EMPLOYMENT AMONG THE SPINAL-CORD INJURED:** Using a comprehensive, innovative, intensive vocational intervention technique, VA has succeeded in **assisting veterans** with **spinal cord injury** to return to **gainful employment**. The program is being implemented in **five VA hospitals** throughout the Nation.

**PROVIDING RELIEF FOR PATIENTS WITH STABLE CORONARY DISEASE:** VA's Cooperative Studies Program conducted the **COURAGE** trial, which showed that patients with chronic coronary disease can obtain relief from angina if they are treated with Percutaneous Coronary Intervention (PCI) plus optimal medical therapy or with optimal medical therapy alone. PCI plus optimal medical therapy relieved angina and improved health status better than optimal medical therapy alone for about 24 months. PCI's benefit was greater in patients with more severe and frequent angina.

**INCREASING VA'S MEDICAL RESIDENTS COHORT:** VA's Graduate Medical Education (GME) Enhancement aims to increase VA's share of U.S. resident positions from its low of 8.5% to the range of 10-11%. The 5-year plan is designed to add approximately 2,000 positions to VA's pre-existing physician resident positions. In the first three years, VA added 967 residency positions to the base allocations of 72 VA facilities in 66 different specialty training programs.

**COMPLETED PROGRAM EVALUATION OF BURIAL PROGRAM:** An **independent** evaluation was completed to **assess** the extent to which VA's program of **burial benefits** has reached its stated **goals** and the **impact** that this program has had on the lives of veterans and their families. The information received from this evaluation, which included a nation-wide **survey** sent to more than **38,000** veterans, will help to guide future policy decisions for improving the ways in which VA serves the burial needs of veterans.

**NEW HUMAN RESOURCES CENTER ESTABLISHED:** In June 2008, VA established a new **centralized** Human Resources Center (HRC) devoted to meet the **staffing requirements** of VA's 131 national cemeteries, 5 Memorial Service Networks, and NCA's National Training Center. Previously, the burial program's field staffing needs were supported by local VHA and VBA field sites. Through the HRC, NCA has implemented new **automated HR procedures** and other process **improvements** that have increased the efficiency and cost effectiveness of NCA recruitment and workers compensation processes.

**HIGH SATISFACTION WITH CEMETERY APPEARANCE:** **Ninety-eight percent** of respondents to NCA's annual Survey of Satisfaction with National Cemeteries rated the appearance of national cemeteries as excellent. This is the **seventh consecutive year** that VA's national cemeteries have been rated at or above 97 percent in overall appearance by funeral home directors and family members of veterans interred in a national cemetery.

**SUPPORTING VETERAN-OWNED SMALL BUSINESSES:** In January 2008, pursuant to P.L. 109-46, the Veterans Benefits, Health Care, and Information Technology Act of 2006, the Secretary established first-ever procurement targets for **contracting** with Service-Disabled Veteran-Owned Small Businesses (SDVOSB) and Veteran-Owned Small Businesses (VOSB), respectively. The targets are **ambitious** with **5 percent** and **10 percent** of **procurement dollars** to be directed towards these entities. VA is **committed** to **supporting** veteran entrepreneurs.

**ENCOURAGING AND PROMOTING VETERAN ENTREPRENEURSHIP:** Since 2002, through **VetFran**, VA's Partnership with the **International Franchise Association**, more than 350 franchisors have created discounted franchise opportunities for more than 1,100 veterans. Leading the charge is Mike Ilitch, owner of **Little Caesar's Pizza**, who **waives the franchise fee** completely for disabled veterans and adds unique training support and other credits to encourage disabled veterans to operate his stores, a **\$68,000 savings** to the veteran.



**Strategic Goal 4, cont'd.**

**CONTRIBUTING TO THE NATION'S WELL-BEING**

**Most Important Achievements**

**CREATING PUBLIC-PRIVATE PARTNERSHIPS TO PROMOTE VETERANS EMPLOYMENT:** VA and Monster Government Solutions, Inc., began a partnership in July 2008 to help **veteran-owned businesses** quickly **locate** honorably-discharged **veterans** seeking employment by **matching data** from VA's **VetBiz.gov** Vendor Information Pages and Monster's database as an information conduit. VA executed a partnership with **Schneider National** to help veterans become **independent business owners**.

**APPLYING LESSONS LEARNED TO IMPROVE EMERGENCY RESPONSE:** As a result of **lessons learned** from **Hurricane Katrina** and numerous organizational changes in the area of emergency preparedness, the Department's **planning, response, and recovery** from **Hurricanes Gustav, Hanna, and Ike** was more effective. Specifically, VA deployed liaison officers to the National Operations Center, the National Response Coordination Center, and the Department of Health and Human Services.

**Challenges**

**MAINTAINING CEMETERY APPEARANCE:** VA must ensure that the appearance of national cemeteries meets the standards our Nation expects of its national shrines. To meet these standards and fulfill the National Shrine Commitment, VA needs to make **improvements** in the **appearance** of burial grounds and historic structures as well as conduct regular **maintenance** and **repair** projects at more than 800 facilities on over 17,000 acres of land contained within 156 cemeterial installations.

**FULLY IMPLEMENT NCA BUSINESS OFFICE:** Implementation of an **NCA Business Office** to provide **centralized** contracting, procurement, finance, and accounting support to national cemeteries will require coordination and involve numerous offices and functions.

**MONITOR USE OF VA'S VETBIZ.GOV VERIFICATION PROGRAM:** Examines ownership and control of **veteran-owned small businesses**, including service-disabled veteran-owned small businesses seeking Federal contracts at the prime or subcontract level. This program launched in May 2008. The challenge is to ensure that only eligible business concerns benefit from VA's unique "**Veterans First**" **buying authority**. A second principal objective is to ensure that government and corporate teams have a supplier base of competent, mission-ready businesses who meet their performance and pricing criteria.

**Enabling Goal**

**APPLYING SOUND BUSINESS PRINCIPLES**

**Most Important Achievements**

**INCREASE IN COLLECTIONS:** Total 2008 collections of **\$2.4B** through August 2008 represent a **42 percent increase in total collections from \$1.7B in FY 2004**. VA improved revenues by engaging leaders and stakeholders in collection planning, incorporating private-sector best practices, and using strategic and tactical initiatives for process improvement. Staff experts provided **direct intervention** with lower performing medical centers to develop plans and assist them in achieving their collection goals and establishing a data-driven approach to determining collections potential and improvements.

**PURCHASED (NON-VA) CARE:** Improved claims processing for processing claims from non-VA health care providers from **79 percent processed within 30 days to 90 percent processed within 30 days** – meeting the national goal.

**DECREASED IMPROPER PAYMENTS:** VA's error rate for accounts payables decreased from **5.00 percent** in 2007 to a rate of **1.28 percent** in 2008.

**NATIONAL SUMMIT ON WOMEN VETERANS ISSUES:** Attended by women veterans, active duty military personnel, Reserve and Guard members, and Federal, State, and local officials, the summit informed attendees of VA's initiatives on behalf of women veterans and women servicemembers. Participants had access to more than 45 exhibits, a health expo featuring health screenings and information, as well as a town hall forum with VA experts.



**Enabling Goal, cont'd.**

**APPLYING SOUND BUSINESS PRINCIPLES**

**Most Important Achievements**

**CERTIFICATION AND ACCREDITATION OF INFORMATION SYSTEMS:** VA certified and accredited more than **600 major information systems**. Accreditation involves extensive testing to determine whether an information system should be allowed to operate. During this process, managers determine if sufficient controls are present or if identified vulnerabilities have been or will be reduced to acceptable levels to ensure that the confidentiality, integrity, and availability of veterans' data are adequately protected.

**SOCIAL SECURITY NUMBER (SSN) REDUCTION EFFORT:** Completion of this initiative brings VA into compliance with the Office of Management and Budget (OMB) mandate to reduce the use of SSNs in agencies' day-to-day management to **eliminate** the possibility of SSN data being used for **malicious** or **fraudulent purposes**.

**INCREASED NUMBER OF CERTIFIED PROJECT MANAGERS:** Increased the number of Level III certified project managers by 50 or 13 percent; about half of these managers obtained the **Professional Certification** from the Project Management Institute.

**ESTABLISHED CENTER FOR ACQUISITION INNOVATION (CAI) AND VA ACQUISITION ACADEMY:** In October 2007, VA established the CAI to be a center of excellence for acquisition operations. The CAI will house both an operational support center and the **VA Acquisition Academy**. CAI will provide training for acquisition interns to learn the federal acquisition process to prepare them for a career in the federal acquisition field.

**EXPEDITED INTAKE OF LEGAL RECONSIDERATIONS:** Developed a new standard operating procedure (SOP) to expedite the processing of new requests for legal reconsideration. The new SOP facilitates in-office tracking of claims by using scanner technology. The average amount of time spent in classifying and then assigning these reconsiderations decreased from 30 days to 10 days.

**INCREASING AWARENESS AND APPRECIATION OF VETERANS ACROSS AMERICA:** VA, through various public affairs and outreach activities, designed Veterans Day educational resources and distributed them to principals at up to **118,000 schools nationwide**. These tools will help educators teach students about veterans and their role in shaping our Nation's history. In addition, VA supported 33 regional Veterans Day observances scheduled to take place in 20 different states in November 2008. Additionally, VA planned and coordinated the 2008 National Veterans Day Observance at Arlington National Cemetery.

**Challenges**

**REMEDICATION OF INFORMATION TECHNOLOGY SECURITY CONTROLS MATERIAL WEAKNESS:** For several years, Office of Inspector General (OIG) audits have identified Information Technology (IT) security controls as a material weakness – primarily due to the lack of a centralized IT infrastructure. VA has now centralized its IT operations and management and has established an enterprise-wide information security program to help ensure timely and successful remediation of this material weakness.

**IMPLEMENT A ROBUST EARNED VALUE MANAGEMENT SYSTEM (EVMS):** VA is working to achieve full American National Standards Institute compliance on 100 percent of its systems development projects. EVMS allows leadership to track cost and scheduling variances, providing snapshots and trends that are valuable in determining whether a project is or is not within tolerable boundaries.

**UPCOMING ATTORNEY RETIREMENTS:** Five of the six senior attorneys in the torts group are currently **eligible for retirement**. Given the difficulty finding experienced attorneys with extensive medical legal knowledge, negotiating skills, and ability to successfully interact with a variety of clients and customers, these departures will challenge both overall productivity and unit cohesion.



## The President's Management Agenda

The President's Management Agenda (PMA), which was announced in 2001, is an aggressive strategy for improving the management of the Federal government. It focuses on key areas of management weakness across the government. Information on the PMA can be found at the following [Web site](http://www.whitehouse.gov/results/agenda/index.html):

<http://www.whitehouse.gov/results/agenda/index.html>

OMB issues reports quarterly and uses a "stoplight" scorecard to show *status* and *progress* made by each Federal agency. These are defined below.

Symbol	Status Definitions	Progress Definitions
	Success; meets standards	Implementation is proceeding according to plan
	Mixed results	Some slippage requiring adjustment
	Unsatisfactory; one or more serious flaws	Unlikely to meet objectives absent significant management intervention

VA is working closely with OMB to address weaknesses identified in each of the areas. The table below summarizes VA's progress and status as of September 30, 2008.

VA's Status and Progress on the President's Management Agenda			
As of September 30, 2008			
Initiative	Status	Progress	Status Change from September 30, 2007
Human Capital (g-wide)			↔
Commercial Services Management (g-wide)			↑
Financial Performance (g-wide)			↔
E-Government (g-wide)			↔
Performance Improvement (g-wide)			↑
Real Property			↔
VA/DoD Coordination			↓
Research and Development		-- not rated --	
Improper Payments			↔
Faith-Based and Community Initiative			↔
Credit Management			↔
Health Information			↔

The tables on the following pages recap for each PMA initiative VA's progress during FY 2008 to address issues that OMB identified as needing attention.



G Status	<b>HUMAN CAPITAL</b>		Progress G
<b>FY 2008 Open Items</b>	<b>FY 2008 Actions and Progress</b>		
<b>Comprehensive Human Capital (HC) plan</b>	<ul style="list-style-type: none"> <li>• VA updated its Strategic HC Plan to cover 2009-2020.</li> <li>• The Plan was developed with the concurrence and input from all Administrations and many Staff Offices.</li> <li>• The 2009-2020 Strategic Human Capital Plan was delivered to the U.S. Office of Personnel Management in September 2008.</li> </ul>		
<b>Organizational Restructuring</b>	<ul style="list-style-type: none"> <li>• VA's Delegated Examining Units (DEUs) were consolidated from 19 to 8 components.</li> <li>• The DEUs are using a hub and spoke approach to service the entire country in a more efficient manner.</li> <li>• In FY 2008 the implementation of the new DEU model realized multiple efficiencies both in process as well as monies saved.</li> </ul>		
<b>Leadership/Knowledge Management</b>	<ul style="list-style-type: none"> <li>• Thirty-four candidates were selected for the 2010 class of the Senior Executive Service Candidate Development program; this is a 2-year training program for high-potential employees wishing to gain a Senior Executive Service position.</li> </ul>		
<b>Results-Oriented Performance Culture</b>	<ul style="list-style-type: none"> <li>• This initiative provides guidance to supervisors on dealing with staff having performance problems and demonstrates how to take appropriate actions to resolve such problems.</li> </ul>		
<b>Talent Management</b>	<ul style="list-style-type: none"> <li>• In FY 2008, VA initiated a program requiring all warranted contracting officers to achieve certification based on their experience and education. VA's goal is to achieve 100 percent certification for its warranted contracting officers by November 26, 2008. The long-term impact of this certification is a more highly qualified contracting officer workforce with the requisite expertise to serve as future leaders as well as agency experts in all aspects of acquisition.</li> </ul>		



<span style="background-color: yellow; border: 1px solid black; border-radius: 50%; padding: 2px;">Y</span> Status	<b>COMMERCIAL SERVICES MANAGEMENT</b>	Progress <span style="background-color: green; border: 1px solid black; border-radius: 50%; padding: 2px; color: white;">G</span>
<b>FY 2008 Open Items</b>	<b>FY 2008 Actions and Progress</b>	
<p style="text-align: center;"><b>Secure an approved competition plan</b></p> <p style="text-align: center;"><b>Begin standard competitions</b></p> <p style="text-align: center;"><b>Begin standard and streamlined competitions</b></p>	<ul style="list-style-type: none"> <li>• VA's Office of General Counsel (OGC) issued an opinion in April 2003, ruling that Section 8110 of Title 38 U.S.C. prohibits VA from conducting cost comparisons on VHA positions unless Congress provides specific funding for the competitions. All competitive sourcing addressed in VA's OMB-approved plan was halted as a result of the ruling.</li> <li>• If VA receives legislative relief in the future, VA will expand management analysis/business process reengineering (MA/BPR) studies to include all forms of commercial services management studies.</li> </ul>	
<p style="text-align: center;"><b>Streamlined competitions completed in 90 days or less</b></p> <p style="text-align: center;"><b>Announced standard &amp; streamlined competitions</b></p> <p style="text-align: center;"><b>Achieve Cost Savings</b></p>	<ul style="list-style-type: none"> <li>• Although VA is prohibited from conducting cost comparisons, VA completed 98 percent of the Laundry and Food Services MA/BPR pilot studies.</li> <li>• A full assessment of the pilot studies and lessons learned estimates a net savings of \$75.5 million in laundry production and food service over 5 years.</li> <li>• VA believes the MA/BPR project plan will achieve the goals of the current PMA with respect to significant savings and noticeable performance improvements after studying over 7,000 FTE across 22 VISNs within two major support functions (laundry production and food services) within the Veterans Health Administration.</li> <li>• VA held a kickoff meeting to begin the MA/BPR studies on plant operations and grounds maintenance.</li> <li>• As a result of MA/BPR achievements to-date in achieving the PMA goals of noticeable improvements and significant savings, OMB has raised VA's Competitive Sourcing progress score from "Red" to "Yellow."</li> </ul>	



R Status	<b>FINANCIAL PERFORMANCE</b>		Progress Y
<b>FY 2008 Open Items</b>	<b>FY 2008 Actions and Progress</b>		
<b>Meets all yellow standards</b>	<ul style="list-style-type: none"> <li>VA continues to meet 4 of the 6 yellow standards (clean audit opinion, meets reporting deadlines, has no chronic significant Anti-Deficiency Act violations, and has no material non-compliance with laws or regulations).</li> </ul>		
<b>Uses financial information to drive results in key areas</b>	<ul style="list-style-type: none"> <li>Monthly performance reviews, chaired by the Deputy Secretary, focus on financial and program performance against plans.</li> <li>Administration and staff office leadership brief Department leadership on mission-critical issues.</li> </ul>		
<b>Eliminate auditor-reported material weaknesses</b>	<ul style="list-style-type: none"> <li>VA continued remediation efforts on its four auditor-reported material weaknesses, each involving corrective actions over several years.</li> </ul>		
<b>No repeat material weaknesses per Federal Managers Financial Integrity Act of 1982 Sec. 2 OFR and Sec. 4</b>	<ul style="list-style-type: none"> <li>VA has three repeat material weaknesses – Financial Management Oversight, IT Security Controls, and Financial Management System Functionality.</li> <li>VA has corrective action plans for remediating these weaknesses.</li> </ul>		
<b>Achieve compliance with the Federal Financial Management Improvement Act</b>	<ul style="list-style-type: none"> <li>IT Security Controls and the Financial Management Oversight weaknesses are estimated for completion in 2009, while the Financial Management System Functionality weakness is estimated for completion in 2014.                             <ul style="list-style-type: none"> <li>A key element in resolving the Financial Management System Functionality weakness was the FY 2008 implementation of an automated financial management reporting system to produce VA's quarterly and annual consolidated financial statements.</li> </ul> </li> </ul>		
<b>No more than one repeat material auditor-reported internal control weakness</b>	<ul style="list-style-type: none"> <li>VA has three repeat material weaknesses – one for Section 2 (Financial Management Oversight) and two for Section 4 (IT Security Controls and Financial Management System Functionality). VA has corrective action plans for remediating these weaknesses.</li> </ul>		





R Status	<b>E-Gov</b>	Progress R
<b>FY 2008 Open Items</b>	<b>FY 2008 Actions and Progress</b>	
<p><b>Create Enterprise Architecture (EA) systems</b></p> <ul style="list-style-type: none"> <li>- Has 4 in completion and 3 in "Use" or "Results" section on date</li> </ul>	<ul style="list-style-type: none"> <li>• VA's EA V4.3, delivered in February 2008, was awarded a Capability Maturity Model score of 4.0 out of 5.0.</li> <li>• VA received an overall EA assessment rating of "Green" for 2008. For the past four (4) consecutive years, VA's EA has been "Green."</li> <li>• VA is developing EA, version 5.0, which will modernize the EA with a focus on increasing its utility within the Department and maintaining compliance with OMB requirements.</li> </ul>	
<p><b>Develop acceptable business cases for major IT investments</b></p> <ul style="list-style-type: none"> <li>- Acceptable business cases developed for more than 50% of major IT investments</li> <li>- Acceptable business cases developed for all major IT investments</li> </ul>	<ul style="list-style-type: none"> <li>• Fifty-three business case justifications, representing VA's major IT investment projects, were prepared and delivered to OMB in support of the Department's FY 2009 IT budget request.</li> <li>• Exhibit 53 and Exhibit 300 documentation supporting the FY 2010 budget request is being prepared and will be submitted in the fall of 2008.</li> </ul>	
<p><b>Develop and adhere to Cost/Schedule/Performance standards for the portfolio of IT investments</b></p> <ul style="list-style-type: none"> <li>- Cost and Schedule Performance within 30%</li> <li>- Installation of an Earned Value Management System (EVMS) and achieve Cost and Schedule Performance within 10%</li> </ul>	<ul style="list-style-type: none"> <li>• Established detailed procedures for conducting Milestone and Program Management reviews for development projects that describe firm criteria for Technical, Program Management, and Enterprise Architecture compliance.</li> <li>• Conducted three major Milestone reviews and one Test Readiness Review on four major development projects.</li> <li>• Published an EVM Guide for use by Program/Project Managers throughout the Office of Information &amp; Technology.</li> <li>• Developed draft EVM Directive and Handbook, which is expected to be published in the coming year.</li> </ul>	
<p><b>Security of all IT systems</b></p> <ul style="list-style-type: none"> <li>-IG Rated the C&amp;A Program as "Satisfactory" in Meeting Applicable NIST Guidelines</li> </ul>	<ul style="list-style-type: none"> <li>• All VA IT systems have undergone certification and accreditation (C&amp;A).               <ul style="list-style-type: none"> <li>○ The Office of Inspector General evaluated the C&amp;A program and determined that C&amp;A processes "satisfactorily" identify system security risks in accordance with NIST 800-37, "Guide for Security Certification and Accreditation of Federal Information Systems."</li> <li>○ However, the IG also noted that much work remains to remediate numerous system security weaknesses identified during the C&amp;A process and to correct system security deficiencies identified by the IG.</li> </ul> </li> </ul>	



G Status	<b>PERFORMANCE IMPROVEMENT INITIATIVE</b>		Progress G
<p><b>FY 2008 Open Items</b></p> <p><b>Show cost of achieving performance goals</b></p> <ul style="list-style-type: none"> <li>- Marginal cost reported</li> <li>- Use marginal cost analysis to inform resource allocations</li> </ul>	<p><b>FY 2008 Actions and Progress</b></p> <p style="text-align: center;"><u>Cost of Achieving Different Levels of Performance</u></p> <p>Using a subset of performance measures, the Department demonstrated the ability to estimate the cost of achieving different levels of performance. On this basis, VA began discussions with OMB to include this type of analysis in future budget submissions to Congress.</p> <p style="text-align: center;"><u>Improved Program Performance</u></p> <p>Robust performance measures in various areas have helped produce improved results; examples are shown below:</p> <ul style="list-style-type: none"> <li>• Increased percent of veterans served by a burial option: 83.4 percent in 2007 to 84.2 percent in 2008.</li> <li>• Increased percent of primary care appointments scheduled within 30 days of the desired date: 97.2 percent in 2007 to 98.7 percent in 2008.</li> <li>• Reduced average number of days to process original education claims from 32 days in 2007 to 19 days in 2008.</li> </ul> <p style="text-align: center;"><u>Adopting Best Practices</u></p> <ul style="list-style-type: none"> <li>• Developed a monthly reporting process for identifying near-term and strategic performance issues requiring senior leadership attention.</li> <li>• Implemented more stringent data quality reporting requirements, which are documented in VA's 2008 PAR.</li> </ul> <p style="text-align: center;"><u>Significant Improvement Actions</u></p> <ul style="list-style-type: none"> <li>• Implemented outcome and efficiency measures for each program (e.g., <i>Productivity Index</i> for compensation program; <i>home ownership rate</i> for loan guaranty program).</li> </ul>		



R Status	<b>VA/DoD COLLABORATION</b>		Progress G
FY 2008 Open Items	FY 2008 Actions and Progress		
<p><b>Create a Joint Proud To Be Initiative</b></p>	<ul style="list-style-type: none"> <li>• VA and DoD submitted to OMB a joint <i>Proud To Be</i> initiative for the period July 2008 through June 2010.</li> <li>• The joint initiative is focused on activities intended to institutionalize increased sharing and coordination between VA and DoD. There are three main areas of focus for these collaborative processes:               <ul style="list-style-type: none"> <li>○ Information Technology</li> <li>○ Joint Operations</li> <li>○ Benefits and Care Management</li> </ul> </li> </ul>		
<p><b>VA/DoD Military Personnel Data Sharing</b></p> <p>- VA and DoD will complete the replacement and decommission of all feasible legacy exchanges for personnel data from DoD to VA and from VA to DoD in favor of a single bi-directional solution.</p>	<ul style="list-style-type: none"> <li>• Implemented insurance data enhancements to the VA/DoD Data Sharing Schema.</li> <li>• Continued efforts towards developing a cross-departmental integrated master schedule.</li> <li>• Drafted a DoD/VA interoperability information plan.</li> <li>• Reduced the number of distinct data exchanges between VA and DoD to one from the DoD's Defense Manpower Data Center (DMDC) and one to DMDC.</li> </ul>		
<p><b>Establish pilot sharing sites (National Defense Authorization Act)</b></p> <p>- DoD and VA provide the Joint Executive Council and OMB with a final report by December 2007 on the pilots; report includes recommendations to improve sharing</p>	<ul style="list-style-type: none"> <li>• Provided final report on potential pilot sharing sites to OMB in December 2007. Report included recommendations to improve sharing.</li> </ul>		
<p><b>Separation Process/Exam</b></p> <p>- DoD and VA use a cooperative separation exam at 131 Benefits Delivery at Discharge (BDD) sites. By September 2008, 61 percent of all claims filed within first year of release will be filed at a BDD site prior to discharge.</p>	<ul style="list-style-type: none"> <li>• Provided participation rates for FY 2008 for claims filed through a BDD site within the first year of release from active duty (59 percent).</li> <li>• Reduced the number of distinct personnel data exchanges from the initial VA/DoD baseline to one from each Department.</li> </ul>		



R Status	<b>VA/DoD COLLABORATION, <i>cont'd.</i></b>		Progress G
<b>FY 2008 Open Items</b>	<b>FY 2008 Actions and Progress</b>		
<p><b>Real-Time Bi-Directional Electronic Patient Medical Records</b></p> <p>- DoD and VA exchange health information for shared patients by one of two methods: Bidirectional Health Information Exchange or Clinical Health Data Repository. Bi-directional exchange of data elements will be implemented at 85 percent of DoD facilities, which will be viewable by all VA medical facilities.</p>	<ul style="list-style-type: none"> <li>• Completed sharing of radiology images for shared patients at the El Paso National Defense Authorization Act demonstration site allowing VA and DoD to share viewable ambulatory encounters/clinical notes, procedures, and problem lists in real-time and bidirectional for shared patients among all sites.</li> <li>• Now providing viewable patient health data from theaters of operation to VA and DoD providers on shared patients at fixed facilities to include theater inpatient notes, outpatient encounters, and ancillary clinical data.</li> <li>• Completed white paper on functional requirements that are common to both VA and DoD Web portals and recommended collaborative implementation of shared education content in TRICARE Online and My HealtheVet.</li> <li>• Completed developing requirements for in-theater medical imaging and began acquisition strategy for DoD to acquire the capability to support the transfer of images from combat theaters of operations to VA and DoD facilities in the continental United States.</li> <li>• At the end of June 2008, VA and DoD were able to share real-time and bi-directionally viewable vital signs data between all VA and DoD locations.</li> <li>• In December 2007, DoD began sharing viewable discharge summaries from Landstuhl Regional Medical Center, Germany with VA providers on shared patients.</li> </ul>		



<span style="background-color: #d9ead3; border: 1px solid #d9ead3; border-radius: 50%; padding: 2px;">Y</span> Status <b style="font-size: 1.2em; font-weight: bold;">ELIMINATING IMPROPER PAYMENTS</b> <span style="float: right; background-color: #d9ead3; border: 1px solid #d9ead3; border-radius: 50%; padding: 2px;">G</span> Progress	
FY 2008 Open Items	FY 2008 Actions and Progress
<p><b>Evidence that improper payment reduction and recovery targets are being met</b></p>	<ul style="list-style-type: none"> <li>• VA established a corrective action plan with OMB-approved improper payment reduction targets for all risk-susceptible programs.</li> <li>• VA met the improper payment reduction and recovery targets for the following programs: Education, Loan Guaranty, and Non-VA Care Fee Basis.</li> <li>• VA did not meet the reduction and recovery targets in the Compensation and Pension programs.               <ul style="list-style-type: none"> <li>○ Two new DoD programs, Combat Related Special Compensation and Concurrent Retirement and Disability Pay, were created to permit partial to total restoration of reduced benefits due to receipt of VA compensation for certain disabled retirees. These programs, which allow concurrent receipt of VA Compensation and DoD military retired pay, negatively affected the accuracy of the Compensation payments.</li> </ul> </li> <li>• VA consolidated the processing of all pension maintenance workload to the Pension Management Centers.               <ul style="list-style-type: none"> <li>○ This consolidation improved the quality and timeliness of pension processing and reduced the size of erroneous pension payments through greater claims processing efficiencies and reduced cycle time. However, due to high turnover of claims examiners, mostly due to retirements, VA was not able to meet its improper payments targets.</li> </ul> </li> </ul>
<span style="background-color: #d9ead3; border: 1px solid #d9ead3; border-radius: 50%; padding: 2px;">G</span> Status <b style="font-size: 1.2em; font-weight: bold;">REAL PROPERTY</b> <span style="float: right; background-color: #d9ead3; border: 1px solid #d9ead3; border-radius: 50%; padding: 2px;">G</span> Progress	
FY 2008 Focus Areas	FY 2008 Actions and Progress
<p><b>Continued decrease of underutilized space</b></p>	<ul style="list-style-type: none"> <li>• VA's 5-year Disposal Plan puts in place plans and actions to achieve a 7.6 million square feet reduction from FY 2008-FY 2012. This represents a 35 percent reduction in underutilized space.</li> </ul>
<p><b>Created Real Property Working Group (RPWG) to evaluate VA's Facility Condition Assessment (FCA) process</b></p>	<ul style="list-style-type: none"> <li>• The RPWG took the following actions in FY 2008:</li> <li>• Began defining and clarifying roles, responsibilities, and accountability regarding the FCA process.               <ul style="list-style-type: none"> <li>○ Initiated an evaluation of occupancy and FCA evaluation, grading, and funding distribution options.</li> <li>○ Defined a regularly scheduled FCA progress reporting system.</li> <li>○ Completed a report assessing VA's FCA process.</li> </ul> </li> </ul>
<p><b>Improved Inventory Reporting and Classification</b></p>	<ul style="list-style-type: none"> <li>• In response to a Government Accountability Office (GAO) audit, VA created reports identifying and quantifying reuse, enhanced use lease, sharing outlease, transfer, mothballing, and demolition inventory activities.               <ul style="list-style-type: none"> <li>○ Reports, produced on a quarterly basis, provide management with accurate, quantifiable progress on reductions in vacant and underutilized space.</li> </ul> </li> </ul>



<b>FAITH-BASED AND COMMUNITY INITIATIVES</b>	
G Status	Progress G
FY 2008 Open Items	FY 2008 Actions and Progress
<p style="text-align: center;"><b>Expanded Grassroots Participation</b></p> <p>- Implement aggressive strategy uses of all 5 best practices</p>	<ul style="list-style-type: none"> <li>• VA's Center for Faith-Based and Community Initiatives (CFBCI) implemented "FBCI New Best Practices" as follows:                             <ul style="list-style-type: none"> <li>○ Identified VA administrative programs where expansion of innovative grant strategies would have greatest impact.</li> <li>○ Implemented technical assistance programs in selected key VA programs to encourage and facilitate the integration of grassroots faith-based and community-based organizations into State and local service delivery systems.</li> <li>○ Developed plans for evaluating technical assistance programs and measuring their impact.</li> <li>○ Prepared a strategic plan to improve grassroots strategies.</li> </ul> </li> </ul>
<p style="text-align: center;"><b>Equal Treatment Regulations</b></p> <p>- Provides education, develops mechanisms for assessing compliance uses of all nine best practices</p>	<ul style="list-style-type: none"> <li>• FBCI implemented two "equal treatment" best practices:                             <ul style="list-style-type: none"> <li>○ Identified replicable models of effective partnerships between federally funded State and local programs and adopted methods of packaging information on these models in a format that was easily accessible to State and local administrators.</li> <li>○ Identified appropriate means of delivering information on regulations to relevant administrators and officials.</li> </ul> </li> </ul>
<p style="text-align: center;"><b>Outcome-based evaluations</b></p> <p>- Provide quarterly progress reports, interim data; incorporated into broader program of evaluations</p>	<ul style="list-style-type: none"> <li>• Quarterly evaluation reports for all pilot programs were submitted to the White House Office of Faith-Based and Community Initiatives.</li> <li>• All FBCO-expanded grassroots participation programs as well as pilot programs provided regular progress reports.</li> <li>• Expanded grassroots participation data were collected quarterly from all pilots and VA programs. The data were reported on the PMA Scorecard.</li> </ul>



R Status	<b>IMPROVED CREDIT MANAGEMENT</b>	Progress G
FY 2008 Open Items	FY 2008 Actions and Progress	
<p><b>Establish or verify sound lending policies and procedures</b></p> <ul style="list-style-type: none"> <li>- Effective transaction approval processes</li> <li>- Effective loan portfolio management</li> <li>- Effective loss recovery processes</li> </ul>	<ul style="list-style-type: none"> <li>• Hired a financial analyst with expertise to evaluate current Credit program data and to use these data to assess the program's risk exposure.</li> <li>• Began work on needs assessment/gap analysis to identify what information the Loan Guaranty Program needs to adequately monitor risks.</li> <li>• Procured software and hardware required to build a risk model to be used to analyze various program data sources and evaluate risk.</li> </ul>	
<p><b>Establish or verify sound collateral valuation process</b></p> <ul style="list-style-type: none"> <li>- Implemented policies and procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Executing plans to procure an Automated Valuation Model/Appraisal Management System (AVM/AMS).</li> <li>• The AVM/AMS system will make the appraisal review process more efficient by providing an automated review of the appraisal reports for overt errors and nationwide property valuation information.</li> <li>• AMS/AVM will also improve VA's oversight capabilities by permitting more risk-based field reviews and management of fee appraisers and staff appraisal reviewers.</li> </ul>	
<p><b>Maintain effective management information reporting</b></p> <ul style="list-style-type: none"> <li>- Identified and substantiated risk indicators</li> <li>- Implemented reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Provided OMB with an update on the status of implementation of the VA Loan Electronic Reporting Interface (VALERI) project.               <ul style="list-style-type: none"> <li>○ The update included schedule for testing, installation, and system customization. VALERI is on schedule to be fully implemented by the end of December 2008.</li> </ul> </li> </ul>	
<p><b>Control costs</b></p> <ul style="list-style-type: none"> <li>- Established current cost estimates</li> <li>- Established benchmarks and goals</li> <li>- Reaches goals</li> </ul>	<ul style="list-style-type: none"> <li>• VA built a module to provide reporting capability at the business-line level. Business-line reports were finalized in the fourth quarter of 2008 and delivered to the Housing Program for use in tracking program costs.</li> </ul>	
<p><b>Customer Satisfaction</b></p> <ul style="list-style-type: none"> <li>-Meets or exceeds industry standards</li> </ul>	<ul style="list-style-type: none"> <li>• OMB certified that VA meets requirements for this initiative.               <ul style="list-style-type: none"> <li>○ The Housing program conducts several customer satisfaction surveys each year.</li> <li>○ Neither VA nor OMB was able to provide appropriate and relevant or comparable benchmark statistics with which to compare VA's Housing Program data with private sector data.</li> </ul> </li> </ul>	
<p><b>Comply with Debt Collection Improvement Act (DCIA)</b></p>	<ul style="list-style-type: none"> <li>• Existing law prohibits VA from collecting debts on VA-guaranteed loans, except in instances of fraud, misrepresentation, or bad faith on the part of the individual obtaining the loan or in connection with the loan default.</li> <li>• Worked with U.S. Treasury Department to draft and finalize a Performance Expectations Agreement for Debt Collection Improvement Act compliance.               <ul style="list-style-type: none"> <li>○ As part of the agreement, VA is working to establish a linkage to DebtCheck<sup>®</sup>, for use in reporting those debts that are eligible for collection.</li> </ul> </li> </ul>	



<b>HEALTH IT INFORMATION</b>	
R Status	Progress G
FY 2008 Open Items	FY 2008 Actions and Progress
<p><b>Support National Health IT Goal for...</b></p> <ul style="list-style-type: none"> <li>- Health Data Standards</li> <li>- Health exchange and system inventory</li> <li>- <i>Development of a Standards Implementation plan that meets HHS-accepted standards – including timeline, resource identification, and planned/potential health information exchanges</i></li> </ul>	<ul style="list-style-type: none"> <li>• VA led the effort on behalf of the Federal Health providers to form a consortium to build a Federal connection to the Nationwide Health Information Exchange. The Federal connection constitutes a planned set of standard specifications that each Federal provider will need to implement.</li> <li>• VA is working on Information Systems that are impacted by Interoperability Specifications 01 (lab results terminology components).                         <ul style="list-style-type: none"> <li>○ Interoperability Specifications 01 defines specific standards to support smooth operation between electronic health records and laboratory systems and secure access to laboratory results and interpretations.</li> </ul> </li> <li>• At this time, due to the lack of recognized privacy and security constructs from Health Information Technology Standards Panel (HITSP), VA has halted the implementation plan for systems that are impacted by the recognized HITSP.</li> <li>• Work will resume when security and privacy constructs for the use cases are recognized by the Secretary of the U.S. Department of Health and Human Services (DHHS).</li> </ul>
<p><b>Support National Health IT Goal for...</b></p> <ul style="list-style-type: none"> <li>- Systems development</li> <li>- Accepted standards implemented on 25% of systems/processes</li> <li>- Accepted standards implemented on 50% of systems/processes</li> <li>- Department policy and standards language developed</li> <li>- Inclusion of HIT language for applicable contracts</li> </ul>	<ul style="list-style-type: none"> <li>• VA has implemented 18 percent of the health standards in its systems.</li> <li>• Plans are pending with Federal Health Architecture and OMB to change the methodology so that VA is given more credit for its work in building the Nationwide Health Information Exchange. Currently, the methodology does not cite the significant standards work required in building a Federal connection to the Nationwide Health Information Network.</li> </ul>





R Status	<b>HEALTH IT INFORMATION, <i>cont'd.</i></b>		Progress G
FY 2008 Open Items	FY 2008 Actions and Progress		
<p><b>Support National Health IT Goal for...</b></p> <ul style="list-style-type: none"> <li>- Certification</li> <li>- Plan to meet ambulatory care certification criteria</li> <li>- Independent validation of ambulatory care software</li> </ul>	<ul style="list-style-type: none"> <li>• VA created a workgroup to complete an analysis of its VistA computerized patient record system's likely performance against the Certification Commission for Health IT (CCHIT) inpatient and outpatient certification criteria. A team of subject matter experts did a gap analysis of the functionality of VistA and made a recommendation of code base changes that may need to be undertaken to receive CCHIT certification. The workgroup worked through the criteria and noted whether our systems meet the criteria for certification and what specific criteria will need enhancements. The functionality analysis is currently being reviewed for comprehensiveness before being submitted for further analysis to identify technical solutions, project sizing, and cost estimates.</li> </ul>		
<p><b>Support National Health IT Goal for...</b></p> <p>Price and Quality Transparency</p> <ul style="list-style-type: none"> <li>- Price and Quality measurement inventory and timeline</li> <li>- Evidence to demonstrate collaborations and progress toward making additional price and quality measurements available to beneficiaries, with a timeline through FY 2009</li> </ul>	<ul style="list-style-type: none"> <li>• In an effort to provide transparency to our beneficiaries, data will be made available on clinical quality measures. These measures will be consistent with information on preventive care for our patient population. Currently this is a pilot project and is only available in six VISNs.</li> <li>• Pilot testing of methods of electronic data abstraction at individual medical center facilities will continue. Currently the data reported for quality measurement are a sample of the patients. The goal is for 100 percent electronic data for the quality measures reported.</li> <li>• Continue to identify opportunities for harmonization with DoD and Indian Health Service on reporting of clinical quality measures.</li> </ul>		



## Program Assessment Rating Tool (PART) Reviews

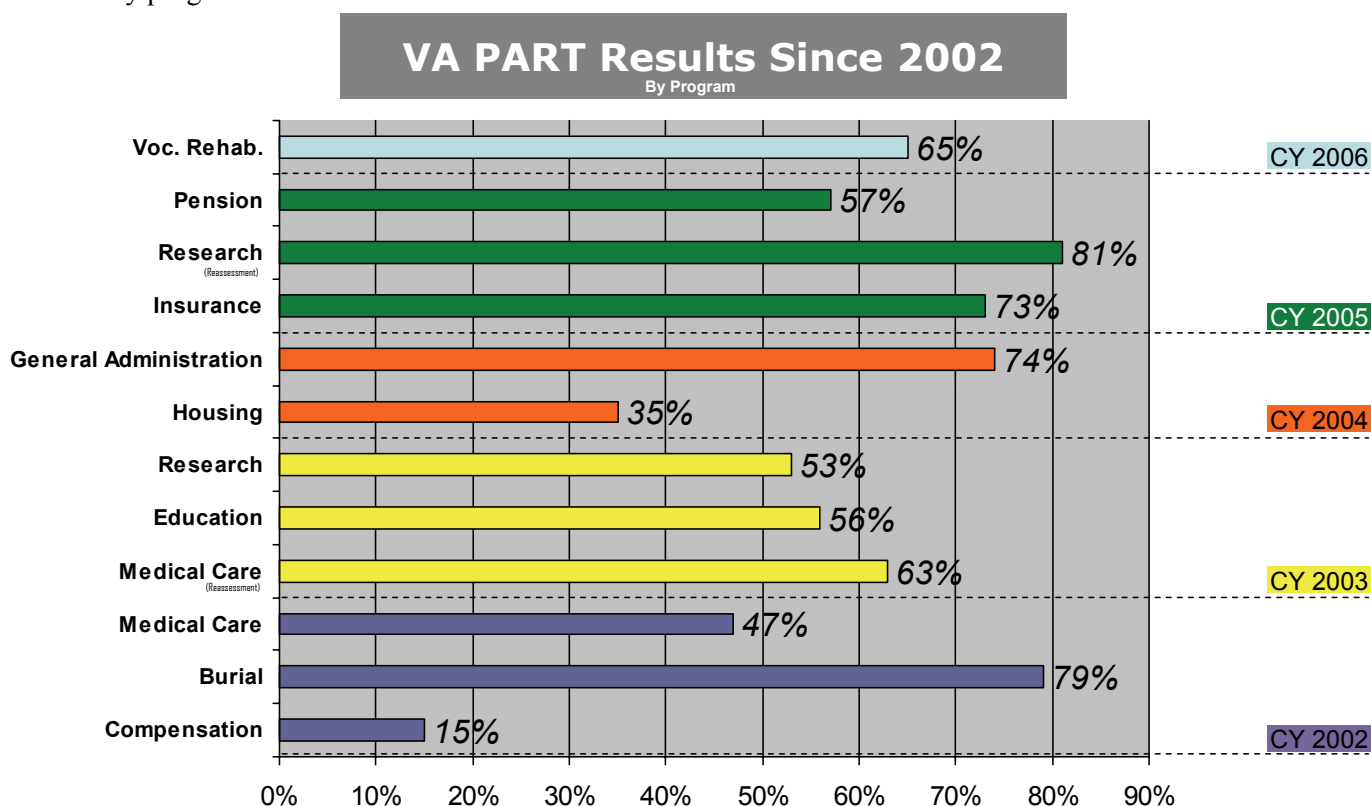
Starting in 2002, OMB began to evaluate all Federal programs using a detailed questionnaire-driven methodology called the Program Assessment Rating Tool (PART). The PART contains 25 questions pertaining to a program's design and purpose, strategic planning capability, quality of performance measurements, financial oversight, and reporting of accurate and consistent performance data. Information on the PART can be found at the following [Web site: www.ExpectMore.gov](http://www.ExpectMore.gov).

Once the review is completed, programs are given one of five ratings as follows:

Rating	Score Range
Effective .....	85-100%
Moderately Effective.....	70-84%
Adequate.....	50-69%
Ineffective.....	0-49%
Results Not Demonstrated.....	--- *

\* Regardless of the Overall Score, programs that do not have acceptable performance measures or have not yet collected performance data generally receive a rating of Results Not Demonstrated.

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



On the following pages are tables, sorted by strategic goal that show for each program, OMB's **improvement initiatives** and VA's 2008 **actions** in response to the initiatives.



Improvement Initiatives	FY 2008 Actions and Progress				
<b>Strategic Goal 1: Restoration and Improved Quality of Life for Disabled Veterans</b> <b>Disability Compensation Program</b> (Reviewed in CY 2002 and Received a Rating of "Results Not Demonstrated")					
<p><b>Develop capability to begin reporting on five new performance measures.</b></p> <table border="1" data-bbox="191 747 459 825"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>December 2008</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	December 2008	<ul style="list-style-type: none"> <li>• Capability to report on two outcome measures was previously developed.</li> <li>• Capability to report on remaining three outcome measures depends on Compensation Payment Structure Study resulting from the President's Commission on the Care for Returning Wounded Warriors and the Veterans' Disability Benefits Commission. The study began in February 2008 and was completed in August 2008. It reviewed quality-of-life, long-term transitional, and earnings loss payments.</li> </ul>
Status	Action Taken; Not Completed				
ECD	December 2008				
<p><b>Develop analyses of how results information from new measures is used and how this information impacts program performance.</b></p> <table border="1" data-bbox="191 1121 459 1199"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>June 2009</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	June 2009	<ul style="list-style-type: none"> <li>• Initial results from two of the outcome measures showed improved customer service. A customer satisfaction survey was not done from 2006 to 2008.</li> <li>• Further analysis is pending the results of the next customer satisfaction survey. It is anticipated that customer service satisfaction surveys will commence in FY 2009.</li> <li>• The productivity index, an efficiency measure, is undergoing revision to improve the methodology.</li> </ul>
Status	Action Taken; Not Completed				
ECD	June 2009				
<p><b>Evaluate recommendations from the Veterans' Disability Benefits Commission.</b></p> <table border="1" data-bbox="191 1409 459 1486"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>December 2008</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	December 2008	<ul style="list-style-type: none"> <li>• The Veterans' Disability Benefits Commission concluded its review and issued its report in October 2007. In response, VA initiated a Disability Evaluation System Pilot with DoD that allows servicemembers separating for disability to undergo a single exam, performed by VA physicians, contract physicians, and/or DoD physicians. The results of this exam are used by VA rating specialists to issue a rating decision and establish entitlement to compensation benefits.</li> <li>• VA has engaged a contractor to conduct a study and provide recommendations regarding long-term transition payments, quality of life payments, and earnings-loss payments in the compensation structure.</li> </ul>
Status	Action Taken; Not Completed				
ECD	December 2008				
<p><b>Develop a measure related to rating consistency.</b></p> <table border="1" data-bbox="191 1654 459 1732"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>December 2008</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	December 2008	<ul style="list-style-type: none"> <li>• VA began regular assessments of the most frequently rated diagnostic codes in FY 2008 for routine monitoring to assess consistency of service connection determinations and degree of disability assigned for various disabilities across regional offices. Baseline results must be established before the measure can be developed.</li> </ul>
Status	Action Taken; Not Completed				
ECD	December 2008				



Improvement Initiatives	FY 2008 Actions and Progress				
<p align="center"><b>Strategic Goal 1: Restoration and Improved Quality of Life for Disabled Veterans</b> <i>cont'd.</i></p>					
<p align="center"><b><u>Vocational Rehabilitation and Employment Program</u></b> (Reviewed in CY 2006 and Received a Rating of <b>"Adequate"</b>)</p>					
<p><b>Collect data on both established and newly developed measures to evaluate performance and use these results to improve program performance.</b></p> <table border="1" data-bbox="188 800 453 871"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>June 2009</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	June 2009	<ul style="list-style-type: none"> <li>The program continues to collect data on established measures and is working with the Department of Labor to develop a method of collecting and verifying income from a single national source rather than from each state.</li> <li>VA will begin receiving data in December 2008.</li> </ul>
Status	Action Taken; Not Completed				
ECD	June 2009				
<p><b>Work with the Department of Labor and Department of Defense to assess results of collaboration and use these results to enhance future efforts to coordinate services for veterans with disabilities.</b></p> <table border="1" data-bbox="188 1205 453 1276"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>November 2008</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	November 2008	<ul style="list-style-type: none"> <li>The Joint VA and Department of Labor Veterans Employment and Training Service Work Group drafted a long-range implementation plan, with both short- and long-term goals to coordinate services for veterans with disabilities.</li> <li>A key part of the plan involved was the implementation of a pilot program at eight locations where both agencies work collaboratively in the delivery of services to veterans with disabilities.</li> <li>Upon review of results, a determination will be made on whether to implement the program nationwide by December 2008.</li> </ul>
Status	Action Taken; Not Completed				
ECD	November 2008				
<p><b>Cooperate with GAO on an evaluation of the program to assess the effectiveness of recent program changes, including the implementation of the Five Tracks to Employment model.</b></p> <table border="1" data-bbox="188 1587 453 1659"> <tr> <td>Status</td> <td>Completed</td> </tr> <tr> <td>ECD</td> <td>May 2008</td> </tr> </table>	Status	Completed	ECD	May 2008	<ul style="list-style-type: none"> <li>VA cooperated with GAO on an evaluation of the effectiveness of the recent changes to the Vocational Rehabilitation and Employment (VR&amp;E) Program to include implementation of the Five Tracks to Employment Model. In October 2007, GAO released a final report on this study (GAO-07-1020).</li> <li>In January 2008, VA implemented a procedure to capture data on usage of resource labs and activities of employment coordinators.</li> <li>The first consolidated review of data gathered on usage of resource labs and activities of employment coordinators was completed in July 2008. VR&amp;E will continue to perform these reviews on a monthly basis to gather data that can be analyzed and used to improve the program's performance.</li> </ul>
Status	Completed				
ECD	May 2008				



Improvement Initiatives	FY 2008 Actions and Progress				
<b>Strategic Goal 2: Smooth Transition to Civilian Life</b>					
<b>Education Program</b> (Reviewed in CY 2003 and Received a Rating of <b>"Results Not Demonstrated"</b> )					
<p><b>Determine the optimum level of monthly benefits required to accomplish the military recruitment and retention goals.</b></p> <table border="1" data-bbox="191 739 451 814"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>December 2011</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	December 2011	<ul style="list-style-type: none"> <li>To date, VA has only been able to determine if DoD recruitment goals have been enhanced due to Montgomery GI Bill (MGIB) using DoD data. DoD surveys indicate education benefits rank in the top four reasons to enlist. Based on the surveys and the experiences of military recruiters, educational benefits are a valuable tool in meeting recruitment goals.</li> <li>VA still cannot determine the impact of the MGIB on retention.</li> </ul>
Status	Action Taken; Not Completed				
ECD	December 2011				
<p><b>Create an outcome measure on veterans' readjustment to civilian life due to the benefit received in this program.</b></p> <table border="1" data-bbox="191 1029 451 1104"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>December 2009</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	December 2009	<ul style="list-style-type: none"> <li>VA awarded a contract in FY 2007 to provide degree attainment data to determine what percentage of those servicemembers and veterans who received education benefits obtained a degree or certificate. We anticipate having results by the end of calendar year 2009.</li> </ul>
Status	Action Taken; Not Completed				
ECD	December 2009				
<p><b>Reinstate a cost-effectiveness measure such as the Administrative Cost per Trainee measure.</b></p> <table border="1" data-bbox="191 1289 451 1365"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>June 2011</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	June 2011	<ul style="list-style-type: none"> <li>VA designed a model to assess cost-effectiveness. The model was tested with FY 2006 and FY 2007 data. VA determined the model has flaws. VA redesigned the model during FY 2008 and will test with FY 2008 results data to determine if the tool can be used to measure cost effectiveness.</li> <li>VA plans to either modify this tool or replace it with another by the end of calendar year 2011.</li> </ul>
Status	Action Taken; Not Completed				
ECD	June 2011				



Improvement Initiatives	FY 2008 Actions and Progress				
<b>Strategic Goal 3: Honoring, Serving, and Memorializing Veterans</b>					
<b>Housing Program</b> (Reviewed in CY 2004 and Received a Rating of "Results Not Demonstrated")					
<p><b>Develop analyses of how results information from new measures is used and how this information impacts program performance.</b></p> <table border="1" data-bbox="191 743 472 816"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>December 2008</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	December 2008	<ul style="list-style-type: none"> <li>• VA analyzed results data related to these new measures and integrated findings into program management as follows:                         <ul style="list-style-type: none"> <li>○ Examination of Specially Adapted Housing customer data revealed a need for legislation to increase the SAH Grant amount. VA prepared a legislative proposal to increase grant amounts and index grant amounts to annually adjusting construction costs. Public Law 110-289 implemented these provisions.</li> <li>○ Examination of veteran and lender customer data revealed a need for increased outreach and education for real estate agents and appraisers.                                 <ul style="list-style-type: none"> <li>▪ VA made efforts to increase the number of broadcasts and training programs for all program participants and has posted them publicly on the Internet for viewing.</li> <li>▪ VA developed an informational flipbook and CD-ROM targeted to real estate agents; 250,000 copies of these materials are expected to be disseminated in calendar year 2008.</li> </ul> </li> </ul> </li> </ul>
Status	Action Taken; Not Completed				
ECD	December 2008				
<p><b>Develop the capability to report on mortgage delinquencies at a point earlier than the current requirement of '105 days delinquent.'</b></p> <table border="1" data-bbox="191 1199 472 1272"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>December 2008</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	December 2008	<ul style="list-style-type: none"> <li>• In order to intervene at an earlier point in the delinquency cycle and consequently have the ability to assist veterans in avoiding foreclosure, VA undertook a business process review.</li> <li>• This review resulted in the development of the VA Loan Electronic Reporting Interface (VALERI).                         <ul style="list-style-type: none"> <li>○ This leading-edge, Web-based, rules-driven service will electronically connect loan servicers and VA.</li> <li>○ With this real-time access, VALERI will enable VA to receive notification of default at a much earlier stage in the process, and will thereby expedite VA's ability to intervene on veterans' behalf when necessary.</li> </ul> </li> <li>• Full implementation of VALERI will be completed by the end of the 2008 calendar year.</li> </ul>
Status	Action Taken; Not Completed				
ECD	December 2008				



Improvement Initiatives	FY 2008 Actions and Progress				
<b>Strategic Goal 3: Honoring, Serving, and Memorializing Veterans, <i>continued</i></b> <b>Medical Care Program</b> (Reviewed in CY 2003 and Received a Rating of "Adequate")					
<p><b>Accelerate the collaborative activities with DoD and other Federal agencies, e.g., interoperable computerized patient health data, improved data on insurance coverage, and enrollment and eligibility information.</b></p> <table border="1" data-bbox="203 888 480 961"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>December 2008</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	December 2008	<ul style="list-style-type: none"> <li>• VA and DoD now exchange key electronic health information, bidirectionally, in viewable format. Key health data include the following: outpatient pharmacy purchases, allergy information, laboratory and radiology reports, clinical notes, and problem lists.</li> <li>• VA now has access to theater-specific clinical data and various types of inpatient data, including discharge summaries from key military treatment facilities.</li> <li>• VA and DoD completed an information interoperability plan in the 4th quarter FY 2008. The plan documents strategies to achieve interoperability of essential data for health, administrative, and personnel data for processes, benefits, and treatment.</li> </ul>
Status	Action Taken; Not Completed				
ECD	December 2008				
<p><b>Work with Congressional staff to bring about approval for its approved budget structuring. In addition, continue to develop performance-based budgeting.</b></p> <table border="1" data-bbox="188 1262 453 1335"> <tr> <td>Status</td> <td>Not Enacted</td> </tr> <tr> <td>ECD</td> <td>February 2005</td> </tr> </table>	Status	Not Enacted	ECD	February 2005	<ul style="list-style-type: none"> <li>• VA submitted its 2006 budget using the 3-appropriation account structure specified in P.L. 108-447, the consolidated appropriations act, 2005, with 2 changes:             <ul style="list-style-type: none"> <li>○ Major and minor construction and grants for construction of State extended-care facilities were combined under the medical facilities appropriation.</li> <li>○ Medical care research was moved from the 3-appropriation account structure (medical services, administration, and facilities) to the medical and prosthetic research business line.</li> </ul> </li> </ul>
Status	Not Enacted				
ECD	February 2005				
<p><b>Develop performance based budgets and clearer resource requests.</b></p> <table border="1" data-bbox="188 1503 453 1577"> <tr> <td>Status</td> <td>Not Enacted</td> </tr> <tr> <td>ECD</td> <td>February 2008</td> </tr> </table>	Status	Not Enacted	ECD	February 2008	<ul style="list-style-type: none"> <li>• In the 2009 budget, VA's Medical Administration appropriation name changed to Medical Support and Compliance. Our proposal to consolidate the Medical Administration appropriation into the Medical Services appropriation was not approved.</li> <li>• Merging these two accounts would have improved the execution of our budget and would have allowed VA to respond more rapidly to unanticipated changes in the health care environment. The Medical Services appropriation finances the expenses of management, security, and administration of the VA health care system.</li> </ul>
Status	Not Enacted				
ECD	February 2008				



Improvement Initiatives	FY 2008 Actions and Progress				
<p align="center"><b>Strategic Goal 3: Honoring, Serving, and Memorializing Veterans, <i>continued</i></b>  <b>Medical Care Program, <i>cont'd.</i></b>                      (Reviewed in CY 2003 and Received a Rating of <b>"Adequate"</b>)</p>					
<p><b>Continue the enrollment policy for non-enrolled priority level 8 veterans (higher income, non-disabled), and implement additional programmatic and cost-sharing policies aimed at focusing resources on core veteran populations.</b></p> <table border="1" data-bbox="188 915 451 982"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>December 2013</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	December 2013	<ul style="list-style-type: none"> <li>The enrollment policy continues.</li> <li>The 2009 budget proposed a tiered enrollment fee based on income and increasing prescription co-pay (\$8 to \$15 for priority 7 &amp; priority 8).</li> <li>The 2009 budget also proposed to eliminate the 3rd-party offset to 1st-party debt.                         <ul style="list-style-type: none"> <li>3<sup>rd</sup>-party offset to 1<sup>st</sup> party debt was not approved.</li> <li>Prescription co-pay proposal was not addressed.</li> </ul> </li> <li>The FY 2008 National Defense Authorization Act (NDAA) extended the eligibility period for OEF/OIF veterans to 5 years post-discharge.</li> </ul>
Status	Action Taken; Not Completed				
ECD	December 2013				
<p align="center"><b>Insurance Program</b>                      (Reviewed in CY 2005 and Received a Rating of <b>"Moderately Effective"</b>)</p>					
<p><b>Develop first steps in aligning budget requests to performance.</b></p> <table border="1" data-bbox="188 1213 451 1281"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>December 2008</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	December 2008	<ul style="list-style-type: none"> <li>As a Performance Improvement Initiative PMA scorecard deliverable, VA demonstrated, using a subset of measures in the Burial, Medical Care, and Compensation/Pension Programs, its ability to estimate the cost of achieving different levels of performance. This is an important step towards linking budget requests with performance.</li> </ul>
Status	Action Taken; Not Completed				
ECD	December 2008				
<p><b>Conduct an independent evaluation of the conversion privilege from SGLI to VGLI.</b></p> <table border="1" data-bbox="188 1476 451 1543"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>September 2009</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	September 2009	<ul style="list-style-type: none"> <li>The ability to convert Servicemembers' Group Life Insurance (SGLI) to Veterans' Group Life Insurance (VGLI) is an important feature of the SGLI program, especially for disabled servicemembers leaving service who have difficulty obtaining life insurance from the private sector due to service-connected disabilities.</li> <li>VA contracted with an outside evaluator to help identify the appropriate target audience for outreach and an appropriate strategic target, as well as to review outreach materials and special outreach efforts.</li> <li>The evaluation is scheduled for completion in FY 2009.</li> </ul>
Status	Action Taken; Not Completed				
ECD	September 2009				





Improvement Initiatives	FY 2008 Actions and Progress				
<p align="center"><b>Strategic Goal 3: Honoring, Serving, and Memorializing Veterans, <i>continued</i></b>  <b>Insurance Program, <i>cont'd</i></b>            (Reviewed in CY 2005 and Received a Rating of <b>"Moderately Effective"</b>)</p>					
<p><b>Validate the results of Program's customer satisfaction survey using the American Customer Satisfaction Index (ACSI).</b></p> <table border="1" data-bbox="188 730 453 806"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>September 2009</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	September 2009	<ul style="list-style-type: none"> <li>Validation of customer satisfaction survey is scheduled for completion during FY 2009.</li> </ul>
Status	Action Taken; Not Completed				
ECD	September 2009				
<p align="center"><b>Pension Program</b>            (Reviewed in CY 2005 and Received a Rating of <b>"Adequate"</b>)</p>					
<p><b>The program will continue to develop steps to achieve strategic targets.</b></p> <table border="1" data-bbox="188 1045 453 1121"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>December 2008</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	December 2008	<ul style="list-style-type: none"> <li>Ambitious strategic targets were published in VA's FY 2006-2011 Strategic Plan. VA's Pension Program has taken aggressive steps to achieve these targets:               <ul style="list-style-type: none"> <li>Began consolidating original pension work to three Pension Management Centers (PMCs).</li> <li>Increased staffing levels by 105 percent (443 FTE in 2006 to 911.5 FTE in 2008) at the PMCs.</li> <li>Established a timeliness standard in the directors' performance standards thereby increasing accountability.</li> </ul> </li> </ul>
Status	Action Taken; Not Completed				
ECD	December 2008				
<p><b>The program will provide initial steps in linking performance to budget.</b></p> <table border="1" data-bbox="188 1356 453 1432"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>December 2008</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	December 2008	<ul style="list-style-type: none"> <li>As a Performance Improvement Initiative PMA scorecard deliverable, VA demonstrated, using a subset of measures in the Burial, Medical Care, and Compensation/Pension Programs, its ability to estimate the cost of achieving different levels of performance. This is an important step towards linking budget requests with performance.</li> </ul>
Status	Action Taken; Not Completed				
ECD	December 2008				
<p><b>The program will use information derived from new performance measures to identify and make program improvements.</b></p> <table border="1" data-bbox="188 1692 453 1768"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>September 2009</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	September 2009	<ul style="list-style-type: none"> <li>The Pension program is using this information from its new measures to identify and make necessary ongoing program improvements. For example, beginning in May 2008, VA began the process of consolidating original pension claims to three PMCs.</li> <li>This will improve the quality and timeliness of pension claims. Staffing has been increased at the PMCs, and a timeliness standard has been added to the directors' performance standards.</li> </ul>
Status	Action Taken; Not Completed				
ECD	September 2009				



Improvement Initiatives	FY 2008 Actions and Progress				
<b>Strategic Goal 4: Contributing to the Nation's Well-Being</b>					
<b>Burial Program</b> (Reviewed in CY 2002 and Received a Rating of <b>"Moderately Effective"</b> )					
<p><b>Continue to strengthen methods to link performance, budget, and accountability.</b></p> <table border="1" data-bbox="207 730 470 806"> <tr> <td>Status</td> <td>Completed</td> </tr> <tr> <td>ECD</td> <td>March 2008</td> </tr> </table>	Status	Completed	ECD	March 2008	<ul style="list-style-type: none"> <li>As a Performance Improvement Initiative PMA scorecard deliverable, VA demonstrated, using a subset of measures in the Burial Program, its ability to estimate the cost of achieving different levels of performance. This is an important step towards linking budget requests with performance.</li> </ul>
Status	Completed				
ECD	March 2008				
<p><b>Use performance data to increase managers' performance.</b></p> <table border="1" data-bbox="207 974 470 1045"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>September 2012</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	September 2012	<ul style="list-style-type: none"> <li>NCA established an Organizational Assessment and Improvement (OAI) Program. OAI enhances program accountability through a one-NCA scorecard, provided to management at all levels, that combines cemetery self-assessments with independent assessments.</li> <li>Through FY 2008, NCA has completed 45 site visits assessing 80 cemeteries as part of this initiative. NCA schedules 12 visits per year as part of this continuous improvement program.</li> </ul>
Status	Action Taken; Not Completed				
ECD	September 2012				
<p><b>Use data results from three new performance measures to drive improvements in program operations (National Shrine Commitment)</b></p> <table border="1" data-bbox="207 1344 470 1415"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>September 2009</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	September 2009	<ul style="list-style-type: none"> <li>NCA collected baseline data during 2004 for three new National Shrine Commitment measures. Data for these measures are regularly collected and reported and are helping to drive performance improvements.</li> <li>In FY 2009, NCA will collect data to establish baseline performance on a new measure that assesses the condition of cemetery facilities.</li> </ul>
Status	Action Taken; Not Completed				
ECD	September 2009				



Improvement Initiatives	FY 2008 Actions and Progress				
<b>Strategic Goal #4: Contributing to the Nation's Well-Being</b>					
<b>Medical Research and Development Program</b> (Reviewed in CY 2005 and Received a Rating "Moderately Effective")					
<p><b>Continue to refine meaningful and useful performance measures to assist VA in management.</b></p> <table border="1" data-bbox="183 701 448 774"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>September 2009</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	September 2009	<ul style="list-style-type: none"> <li>• Program-specific performance measures and assessment tools have been developed for Biomedical and Clinical Research Centers, Research Enhancement Award Programs, and the Research Career Scientist Program. Examples include the following:               <ul style="list-style-type: none"> <li>○ Progress reports for Research Enhancement Award Programs are evaluated according to scientific productivity, collaboration, new funding, and training.</li> <li>○ Research Career Scientists are rated according to their number of publications, number of trainees, amount of new funding, and involvement in local and national VA activities.</li> </ul> </li> <li>• Performance measures and assessment tools need to be developed for the Merit Review Program. This will be facilitated by the transition to an electronic project management system.</li> <li>• The first phase of the transition will take place in September 2008. Full implementation is estimated to take a year.</li> </ul>
Status	Action Taken; Not Completed				
ECD	September 2009				
<p><b>Assess the physical condition of VA medical research infrastructure to determine its adequacy to support high-quality veteran-centric research.</b></p> <table border="1" data-bbox="183 1236 448 1310"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>December 2010</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	December 2010	<ul style="list-style-type: none"> <li>• An initial report to Congress based on survey results is in concurrence. A contractor has been selected, and six sites are being surveyed per quarter.</li> <li>• To date, surveys of 25 sites in 15 VISNs have been conducted, with a goal of surveying space for 75 of the largest research programs over 3 years.</li> </ul>
Status	Action Taken; Not Completed				
ECD	December 2010				
<p><b>Increase the number of research projects related to OEF/OIF veterans.</b></p> <table border="1" data-bbox="183 1467 448 1541"> <tr> <td>Status</td> <td>Action Taken; Not Completed</td> </tr> <tr> <td>ECD</td> <td>December 2008</td> </tr> </table>	Status	Action Taken; Not Completed	ECD	December 2008	<ul style="list-style-type: none"> <li>• In FY 2008, there was approximately a 24 percent increase in the number of funded projects directly related to OEF/OIF compared to FY 2006.</li> </ul>
Status	Action Taken; Not Completed				
ECD	December 2008				
<b>Enabling Goal: Applying Sound Business Principles</b>					
<b>General Administration Program</b> (Reviewed in CY 2004 and Received a Rating of "Moderately Effective")					
<p><b>Develop performance based budgets and clearer resource requests.</b></p> <table border="1" data-bbox="207 1793 472 1866"> <tr> <td>Status</td> <td>Completed</td> </tr> <tr> <td>ECD</td> <td>September 2008</td> </tr> </table>	Status	Completed	ECD	September 2008	<ul style="list-style-type: none"> <li>• Using a subset of performance measures, VA demonstrated to OMB the Department's ability to estimate the cost of achieving different levels of performance. On this basis, VA began discussions with OMB on including this type of analysis in future budget submissions to Congress.</li> </ul>
Status	Completed				
ECD	September 2008				



## Performance Shortfall Analysis

Shown below (sorted by strategic goal) are brief explanations of the reasons for significant deviations between actual and planned performance for those measures where there were significant performance shortfalls. Also provided are resolution strategies being implemented to ensure goal achievement in the future. These results are coded “red” in the measures tables beginning on page 237.

<b>Strategic Goal 1</b>		
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>		
<b>Measure</b>	<b>Target</b>	<b>Result</b>
<b>Compensation and Pension rating-related actions – average days to process</b>	<b>169</b>	<b>179</b> (R)
<b>Causes</b>	<ul style="list-style-type: none"> <li>The number of claims received continues to increase. VA received 891,547 claims in 2008, over 53,000 more than the 838,141 received in 2007.</li> </ul>	
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>VA hired nearly 2,000 additional employees to process claims in 2008.</li> <li>In May 2008, VA began to consolidate original and reopened disability and death pension claims to the three existing Pension Management Centers and completed the consolidation in September 2008.</li> <li>Through this consolidation, VA has already begun to realize efficiencies and greater effectiveness through specialization. The consolidation is expected to improve claims processing timeliness.</li> </ul>	
<b>Productivity Index</b>	<b>90%</b>	<b>79%</b> (R)
<b>Causes</b>	<ul style="list-style-type: none"> <li>Overall, the number of claims completed in FY 2008 increased by 9 percent. However, VA hired nearly 2,000 new employees to process claims in 2008. This significant increase in new employees decreased the output for VBA employees nationally.</li> <li>New staff undergoes extensive, curriculum-based training that occurs over several months, and it can take several years to become proficient in claims processing.</li> </ul>	
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>The additional staff hired in 2008 will become more proficient in claims processing in 2009, which will increase output as measured by the productivity index.</li> <li>Completion of the consolidation of the Pension Management Centers and the soon-to-be complete migration from Benefits Delivery Network (BDN) to Veterans Services Network (VETSNET) will increase efficiency and productivity.</li> </ul>	



<b>Strategic Goal 3</b>		
<b>Honoring, Serving, and Memorializing Veterans</b>		
<b>Measure</b>	<b>Target</b>	<b>Result</b>
<b>Non-rating pension actions – average days to process</b>	<b>84</b>	<b>119</b> (R)
<b>Causes</b>	<ul style="list-style-type: none"> <li>The Pension Management Centers (PMCs) received two releases of Income Verification Matches (IVMs) to process in 2007. The receipt of these two releases negatively affected cumulative processing timeliness in 2008.</li> </ul>	
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>VA hired additional staff at the PMCs in 2007 and 2008, increasing this workforce from 443 in FY 2006 to 912 in FY 2008.</li> <li>In May 2008, VA began to consolidate original and reopened disability and death pension claims to the three existing Pension Management Centers and completed the consolidation in September 2008. This consolidation improves efficiency and effectiveness through specialization and is expected to improve claims processing timeliness.</li> </ul>	
<b>Compensation and Pension rating-related actions – average days to process</b>	<b>169</b>	<b>179</b> (R)
<b>Causes</b>	<ul style="list-style-type: none"> <li>The number of claims received continues to increase. VA received 891,547 claims in 2008, over 53,000 more than the 838,141 received in 2007.</li> </ul>	
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>VA hired nearly 2,000 additional employees to process claims in 2008.</li> <li>In May 2008, VA began to consolidate original and reopened disability and death pension claims to the three existing Pension Management Centers and completed the consolidation in September 2008.</li> <li>Through this consolidation, VA has already begun to realize efficiencies and greater effectiveness through specialization. The consolidation is expected to improve claims processing timeliness.</li> </ul>	
<b>National accuracy rate (core rating-related pension work)</b>	<b>93%</b>	<b>88%</b> (R)
<b>Causes</b>	<ul style="list-style-type: none"> <li>Accuracy declined because newly hired staff is not yet fully proficient in analyzing claims. New staff undergoes intensive, curriculum-based training that occurs over several months.</li> <li>Once the training is completed, new staff is able to gain proficiency quickly. Accuracy will improve as more of the newly hired staff becomes fully trained.</li> </ul>	
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>In May 2008, VA began to consolidate original and reopened disability and death pension claims to the three existing Pension Management Centers and completed the consolidation in September 2008.</li> <li>This consolidation improves efficiency and effectiveness through specialization and is expected to improve claims processing accuracy.</li> </ul>	



Strategic Goal 3, <i>cont'd.</i> Honoring, Serving, and Memorializing Veterans		
Measure	Target	Result
<b>Productivity Index</b>	90%	79% (R)
<b>Causes</b>	<ul style="list-style-type: none"> <li>Overall, the number of claims completed in FY 2008 increased by 9 percent. However, VA hired nearly 2,000 new employees to process claims in 2008. This significant increase in new employees decreased the output for VBA employees nationally.</li> <li>New staff undergoes extensive, curriculum-based training that occurs over several months, and it can take several years to become proficient in claims processing.</li> </ul>	
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>The additional staff hired in 2008 will become more proficient in claims processing in 2009, which will increase output as measured by the productivity index.</li> <li>Completion of the consolidation of the Pension Management Centers and the soon-to-be complete migration from BDN to VETSNET will increase efficiency and productivity.</li> </ul>	

Enabling Goal Applying Sound Business Principles		
Measure	Target	Result
<b>Percentage of testimony submitted to Congress within the required timeframe</b>	90%	58% (R)
<b>Causes</b>	<ul style="list-style-type: none"> <li>Late receipt of program office drafts and unanticipated delays in the clearance process account for most, if not all, instances of late testimony delivery.</li> <li>VA's Office of Congressional and Legislative Affairs (OCLA) is responsible for coordinating requisite clearance for testimony among VA internal organizations and OMB prior to submission to Congress; however, OCLA does not have independent clearance authority.</li> </ul>	
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>Since August 2008, OCLA has employed an interim strategy designed to facilitate timeliness by providing each drafting, reviewing, and clearance authority with a complete timeline for action that culminates in the delivery of on-time testimony to Congress.</li> <li>This approach is yielding favorable, short-term results, and it will be continued in 2009.</li> </ul>	



## Financial Highlights

The principal financial statements have been prepared to report the financial position and results of operations of the Department of Veterans Affairs (VA), pursuant to the requirements of 31 U.S.C. 3515(b). VA is a component of the U.S. Government, a sovereign entity. While the statements have been prepared from the books and records of the Department in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by OMB, they are, in addition to the financial reports, used to monitor and control budgetary resources that are prepared from the same books and records.

VA received an unqualified opinion on the Department's financial statements for 2008 and 2007 from the external auditors, Deloitte & Touche LLP. As a result of its audit work, Deloitte & Touche LLP reported three material weaknesses that are also repeat material weaknesses. In addition, the auditors reported 16 Significant Deficiencies, seven of which are not included in the material weaknesses.

VA programs operated at a net cost of \$422.6 billion in 2008 compared with \$51.1 billion in 2007. Again this year, the change in the actuarial liability for future years' veterans' compensation is primarily responsible for the significant variation in net cost from year to year. The actuarial liability increased by \$339 billion during 2008 and decreased by \$26.1 billion during 2007. The 2008 increase in actuarial liability was caused primarily by a change in the discount rates and changes in original compensation awards. Lower discount rates, which track the interest rates of Treasury securities, resulted in an increase in liability. Additionally, the liability increased significantly due to factoring in a considerable number of original compensation awards for Vietnam veterans suffering from diabetes and other diseases, the prevalence for which generally increases with age. Excluding the change in this

actuarial liability from the net cost would result in an adjusted net cost for VA's programs of \$82.5 billion and \$76.2 billion for 2008 and 2007, respectively. Two VA programs, Medical Services and Compensation, accounted for the bulk of the increase in the adjusted net cost, \$3 billion and \$3 billion, respectively.

Assets and liabilities reported in VA's balance sheets do not show significant change from year to year with the exception of Fund Balance with Treasury, Public Accounts Payable, and Federal Employee and Veterans Benefits Liability. The majority of change in the Federal Employee and Veterans Benefits Liability, \$339 billion, is driven by the actuarial estimate previously discussed. It should be noted that the future cash flows to liquidate the actuarial estimate liability are not supported by identifiable assets as they are anticipated to be funded from the future general revenues of the U.S. Government. Fund Balance with Treasury increased \$4.1 billion primarily due to higher appropriations received as a result of providing improved healthcare to a higher number of patients and an increase in veterans' benefits as a result of the growth in compensation and pension claims. In FY 2008, VA received appropriations of \$92.7 billion. This compares to \$82.6 billion of appropriations received in 2007. In 2008 VA provided disability compensation, death compensation, and pensions to 3.7 million people. More than 5.5 million people received care in VA health care facilities in 2008.

Medical care collections continue to improve. In FY 2008, collections totaled \$2.4 billion. MCCF exceeded the FY 2008 goal of \$2.2 billion by \$128.5 million (105.6 percent of the FY 2008 goal), which builds on the \$2.1 billion collected in FY 2007. VA plans to continue to increase these collections, reaching \$2.5 billion in FY 2009.



In the area of debt management, in 2008, VA referred \$577 million (98.8 percent) of eligible debt to Treasury for offset under the Treasury Offset Program (TOP). Under the cross-servicing program, VA referred \$108 million (96.9 percent) of eligible debt to Treasury for collection.

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

During 2008, the Department aggressively used the Governmentwide commercial purchase card program. Over 4.8 million transactions were processed, representing \$3.0 billion in purchases. The electronic billing and payment process for centrally billed accounts earned VA over \$49 million in credit card refunds compared to \$42 million during 2007. These refunds are returned to VA entities for use in veterans programs.

Throughout 2008, VA continued to make operational enhancements, which resulted in improvements in interest paid, discounts earned, and audit recoveries. Interest improvements occurred largely because the Department centralized VHA-certified payments at the Financial Services Center (FSC) in Austin, Texas, while the percentage of discounts earned increased because of operational improvements implemented at the FSC and VA’s National

Acquisition Center. Interest paid per million dollars disbursed improved almost 18 percent from \$84 per million in 2007 to \$69 per million in 2008, and VA earned nearly 93 percent (\$6.4 million) of its available discounts.

During 2008, the FSC collected improper payments and recovered unapplied vendor statement credits totaling nearly \$2.6 million. Since the program’s inception in 2001, VA has recovered \$23.9 million in improper payments and cancelled another \$48.2 million in improper payments before making payment.

VA’s audit recovery contract to review past payments by VA’s Health Administration Center for hospital care resulted in the contractor’s identification of 9,298 receivables totaling \$39,843,062. Of that amount, VA has recovered \$22,750,469.

VA continues to work diligently to address its three audit material weaknesses. Improvements were made in VA financial management throughout the year in providing additional and clarifying financial policies and procedures to VA’s fiscal community, particularly in the area of internal controls. VHA’s Business Process Improvement Committee (BPIC) continued to work toward improving VHA’s internal controls and reforming VHA business processes to improve financial performance.

VHA also continues to monitor and improve reports, such as the Financial Indicators Report, that monitor facility operations on a monthly basis. In 2008 VHA began development of a quick reference Desk Guide pertaining to management and processing of refunds, offsets, overpayments, and underpayments that impact health care accounts receivables. A national conference to address the requirements and implementation of the Desk Guide released in 2007 was held in January 2008. In March 2009, VHA will conduct a national finance training conference targeted to fiscal staff to address areas that contributed to the material weakness.





Additionally, training modules in the areas of payroll, accounting, agent cashier, travel, budget, and funds control continue to be developed.

VHA continues to be actively engaged in addressing financial management at all levels of management and in all activities that have direct or indirect impact on financial records.

VBA implemented the Centralized Administrative Accounting System in 2008. This system allows the regional offices to process the majority of their accounting transactions online with a direct interface into the VA financial management system. This system has improved our business process by eliminating the need to create paper documents and fax them to VBA's Administrative and Loan Accounting Center for input into the financial management system. A joint VHA/VBA team has developed a plan and procedures for the transfer of finance functions related to automobile adaptive equipment to VHA. This concept is being pilot-tested with three VBA regional offices and VHA medical centers. In the second quarter of 2009, the joint team will make final recommendations to either move forward with implementation or stop the project based on the results of the pilot test.

NCA implemented the business office concept to establish a single site for each of the primary activities: finance, acquisition, and asset management. Currently, a good portion of the major acquisition and associated accounting is accomplished by the operations support center in Quantico, with general acquisition, finance, and asset management support being provided by a VA medical center or regional office.

Centralization of activities began in 2007 with a limited number of sites and functions. During FY 2008, NCA began utilizing the Centralized Administrative Accounting System for the centralization effort. To date, the Memorial Service Network offices, NCA Human Resources Center, three fully operational cemeteries, and five new cemeteries are

centralized for finance and procurement. A full implementation is under way for the centralization of finance and acquisition.



## Management Controls, Systems, and Compliance With Laws and Regulations

### Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to establish management controls over their programs and financial systems. Throughout the year, VA managers monitor and improve the effectiveness of management controls associated with their programs and financial systems. The results of monitoring and conducting other periodic evaluations provide the basis for the Secretary's annual assessment of and report on management controls. VA managers are required to identify material weaknesses relating to their programs and operations pursuant to sections 2 and 4 of the FMFIA as defined:

- Section 2 requires agencies to assess internal controls necessary to ensure compliance with applicable laws and regulations; protect against loss from waste, fraud, and abuse; and ensure receivables and expenditures are properly recorded.
- Section 2 also requires management's assessment of internal control over financial reporting.
- Section 4 requires agencies to assess nonconformance with governmentwide financial systems requirements.

### Management Assurances

Department managers continue to take responsibility for establishing and maintaining effective internal controls over financial integrity and financial reporting, including safeguarding assets and complying with applicable laws and regulations. During 2008, the Secretary of Veterans Affairs maintained his leadership role in stressing that strong internal controls will enhance the Department's stewardship of taxpayers' assets and programs.

Management conducted its assessment of the effectiveness of internal controls over operations

and compliance with applicable laws and regulations in accordance with FMFIA and OMB Circular A-123, Management's Responsibility for Internal Control. After reviewing the results of the assessments outlined in the Statements of Written Assurance provided by the Under Secretaries, Assistant Secretaries, and other Key Officials, the Secretary of Veterans Affairs provided a statement of qualified assurance. The following three material weaknesses are identified under FMFIA: "Financial Management System Functionality," "Information Technology Security Controls," and "Financial Management Oversight."

VA assessed its internal control over financial reporting as of June 2008 for all 11 key business processes identified from FY 2006: Funds Management; Revenue Management; Property, Plant & Equipment; Budgetary Resources; Risk Management; Benefits Management (Part 1); Procurement Management; Benefits Management (Part 2); Financial Reporting; Grants Management; and Human Capital Management. Information Technology Management was also reviewed, as it relates to each of the key processes. During FY 2008, VA completed Benefits Management (Part 2); Financial Reporting; Grants Management; and Human Capital Management.

Management's assessment of internal control over financial reporting included an evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting and finance policies, and our overall control environment. Based on the results of VA's internal control assessment, no additional material weaknesses were identified in 2008.



November 17, 2008

**Statement of Qualified Assurance**

The Department of Veterans Affairs' (VA) management is responsible for establishing, maintaining, and assessing internal control to ensure the efficiency and effectiveness of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Based on the annual assessment of the Department's internal control program, VA provides a qualified statement of assurance, identifying three material weaknesses as they relate to internal control objectives of the Federal Managers' Financial Integrity Act (FMFIA), Sections 2 and 4, and the Federal Financial Management Improvement Act (FFMIA). The details of these material weaknesses and related corrective actions are provided within Part I, "Management Controls, Systems, and Compliance with Laws and Regulations," and the "Summary of Financial Statement Audit and Management Assurances" tables in the beginning of Part IV, "Other Accompanying Information," in this report. No new material weaknesses were identified during the fiscal year (FY).

In addition, VA conducted its assessment of the effectiveness of internal controls over financial reporting, which includes the safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of revised OMB Circular A-123, "Management's Responsibility for Internal Control". Based on the results of the assessment of key business processes tested during FY 2008, VA's internal control over financial reporting is operating effectively and no new material weaknesses were identified as of June 30, 2008.

This evaluation was conducted in accordance with the revised OMB Circular A-123. As a result of this evaluation, the Department provides the following:

**Effectiveness of Internal Control Over Operations (FMFIA § 2)**

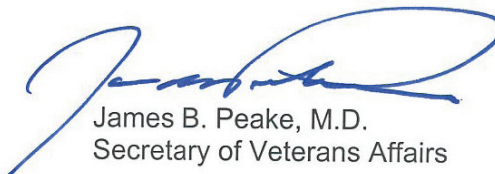
Based on information provided, VA provides reasonable assurance that internal control over operations is effective, with the exception of the known material weakness, Financial Management Oversight. No new material weaknesses were identified during FY 2008.

**Effectiveness of Internal Control Over Financial Reporting (FMFIA § 2)**

In accordance with the Department's OMB approved plan for Appendix A of revised OMB Circular A-123, our efforts focused on assessment of the remaining key business processes tested during FY 2008. Based on information provided for the processes assessed, VA provides reasonable assurance that internal control over financial reporting meets the objective. No new material weaknesses were identified during FY 2008.

**Conformance with Financial Management System Requirements (FMFIA § 4)**

The Department faces challenges in building and maintaining financial management systems that comply with FFMIA. Under FFMIA, VA is substantially compliant with applicable Federal accounting standards and the U.S. Standard General Ledger (SGL) at the transaction level. However, VA is not compliant with Federal financial management system requirements. Two non-conformances, which are also material weaknesses, were identified prior to FY 2008 -- IT Security Controls and Financial Management System Functionality. No new material weaknesses were identified in this area during FY 2008.



James B. Peake, M.D.  
Secretary of Veterans Affairs



### Summary of Auditor's Internal Control Assessment

The auditors' report on internal controls reported three material weaknesses: "Financial Management System Functionality," "Information Technology (IT) Security Controls," and "Financial Management Oversight." Under "Financial Management System Functionality," the auditors identified continuing difficulties with the legacy systems related to the reliable, timely, and consistent preparation, processing, and analysis of financial information for VA's consolidated financial statements. In the IT material weakness, the auditors noted progress in certain areas, but reported that legacy IT infrastructure and longstanding security control weaknesses due to the lack of effective implementation and enforcement of an agency-wide information security program continue to place VA's program and financial data at risk and possibly occurring without detection. The third material weakness, "Financial Management Oversight," identified the need for enhanced management oversight in the following areas:

- Accrued Services Payable and Undelivered Orders
- Property, Plant, and Equipment
- Environmental and Disposal Liabilities
- Accrual for Unbilled Receivables and Allowance for Contractual Adjustments
- Benefit Expense Reconciliation
- Outsourced Portfolio Loan Servicing
- Compensation and Pension Actuarial Liability Calculation
- VA Housing Model
- Software

The previously-identified fourth material weakness, "Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System – VBA," was resolved during 2008.

To address the Department's material weakness, Financial Management System Functionality, VA is continuing to develop the Financial and

Logistics Integrated Technology Enterprise (FLITE) program. The program has two primary components, a logistics and asset management component, referred to as the Strategic Asset Management (SAM) project, and a financial management component, referred to as the Integrated Financial Accounting System (IFAS). In 2008, VA completed initial planning and detailed business requirements for both components. Key foundational program management activities were also implemented, including a Risk Management Control Board; baselining the FLITE Program's life cycle cost estimate, schedule, and milestones; initiating organizational change management communications targeted toward stakeholders; and continued engagement of the FLITE Governance Structure to provide senior level oversight and guidance. Major accomplishments included awarding the contract for SAM hardware, issuing the request for proposals (RFP) for the SAM Pilot implementation and program management office support services, and conducting a site selection survey to determine pilot sites for IFAS and beta sites for SAM and IFAS. VA utilized guidelines by OMB's Financial Management Line of Business (FMLoB) to prepare the draft RFP for the IFAS pilot. In 2009, VA expects to award the SAM Pilot implementation contract, the Program Management Office Support Services contract, and the IFAS Implementation Contract. The Department also continued enhancement of the Hyperion Financial Management System to improve the preparation, processing, and analysis of financial information, adding additional reports and features, and continued implementation of a data warehouse to assist in financial reporting. In addition, through the Financial Reporting Data Warehouse System, VA analyzed and improved the major interfaces to and from its core financial system, the Financial Management System (FMS).

VA developed and implemented a detailed remediation action plan to address the resolution of the Financial Management Oversight material weakness. VA financial management made



improvements throughout the year in providing additional and clarifying financial policies and procedures to VA’s fiscal community, particularly in the area of internal controls. VA’s efforts include implementing standardized guidance for estimating and recording environmental liabilities; centralizing and developing a national methodology for estimating an allowance for bad debt for non-health care accounts receivable; and a 3-year Financial Policy Improvement Initiative to ensure that financial policy and procedural information is standardized, accurate, clear, and readily available across the Department. These as well as other numerous efforts are continuing into 2009 to resolve this material weakness.

The auditors’ report on compliance with laws and regulations, also prepared as a result of the 2008 financial statement audit, determined that the Department’s financial management systems did not substantially comply with the Federal Financial Management Improvement Act (FFMIA) requirements. The remediation of this non-compliance is being addressed through corrective actions identified for the material weaknesses “Financial Management System Functionality,” and Information Technology (IT) Security Controls.” VA was also noncompliant with the Debt Collection Improvement Act and with records maintenance on individuals as required by USC Title 5, 552A. In October 2008, the Secretary reported a violation of the Anti-Deficiency Act (ADA), 31 U.S.C. 1341(a) in connection with activity related to fiscal year 2007 at VBA. The Department reported that the violation occurred on September 28, 2007, when

redemption of debt payments to the Treasury exceeded the available unobligated budgetary resources, and the remaining budgetary resources were less than unpaid obligations at the end of the fiscal year. VA has identified a number of steps to be taken to prevent a recurrence of the violation.

#### **Progress on Material Weaknesses**

VA managers continue to make progress in correcting existing material weaknesses. The 2008 *Independent Auditors’ Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based Upon the Audit Performed in Accordance With Government Accounting Standards* disclosed three material weaknesses. Management identified three of these same weaknesses: “Financial Management System Functionality,” “Information Technology Security Controls,” and “Financial Management Oversight,” as weaknesses under FMFIA. At the end of 2008, three audit-related material weaknesses<sup>1</sup> -- Financial Management System Functionality, Information Technology Security Controls, and Financial Management Oversight -- were carried forward into 2009. (Note: Material weaknesses identified under FMFIA are the same as the audit-related material weaknesses and will be corrected using the same remediation plan.)

<sup>1</sup>The use of the term “material weakness” should not be confused with use of the same term by government auditors to identify management control weaknesses, which, in their opinion, pose a risk or threat to the internal control systems of an audited entity, such as a program or operation. Auditors are required to identify and report those types of weaknesses at any level of operation or organization, even if management of the audited entity would not report the weaknesses outside the agency.



The three audit-related material weaknesses are shown in the table below, which provides the current status of the Department’s material weaknesses.

**Audit Material Weaknesses or Weaknesses Identified by Management**

Description	Status as of September 30, 2008	Resolution Target Date
<p><b>Financial Management System Functionality</b> – (Audit/FMFIA Section 4 weakness)– Difficulties exist in the preparation, processing, and analysis of financial information to support the efficient and effective preparation of VA’s consolidated financial statements.</p> <p>– Components of certain feeder systems and financial applications are not fully integrated with the core Financial Management System.</p>	<p>The Department made substantial planning progress toward closing the gap on the material weakness of the Financial Management System Functionality in 2008. As a top priority VA initiative, the Financial and Logistics Integrated Technology Enterprise (FLITE) program was established to integrate VA disparate systems, standardize functional processes, and modernize the information technology environment across all VA offices and departments. The FLITE Program is following a multiple-year phased approach that is comprised of two major components: the Strategic Asset Management (SAM) project, which refers to the logistics and asset management system, and the Integrated Financial Accounting System (IFAS), which focuses on the financial management component.</p> <p>In 2008, VA completed initial planning and detailed business requirements for SAM and IFAS. Key foundational program management activities were also implemented, including a Risk Management Control Board; baselining the FLITE Program’s life cycle cost estimate, schedule, and milestones; initiating organizational change management communications targeted toward stakeholders; and continued engagement of the FLITE Governance Structure to provide senior level oversight and guidance. Major program accomplishments included completing the in-depth Milestone 1 review for the SAM project, awarding the contract for SAM hardware, issuing the request for proposals for the SAM Pilot implementation and program management office support services, and conducting a site selection survey to determine pilot sites for IFAS and beta sites for SAM and IFAS. In addition, VA utilized guidelines by the Office of Management and Budget’s Financial Management Line of Business (FMLoB) to prepare the draft request for proposal for the IFAS pilot project. In 2009, VA expects to award the SAM Pilot implementation contract, the Program Management Office Support Services contract, and the IFAS Implementation Contract. A major challenge for the FLITE Program will be the initiation of the SAM pilot at the Milwaukee VA Medical Center campus. SAM pilot implementation will attain Initial Operating Capability of the SAM system, and incorporate both the VBA regional office and the NCA national cemetery co-located on the Milwaukee VAMC campus.</p> <p>As an interim initiative, the Financial Reporting Data Warehouse System (FRDWS), completed in FY 2008, enabled VA to capture transaction details from targeted interface systems and reconcile data interfacing to the VA legacy Financial Management System (FMS). As a result, an enhanced reconciliation process between FMS and</p>	<p>2014</p>



Description	Status as of September 30, 2008	Resolution Target Date
	<p>legacy subsidiary systems was established. Completion of the FRDWS initiative established a data warehouse that met its objective of providing a single view of detailed data to reconcile source data to summary data in FMS. The final five interfaces include the Loan Guarantee Program Interfaces for the Centralized Property Tracking System, Countrywide Home Loans, Funding Fee Payment System, VistA Account Receivable interface, and the VistA FEE interface.</p> <p>In 2008, the Department also continued operation of the Hyperion Financial Management System which has significantly improved the process of preparing the consolidated financial statements.</p>	
<p><b>Information Technology Security Controls</b> (Audit/FMFIA Section 4 weakness)– VA’s assets and financial data are vulnerable to error or fraud because of weaknesses in information security management, access to controls and monitoring, and physical access controls, segregation of duties, and service continuity.</p>	<p>The VA continued to make progress in addressing information technology (IT) security control weaknesses during 2008. The actions taken by the Office of Information and Technology (OI&amp;T) to remediate elements of the IT Security Control material weakness included the following:</p> <ul style="list-style-type: none"> <li>• Began the process of performing access reviews of financial management system duties to ensure adequate separation of duties.</li> <li>• Performing Certification and Accreditation (C&amp;A) of over 600 major applications and general support systems to assess the adequacy of management, operational, and technical controls of the Department’s information systems.</li> <li>• Updating of financial management system contingency plans as part of the Department’s C&amp;A effort.</li> </ul> <p>In 2008, OI&amp;T also revised information security directives and handbooks which included publication of Handbook 6500.2 regarding Incident Response and is in the process of developing other publications such as the VA IT Continuity of Operations Handbook. OI&amp;T has also implemented Federal Information Processing Standards publication 140-2, encryption for specific storage devices, and has updated security awareness and privacy training. Additionally, OI&amp;T is utilizing the Office of IT Oversight and Compliance to conduct IT security assessments across VA to assist in the centralized enforcement and remediation of IT security controls and deficiencies.</p>	2009
<p><b>Financial Management Oversight</b> – (Audit/FMFIA Section 2 weakness)– Internal controls and reconciliation processes were not performed consistently or</p>	<p>In 2008, VA developed detailed remediation action plan to address the resolution of this material weakness. VA made improvements in financial management through the year in providing additional and clarifying financial policies and procedures to VA’s fiscal community, particularly in the area of internal controls. VHA efforts to improve financial performance included the following:</p> <ul style="list-style-type: none"> <li>• Conducting a national conference to provide training and emphasize the important of proper management of non-health care accounts receivable;</li> <li>• Implementing standardized guidance for estimating and</li> </ul>	2009



Description	Status as of September 30, 2008	Resolution Target Date
completely.	recording environmental liabilities; <ul style="list-style-type: none"> <li>• Beginning development of a national training conference for FY 2009 to address operational oversight of all areas contributing to the material weakness;</li> <li>• Centralizing and developing a national methodology for estimating an allowance for bad debt for non-health care accounts receivable;</li> <li>• Developing, testing, and refining standardized reconciliation requirements and processes for financial reports; and</li> <li>• Developing a quick reference Desk Guide pertaining to management and processing of refunds, offsets, overpayments, and underpayments that impact health care accounts receivables.</li> </ul> These, as well as other numerous efforts, are continuing into 2009 to resolve this material weakness.	

**Summary of Management’s Assessment of Internal Controls**

Managers assessed the programs for which they are responsible to ensure internal controls are in place over the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with laws and regulations. As a result of their assessments, three material weaknesses are being reported and are shown in the “Summary of Auditors’ Internal Control Assessment” section.

**Management Control Weaknesses**

One material weakness, “Financial Management Oversight,” identified under Section 2 was carried forward from 2007 by management. As a result of management’s 2008 assessment, remediation action continues in the correction of this material weakness. Remediation also continues in the correction of two material non-conformances under Section 4 of FMFIA, “IT Security Controls,” and “Financial Management System Functionality.” Management’s assessment of internal controls for both Sections 2 and 4 identified no new material weaknesses.

OMB Circular A-123, Appendix A titled, Management’s Responsibility for Internal Control, defines the requirements for conducting management’s assessment of internal control over financial reporting in Federal agencies.

In 2006, VA identified 11 key business processes that impact the internal control over financial reporting. VA performed its assessment of these processes over a 3-year cycle. VA engaged an independent public accounting firm to assist in an internal control assessment pursuant to OMB Circular A-123 Appendix A, *Management’s Responsibility for Internal Control*. As of June 30, 2008, VA completed its assessment of internal control for all 11 key business processes. During the final year (2008) of the 3-year cycle, VA tested the remaining four business processes: Benefits Management (Part 2); Financial Reporting; Grants Management; and Human Capital. Information Technology Management was also reviewed specifically as it relates to the four key business processes.

As a result of testing these four key business processes, the accounting firm identified approximately 33 findings in their seven “Findings and Recommendations for Internal Controls Improvements Reports” for each of the processes.

The findings regarding Grants Management, Medical Research, Environmental Liabilities, and quarterly user access reviews were identified as new significant deficiencies. These findings and the findings regarding Capitalized





equipment and Intra-governmental Transactions are further described in the chart below.

Corrective actions have begun to address each finding. Verification work will commence once corrective action activities are completed.

VA is currently working to resolve the six deficiencies shown in the following table.

**FY 2008 Significant Deficiencies Identified in the Findings and Recommendations for Internal Controls Improvements Reports**

<b>Findings</b>	<b>Recommendations</b>	<b>Planned Corrective Action Date</b>
Opportunities to improve financial oversight and standard procedures exist for the State Cemetery Grant Program and State Home Grant and Per Diem Programs.	Develop comprehensive policy, oversight, and procedural guidance tailored to the State Cemetery Grant Program and State Home Grants and Per Diem Programs for the financial administration of grant awards.	FY 2009
No comprehensive financial management guidance exists at the Medical Research Field Offices.	Update financial management guidance and send to Medical Research Field Offices.	FY 2009 System was developed and entered testing during 2008 and is scheduled for full implementation in the first quarter of 2009.
No consistent methodology exists for developing Environmental Liability estimates.	Develop policy, methodology, and guidance that address the requirements for developing an accurate estimate of the hazardous materials clean-up costs.	FY 2009
Quarterly user access appropriateness reviews are not being performed for major financial systems.	Communicate and enforce the existing user access appropriateness review policies and procedures to all regional office facilities and staff. Monitor and oversee the execution of quarterly user access appropriateness reviews.	FY 2009
Capitalized equipment could not be located.	Develop a process to monitor Property, Plant & Equipment at the medical centers to ensure it is being properly accounted for and inventoried. Provide training to end-users on the current and revised policies and procedures.	FY 2009; Completion date deferred from FY 2008 due to acquisition of a new asset management system.



Findings	Recommendations	Planned Corrective Action Date
Intra-governmental transactions	Take the appropriate measures to implement a process to extract trading partner data from VA’s Financial Management System (FMS), including an improved query capability that enables meaningful analysis of VA’s trading partner data. Also, VA needs to implement a process to sample its transactions to ensure trading partner “identifiers” are being entered into FMS correctly when a transaction originates, reducing the likelihood that trading partner variances are being caused by VA.	FY 2009; Completion date deferred from FY 2008

**Federal Financial Management Improvement Act**

The Federal Financial Management Improvement Act (FFMIA) requires agencies to have systems that generate timely, accurate, and useful information with which to make informed decisions and to ensure accountability on an ongoing basis. The Department faces challenges in building and maintaining financial management systems that comply with FFMIA. Under FFMIA, VA is substantially compliant -- with the exception of Federal financial management systems requirements. VA initiated a remediation program in 2005 to eliminate the existing material weakness-- Financial Management System Functionality. The FLITE goal is to correct financial and logistics deficiencies throughout the Department. In 2008, VA completed the prerequisite program planning, which included establishing and implementing the FLITE Risk Management Control Board, developing the FLITE program baseline cost estimates and integrated master schedule, documenting business requirements and processes, establishing an acquisition strategy, releasing the requests for proposal for the SAM Pilot implementation and Program Management Office Support services, and successfully exiting milestone 1 for the SAM project. In 2009, VA expects to award the SAM Pilot implementation, the Program Management Office Support service and IFAS implementation contracts, obtain milestone 1 approval for the IFAS

project, and start the SAM pilot at the Milwaukee VAMC campus. The pilot will attain Initial Operating Capability of the SAM system. In addition, IFAS (the financial component of the FLITE program) will follow the FMLoB guidance to award the IFAS contract and take steps to launch the IFAS pilot in FY 2009. The pilot will validate the business requirements, test any applicable interfaces, and ensure proper security and accessibility of data. This effort is being led by the Chief Financial Officer (business requirements) and the Chief Information Officer (technical solution). The multi-year initiative is highly complex and impacts VA-wide financial reporting systems.

In 2008, the FLITE program completed the FRDWS warehouse by implementing the last remaining interfaces into the production environment. These interfaces included the Loan Guarantee Program Interfaces for the Centralized Property Tracking System, Countrywide Home Loans, Funding Fee Payment System, VistA Account Receivable interface, and the VistA FEE interface.

In 2008, the Department also continued operation of the Hyperion Financial Management System, which has significantly improved the process of preparing the consolidated financial statements.



### **Federal Information Security Management Act (FISMA)**

VA's FISMA performance and overall information security posture has improved during the last fiscal year. The Department has established organization elements to lay the foundation for strong FISMA and security program implementation well into the future. The Information Protection and Risk Management (IPRM) organization was formed to centralize security and privacy staff and business functions, increase accountability, and standardize security processes. Within VA IPRM, VA appointed a full time Chief Information Security Officer to improve security performance and oversight throughout the agency and nearly 70 VA Privacy Officers became certified in this field. VA continued to implement the comprehensive Data Security - Assessment and Strengthening of Controls Program to govern the multiple, concurrent security activities already underway including the remediation of material weaknesses.

Additionally, VA completed major security and privacy milestones such as the implementation of the Department's Information Technology (IT) Handbook 6500, titled Information Security Program, and 6502, titled VA Enterprise Privacy Program. Other achievements include the inventory of all VA IT assets and the certification and accreditation of over 600 VA operational systems including the testing of over 9,000 system security controls. As of September 2008, all of these systems have received full authorization to operate. Innovative technical solutions like secure remote access, port security and device control, portable device encryption, and enterprise network monitoring were implemented to enhance the protection of information and improve VA's overall information security posture.

VA's fiscal year 2009 initiatives include more standardized desktop configurations and additional tape and file system encryption technologies.

### **IG Act Amendments of 1988**

The Inspector General Act requires reporting of all recommendations that have not been implemented within 1 year of the date of the Inspector General's final report. As of September 30, 2008, Departmentwide, 11 reports have been pending implementation for over 1 year, with a monetary value of the open recommendations of \$22.0 million. (Source: Office of Inspector General)

### **Audit Follow-Up**

VA is making progress towards improving and routinely assessing its programs, financial management, and financial systems. In addition, VA implemented a number of corrective actions during the fiscal year and continues to improve its efforts in resolution of findings and recommendations identified by VA management, Office of Business Oversight, Office of Inspector General (OIG), the Government Accountability Office, and other external auditors.

Accordingly, management at every level has been tasked to maintain the momentum in accomplishing Corrective Action Plans (CAPs) designed to resolve program and financial related weaknesses as well as implement sound solutions for all audit recommendations. While efforts were made in this regard, VA has considerably more work to do. Specifically, VA must provide timely and accurate performance that addresses the implementation of CAP schedules. VA must also effectively integrate the results of those actions more fully into management decision-making processes. To this end, VA has recently contracted with an Independent Public Accounting firm to provide audit support and financial improvement services designed to resolve material weaknesses and other significant findings. As part of this process, more precise cost estimates will be identified to accomplish varied missions and develop ways to improve overall performance. This will require communication and coordination with various VA Administrations and staff offices involved in strategic planning,



budget formulation, budget execution, performance, and financial management.

### **Prompt Payment Act**

In 2008, VA Financial Services Center (FSC) continued to serve as VHA's centralized payment office for certified and matched invoices for purchased goods and services as well as construction payments. Performance results reflect improvements in payment processing timeliness, accuracy, and cost savings. Continued reductions in interest penalties for late payments were realized along with consistently strong performance in maximizing vendor discounts earned.

VA improved its vendor payment processes throughout 2008. Interest payments VA-wide improved by \$48,300 (from \$833,100 to \$784,800) – a 6 percent improvement over 2007 levels, largely attributable to the centralization of VHA payments at the VA Financial Services Center (FSC) in Austin, Texas. Further, 2008 interest paid per million dollars disbursed improved almost 18 percent from \$84 per million in 2007 to \$69 per million in 2008. At the same time, VA earned nearly 93 percent (\$6.4 million) of its available discounts. VA also continued to gain efficiencies and improve performance through an initiative started in 2004 to centralize VHA vendor payment activities at the FSC. At the end of 2008, 99 percent of invoices were centralized to the FSC. Through this centralization, VA strengthened its focus on identifying and preventing vendor payment errors. The FSC also enhanced audit recovery efforts over improper/duplicate vendor payments. The FSC reviews VA vendor payments daily to systematically identify, prevent, and recover improper payments made to commercial vendors. Current payment files are matched to identify and, where possible, prevent duplicates prior to payment. Also, payments from prior fiscal years are matched to identify potential duplicate payments for further analysis, assessment, and, as appropriate, collection.

The FSC staff also reviews vendor payments to identify and collect improper payments resulting from duplicate incentive award payments, erroneous interest penalties, service charges, and sales taxes. This initiative recovered over \$55,000 during 2008 for reuse by VA entities. Overall, collections of improper payments and the recovery of unapplied vendor statement credits totaled nearly \$2.6 million. Improved payment oversight also enabled VA to identify and cancel nearly \$15.3 million in potential improper payments prior to disbursement. Since inception of the FSC audit recovery effort in 2001, VA has recovered \$23.9 million in improper payments and prevented the improper payment of another \$48.2 million.

The FSC successfully implemented a technological solution to facilitate the transition from paper to electronic invoice submission using the e-Invoice format. The FSC e-Invoicing initiative is being performed in partnership with A&T Systems, Inc., and OB10 Inc. (OB10). The FSC e-Invoicing initiative goes beyond traditional electronic data interchange methods by offering a solution that does not require vendors to purchase any additional software or hardware. Additionally, all vendors can easily participate without changing existing invoicing formats. OB10 has the capability to accept any invoice format or layout directly from the vendor's existing billing system and utilize the electronic communication method of the vendor's choice. The electronic invoice data are then passed to the FSC to automatically populate the appropriate payment applications. The errors, expense, and time delays associated with traditional paper invoice submission are eliminated, resulting in improved cost effectiveness, payment accuracy, and timeliness for VA and the vendor. FSC has initially targeted 2,700 vendors representing approximately 70 percent of the FSC's total payments. There are over 700 vendors currently participating in e-Invoicing.

During 2008, the Department aggressively used the governmentwide commercial purchase card



program. Over 4.3 million transactions were processed, representing \$2.8 billion in purchases. As a result of VA's daily electronic billing and payment process for centrally billed accounts, VA earned over \$49 million in refunds, compared to \$42 million during 2007. These refunds are returned to VA entities for use in veterans programs.

VA's Fee Basis purchase card program automates Health Care Fee Basis payments, eliminates processing of paper checks, and earns VA additional purchase card refunds. In FY 2008, VA's Fee Basis credit card processed over 420,000 transactions representing over \$130 million in payments and generated over \$2.1 million in refunds. The growth of this program was attributed to additional Fee Basis medical providers agreeing to receive payment via the Fee Basis Purchase Card and more VA medical centers joining the program.

VA's Prime Vendor Payment System automates payments under a nationwide prime vendor centralized purchasing contract. During 2008, 135 VA medical centers used the Prime Vendor Payment System to electronically process over 445,000 transactions worth over \$3.4 billion. The FSC ensures vendors who participate in VA's multi-billion dollar Prime Vendor procurement program are paid on time. These vendors provide VA medical centers with an efficient way to order supplies at low, negotiated contract prices and guarantee delivery within 24 hours, eliminating the need for warehousing large volumes of supplies.

VA's Travel Management Centers (TMC) serve veterans and employees who travel frequently. The billings are transmitted electronically from each TMC, and payment is sent daily through the Department of the Treasury's Electronic Certification System. During 2008, the travel management program processed over 261,000 transactions, disbursed payments of over \$44 million, and earned over \$536,000 in refunds.

The FSC staff continued to provide vendor payment history on the Internet. The Vendor Inquiry System (VIS) Internet application stores over 4 years of information. Once vendors complete an authentication process, they can access a secure Web site to view payment information for their company. Currently there are over 17,520 active registered vendors who made over 552,115 requests in 2008 and over 2.3 million requests since VIS's inception in April 2003. The VIS provides FSC vendors an easy-to-use tool for immediate access to their payment information 24 hours a day. The VIS has also improved customer service efficiency of FSC staff by handling many routine inquiries and freeing staff to work the more difficult issues for customers.

Registered users of VIS have the ability to submit electronic invoices directly to the FSC. Vendors complete easy-to-use forms to create their invoices and can manage and track them. This online system provides the vendors with a list of valid purchase orders, virtually eliminating the number one error that causes payment delays. Errors identified by the system are immediately returned to the VIS user, who can instantly correct them prior to submission. This prevents payment delays and results in quicker and more accurate vendor payments. In 2008, invoices submitted via VIS increased by 22,360 and \$340 million from the previous year. Since our initial opening of VIS, 44,732 invoices totaling \$895 million have been submitted via this system.

### **Improper Payments Information Act of 2002 (Summary of Implementation Efforts for FY 2008 and Agency Plans for FY 2009 through 2011)**

#### **Overview**

VA reviewed the requirements of the Improper Payments Information Act (IPIA) of 2002 to identify those programs that are susceptible to significant erroneous payments. After completing the review, VA performed risk assessments for all



programs. Statistical samplings were performed on all required programs to estimate improper payments.

OMB Circular A-123, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments, requires agencies to report programs under the IPIA with annual erroneous payments exceeding both \$10 million and 2.5 percent, as well as programs previously identified in the former Section 57 of OMB Circular A-11, Preparation and Submission of Budget Estimates. Four VA programs are included under Section 57 of OMB Circular A-11, and they are the Compensation, Dependency and Indemnity Compensation (DIC), Pension, and Insurance Programs. DIC is included in the Compensation Program. Although the Insurance and Vocational Rehabilitation & Employment (VR&E) programs were reported under the IPIA, the risk assessments for the programs were low. Because the Insurance and VR&E programs did not meet the \$10 million threshold in annual erroneous payments for two consecutive years, OMB granted VA's requests for relief from annual improper payment reporting in the PAR for the Insurance program until 2009 and the VR&E program until 2010. In 2008, VA is reporting 6 programs under the IPIA which include the Compensation, Pension, Education, Loan Guaranty, Non-VA Care Fee, and Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA). This is CHAMPVA's first reporting year. Further details are provided in Part IV of this report.

### **Accomplishments**

VA's Assistant Secretary for Management/Chief Financial Officer (CFO) is the designated senior official responsible for implementing IPIA. The CFO is responsible for establishing policies and procedures to assess VA program risks of improper payments, taking actions to reduce those payments, and reporting the results of those actions to VA management. Managers of all programs identified for review are aware of the importance of the IPIA.

All programs identified for review completed the risk assessment and/or completed statistical samplings in 2008 for 2007 data in accordance with VA's IPIA plan. VA also identified under- and over-payments by program, and provided program assessments and corresponding steps to prevent future erroneous payments in accordance with the IPIA.

VA met the improper payment reduction and recovery targets for Education, Loan Guaranty, and Non-VA Care Fee programs. VA did not meet the reduction and recovery targets for the Compensation and Pension programs.

### **Plans to Accomplish**

VA aims to reduce the amount of erroneous payments in all programs. In early 2009, the Pension program will complete the consolidation of the pension review process from its 57 regional offices to 3 Pension Management Centers. The consolidation will improve the accuracy and timeliness of pension processing.

The National Defense Authorization Acts (NDAA) of 2003, 2004, and 2008 mandated retroactive benefit payments to certain Military retirees. As a result of the NDAA, two new DoD programs, Combat Related Special Compensation (CRSC), and Concurrent Retirement and Disability Pay (CRDP), were created to permit partial to total restoration of reduced benefits due to receipt of VA compensation for certain disabled retirees. These programs, which allow concurrent receipt of VA Compensation and DoD military retired pay, have negatively affected the accuracy of VA's Compensation payments. The Compensation program is in transition from the Benefits Delivery Network (BDN) information system to Veterans Service Network (VETSNET). VETSNET allows enhanced reporting capability, eliminates batch processing, and substantially reduces errors with a single entry for rating decisions. Programming modifications to VETSNET are planned to allow automatic calculations of CRDP and CRSC



payments. Real time processing through VETSNET will enable VA to discontinue incorrect payments as late as the day before payment issue, which will greatly improve the accuracy of our payments.

The Loan Guaranty (LGY) program will continue to conduct 100 percent post-payment reviews of all Specially Adapted Housing (SAH) grant payments. In addition, LGY has developed a statistical quality control schedule for the SAH process, which will provide additional opportunity for review of the grant process, including grant payments.

Education Service is implementing the Training Performance Support System (TPSS) in phases. TPSS is a new online delivery and record keeping system for training, which will help improve claims processors' performance. To help reduce payment errors, Education Service is implementing the Education Expert System (TEES), a new automated claims processing system. TEES is scheduled to be fully implemented in 2012.

In 2009, the Non-VA Card Fee program will staff a financial specialist to prepare risk mitigation guidance and direction to reduce improper payments and increase collection actions for improper Fee payments.

VHA will implement the Medicare Crossover by 2009, which will enable its Denver Health Administration Center to receive electronic claim submissions through the Centers for Medicare and Medicaid contractor for reimbursement to the medical provider for CHAMPVA's payment responsibility as a secondary payer. This will significantly reduce the requirement for manual input of claim data and, as a result, reduce the potential for error in CHAMPVA payments.

## **Financial Management Systems Framework**

### **Overview**

The Department's strategy, defined about 13 years ago, is based on goals to replace outdated and noncompliant systems with more modern, commercial off-the-shelf (COTS) systems which meet Office of Federal Financial Management core financial system requirements. This strategy was enhanced to incorporate business process reengineering in the requirements, acquisition, and development and implementation phases of projects.

The Office of Business Oversight's Internal Controls Service (ICS) provides the CFO with independent review and advisory services designed to add value and improve the acquisition, development, maintenance, and management of VA financial systems. The Department's scope of work is to oversee the compliance with regulatory requirements such as those prescribed by OMB Circular A-123, Appendix A and OMB Circular A-127.

ICS has the responsibility for planning and conducting the Department-wide reviews of internal controls over financial reporting in accordance with OMB Circular A-123, Appendix A and financial management system reviews in accordance with OMB Circular A-127 requirements. ICS also engages in management-directed program activities and system management reviews of project management processes and results, and monitors corrective action to address deficiencies identified in reviews.

In 2008, ICS completed nine A-127 limited compliance reviews in conjunction with the Department's OMB Circular A-123, Appendix A program. VA is addressing findings and implementing recommendations from these reviews.

VA's updated financial systems inventory provides details on all major financial and mixed systems. The major financial system initiatives



funded by the Department over the last 14 years to achieve VA's strategic goals have included the following:

- The Financial Management System (FMS) was designed to replace VA's 1970's central accounting system. In the FMS initiative, completed in 1995, VA successfully met its stated objectives and implemented FMS as its single, core accounting system based on a certified COTS, Joint Financial Management Improvement Program (JFMIP)-compliant system with interfaces to all other VA payment and accounting systems. In the succeeding, post-implementation years, VA completed several studies and determined there were remaining inefficiencies in the overall financial management processes, areas of noncompliance in our mixed systems, and new mission business requirements that could not be supported economically in the current systems.
- VA continued its multi-year initiative to eliminate the material weakness—Financial Management System Functionality. Referred to as FLITE, the program goal is to implement an agency-wide integrated financial management system (core and mixed feeders) and to correct financial and logistics deficiencies throughout the Department.
- VA continues to move forward in the consolidation of payroll services to the Defense Finance Accounting Service (DFAS), which is included in the President's Management Agenda for Improving Internal Efficiencies and Effectiveness. Following the success of the first migration of Title 5 employees to DFAS in August 2006, the second migration occurred in October 2007 and included additional Title 5 employees. Extensive system changes were made to VA's legacy system as well as DFAS' in preparation for additional migrations

to accommodate the special pay provisions that apply only to Title 38 employees. During 2008, the first group of Title 38 employees was successfully migrated to DFAS. Complete migration of VA's payroll services to DFAS is scheduled for September 2009.

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

### **Financial Management System (FMS) Accomplishments and Plans**

VA continued production support and maintenance of FMS during 2008. VA will need to continue operation of FMS as the core accounting system until a suitable replacement is available.

In 2008, the Department also continued operation of the Hyperion Financial Management System which has significantly improved the process of preparing the consolidated financial statements. Additionally, VA continues to analyze and improve the major interfaces to and from FMS in an effort to improve integration among the various financial and mixed systems. This effort will assist with the remediation of Financial Management System Functionality material weakness, as well as improve the overall system architecture in preparation for the next generation financial system being planned for in the FLITE effort.

### **FLITE Accomplishments and Plans**

Addressing the Department's material weakness, Financial Management System Functionality, VA established the FLITE program. FLITE will integrate many disparate systems, standardize functional processes and modernize the information technology environment supporting financial and logistics management within VA. The program has two primary components, a logistics and asset management component referred to as the SAM project, and a financial





management system component, referred to as the IFAS.

In 2008, VA completed the prerequisite program planning, which included establishing and implementing the FLITE Risk Management Control Board, developing the FLITE program baseline cost estimates and integrated master schedule, documenting business requirements and processes, establishing an acquisition strategy, releasing the requests for proposal for the SAM Pilot implementation and the Program Management Office Support services, and successfully exiting milestone 1 for the SAM project. In 2009, VA expects to award the SAM Pilot implementation and the Program Management Office Support services contracts, obtain milestone 1 approval for the IFAS project, and start the SAM pilot at the Milwaukee VAMC. The pilot will attain Initial Operating Capability of the SAM system. In addition, IFAS (the financial component of the FLITE program) will follow the FMLoB guidance to award the IFAS implementation contract and take steps to initiate the IFAS pilot in FY 2009.

VA implemented FRDWS as an interim initiative to mitigate the material weakness by capturing transaction details from selected interfacing systems throughout the Department and the corresponding core FMS transactions. This resulted in an enhanced process by which financial transactions interfacing with FMS could be reconciled. In 2008, the FRDWS successfully completed implementing the last five interfacing systems into a production environment for the data warehouse.

#### **PAID Accomplishments and Plans**

VA continued production support and maintenance of PAID during 2007 in support of Federal-wide programs such as Health Savings Allotments, and changing child support payments from paper to electronic payments.

VA will continue production support and maintenance of PAID during the Department's

migration to the new payroll provider, DFAS, and the eHR Line of Business providers and systems.

#### **e-Payroll Accomplishments and Plans**

VA continues to make system changes needed to support VA's migration to DFAS. System changes were tested internally and externally by completing payroll cycles in both VA and DFAS and comparing results. The first group of VA employees was successfully migrated to DFAS in 2006. The second group, which included additional Title 5 employees, migrated in October 2007. During 2008, the first group of Title 38 employees was successfully migrated to DFAS. The remaining VA payroll facilities began migration in 2008 with the last migration scheduled for September 2009.

#### **E-Gov Travel Accomplishments and Plans**

The FSC, VA's E-Government Travel Service (ETS) Project Office, led VA's implementation of ETS. In the first quarter of 2008, VA met its December 2007 deadline for agency-wide implementation, fulfilling a mandate of the President's Management Agenda. The VA ETS, also known as FedTraveler.com, gives approximately 70,000 VA frequent travelers as well as VA managers a much more efficient and accountable way to plan, book, and track travel arrangements as well as request and approve expense reimbursement. The new service eliminated four separate older travel systems with its one-stop, self-service, Web-based site. One of the key performance measurements the General Services Administration (GSA) monitors is the online adoption rate, which measures the percentage of travel plans with air reservations made using the online booking engine. VA's online adoption rate through the fourth quarter of 2008 averaged 82 percent, above VA's 75 percent goal, and leads all of the Electronic Data System's government deployments.

The FSC will continue to provide VA-wide support for the VA E-Gov Travel initiative. The FSC will provide the following services for



program sustainment: Global System Administration; support for Local System Administrators; sponsor for Super User conference calls; user acceptance testing of new software releases; training on new software releases; serving as Contracting Officer's Technical Representative; and participation in meetings hosted by GSA such as EDS User Group meetings, Program Change Control Board meetings, and Executive Change Control Board meetings.

**Other Systems Accomplishments and Plans**

Electronic Commerce (EC)/Electronic Data Interchange (EDI). Using COTS software and national standards, the FSC moves mission-critical information between VA and each of its trading partners, which includes vendors, mortgage service providers, and health care entities. EC/EDI also provides for internal exchange of information among VA application systems. Electronic data transfers enable program offices to restructure their work processes, take advantage of the accuracy and timeliness of electronic data, and concentrate on service objectives. The FSC will continue to support VA's efforts to increase cost savings and program efficiencies through the expansion of electronic data transfers in VA applications. 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 of 1996 (HIPAA).

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

The FSC continues to provide support to the U.S. Department of Agriculture (USDA). Under a franchise agreement, the FSC accepts invoices from USDA Utility and Telecommunications providers, translates them to a USDA-approved file format, and transfers these invoices to USDA via a secure connection. USDA inputs these invoices into its legacy systems for processing and payment. This processing takes place using FSC-owned translator software rather than the mainframe translator, which ensures license compliance and reduces processing costs for USDA.

The FSC provides the Department of Homeland Security's Division of Immigration Health Services (DIHS) with an integrated, end-to-end medical claims payment-processing application in conjunction with document processing through an Optical Character Recognition and Electronic Data Interchange (EDI) technology. This application is Web-enabled to support managed care remotely. This application truly represents a full life-cycle, automated service from the time an invoice reaches FSC through generation of payment and is in full compliance with the "Prompt Payment Act" (PPA) and HIPAA.

The Customer Support Help Desk (CSHD) offers a comprehensive one-stop response team to support inquiries from VA stations and vendors. CSHD is organized to provide timely and accurate responses to questions ranging from how to navigate in FMS to assisting a veteran with benefits information. The e-Travel Help Desk assists travelers and stations in processing travel requirements in the new ETS system.

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



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

management reports. This portal allows managers to access up-to-date statistics of their data. The portal will be updated to include new reports as requested.

In our efforts to provide VHA with e-Claims reports, the FSC has created a portal for

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

Tasks	Target Dates
Migrate customers to server-based translation software.	2009-2010
Support MCCR lockbox receipt of payments.	2009-2013
Support (by providing both development and production support services) VHA’s revenue cycle and HIPAA compliance efforts.	2009-2013
Support EDI production projects on a continuing basis.	2009-2013
Support reports portal.	2009-2013

On Line Certification System (OLCS) (payment certification). The FSC’s OLCS application allows certifying officials to view and certify invoices electronically. Vendors send invoices directly to the FSC where they are scanned into the FSC’s document management optical imaging system and electronically stored with the information required to process the invoice. Field stations can elect to certify all invoices via OLCS or allow automatic payment for those invoices under \$2,500 with appropriate post-payment audits. For invoices to be certified online, the OLCS system sends an e-mail notification to certifying officials with information on how to access and certify the pending invoice(s) online. Over 10,000 employees currently use the OLCS within VA.

The FSC’s certified payments process represents a full life cycle of services performed from receipt of the invoice until the Department of the Treasury (Treasury) renders payment. The services include processing cancelled checks, check tracers, vendor re-certifications, rejects and adjustments, inquiries, vendor reclaims, bills of collection, Treasury offsets, and tax levies that comply with applicable VA regulations and directives and the Prompt Payment Act.

OLCS was an essential enabler in centralizing VHA certified invoice payment processing to the FSC. Certified invoices sent to the FSC for processing are managed by certifying officials through the OLCS and paid by the FSC. As a result, VA has realized a tremendous increase in the efficiency of the payment process. At the same time, the OLCS and centralization have substantially reduced interest penalties and increased discounts earned.

Document Management System (DMS). The FSC uses a document imaging system, referred to as DMS, to provide a paperless work environment, reduce physical storage needs, and process high volumes of documents. Documents are stored on electronic media, with backups stored offsite, and can be retrieved in seconds.



Initially, DMS was used to process commercial payments and inquiries. Subsequently, the FSC's use of DMS has been expanded to include other functions such as vendorizing requests, Federal accounts, preparation of the Standard Form-224 report, storing grant and schedule

documents for other government agency customers, storing payroll folder data for VA employees who receive local payroll services from the FSC, and the storage of fee basis medical claims.

**Planned DMS Expansion and Support**

Tasks	Target Dates
Provide program support for DMS.	FY 2009-FY 2013



## Snapshot

Cleveland Regional Office Staff Working to Sack Homelessness



The City of Cleveland's first Veterans Stand Down provided homeless veterans a day of safety and security, along with food, haircuts, and blankets. VA representatives provided benefits counseling and distributed almost 200 donated backpacks filled with socks, clothing, food, bus passes, and personal hygiene items. The backpack drive, known as "Pack a Sack," was the first organized effort of the Cleveland VA Regional Office's new Outreach Committee. Comprised of Cleveland Veterans Service Center employees, the group aims to meet the needs of local veterans. "Two vans were so filled with these backpacks that when opened, they literally began falling out," said regional office Public Contact Coach Todd Weber. "Representatives of other agencies came up to compliment our efforts. And the veterans carried our backpacks with a sense of deep appreciation and even joy."

A wide variety of services and assistance from many veterans' advocacy groups was also available. Over 400 homeless veterans attended the event.



## Snapshot

Joanne Compagna:  
Going Above and Beyond the Call of Duty



Joanne Compagna, vocational rehabilitation specialist in Compensated Work Therapy (CWT) program at the Bedford, Massachusetts, VA Medical Center, was worried about her trip home from work during an intense New England snow storm when other priorities intervened. As she was ready to leave for the day, she heard that the center's CWT van driver was stuck in nearby Wakefield and unable to pick up four veterans working in Waltham. She immediately took a VA minivan to retrieve them. It took her more than an hour to get out of Bedford, and then she faced gridlock on the highway to her destination. Knowing the veterans at the worksite would be distressed, she persuaded a state snow plow to escort her on the shoulder lane past the accident holding up traffic. When she reached Waltham, she found herself stuck behind abandoned vehicles. She parked the van and walked a quarter mile to where the veterans were waiting in a half-foot of snow. She escorted them back to the van and made the return trip. Her work day did not end until well after 8 p.m., and she did not leave the hospital grounds until she was sure the veterans had beds for the night.



## Performance Summaries

### by Strategic Objective

The following sections of the report describe VA's accomplishments associated with each of the strategic objectives identified in the Department's strategic plan. This information complements and provides additional detail beyond the summaries of performance associated with each strategic goal (refer to the Performance Summaries by Strategic Goal section on pages 24-54).

For **each strategic objective**, the layout of the information is in **three parts** as follows:

# Part 1

**Vignette**  
A short description of a new VA program or a story about how VA is making a difference for America's veterans as it relates to VA's strategic objective.

**STRATEGIC OBJECTIVE 1.19**  
**Specialized Health Care Services**  
Maximize the physical, mental, and social functioning of veterans with disabilities and be a leader in providing specialized health care services.

**Making a Difference for Veterans**

**VA Helps Disabled Veterans Adapt their Homes Through Grants**



Changes in the laws that allow certain seriously injured veterans and servicemembers to receive grants to construct or modify homes are expected to result in many new grants. Before the changes, eligible veterans and servicemembers could receive Specially Adapted Housing (SAH) grants of \$10,000 or \$50,000 from VA over their lifetimes. Now they may receive up to \$12,000 or \$60,000. In addition, these amounts will now rise annually based on a cost-of-construction index. SAH grants of up to \$14,000 for temporary residences, previously available only to veterans, are now available to veterans and servicemembers. Eligible veterans and servicemembers may use the Specially Adapted Housing Program up to three separate times. However, the total amount of assistance received may not exceed the maximum in effect at the time of the third grant.

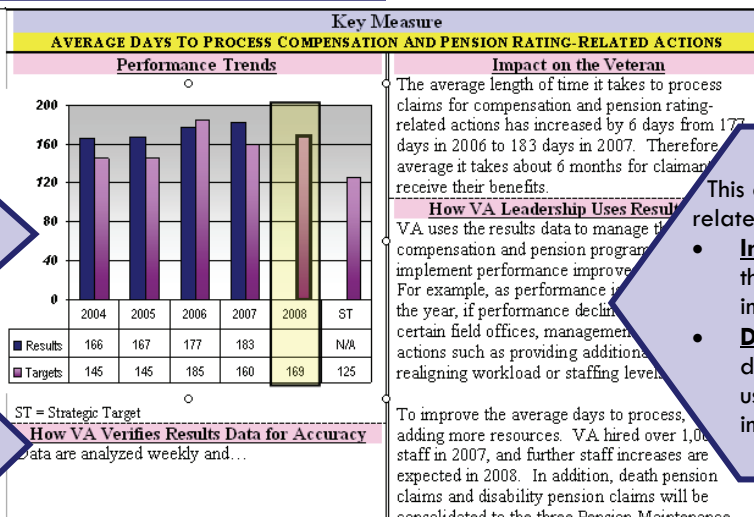
"Veterans seriously disabled during their military service have earned this benefit," said Secretary of

**Illustrative Measure**  
Measures shown in this section are representative of what VA is trying to achieve as defined by the given Strategic Objective. The text of the measure is shown as well as an indication of whether it is a key or supporting measure.

# Part 2

**Bar Chart**  
Chart depicting 5 years of targets and results for the given measure

**Data Verification**  
Narrative on how VA checks and verifies measure results data for accuracy



**Impact and Use**  
This area includes two components as relates to the given measure:

- Impact statements** describes how the 2008 performance result impacted the veteran
- Data Use by Leadership** describing how VA management uses the results data to make improvements in operations.



# Part 3

Concurrence Attachment 3

Part II – Performance Summaries by Strategic Objective

**Additional Performance Information Related to Strategic Objective 2.2**

**OIG Major Management Challenges and GAO High-Risk Areas**  
 VA's Office of Inspector General did not identify any major management challenges related to this objective. The Government Accountability Office did not identify any high-risk areas related to this objective.

**Program Assessment Rating Tool (PART) Evaluation**  
 In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Education program during CY 2005, which resulted in a rating of "Results Not Demonstrated." Please see OMB PART reviews on page XX for more information.

**Program Evaluations**  
 No independent program evaluations have been conducted recently that specifically address this objective.

**New Policies, Procedures, or Process Improvements**  
 VA implemented several major policies and procedures that enhanced the ability of veterans and servicemembers to achieve educational and career goals in 2007, including the following:

32 issued February 2007. (VA: These need more explanation. Why are they important? Why will not understand.)

**Other Important Performance Results**  
 In 2007, Education Service Processing Offices recommendations for recommendations information to the modifications to the process claims.

**Data Quality**  
 The first phase (TEES) was launching of Management, the approval, training program tests; and other corporate environment existing approval Approval File, which job training program Certification Approval the approval for the consolidation of these the manual process for into a single repository. Representatives to process approval information more quickly by the public have access to WFA MS on-line to

**Additional Information**

This area provides the following as relates to the given Strategic Objective:

- A list of **major management challenges** identified by VA's Office of Inspector General and **High-Risk Areas** identified by the Government Accountability Office that have an impact on this objective.
- A description of **program evaluations** that have been completed or are ongoing.
- A list of related **Program Assessment Rating Tool** reviews conducted.
- A description of **new policies and procedures** that have been or are being implemented to improve VA's ability to achieve the strategic objective.
- Any **other important performance results** in support of the strategic objective.

In 2008 there were 5 measures for which performance results were significantly below expectations and, as a consequence, had a significant impact on program performance. For each of these measures, we provide explanations of why the shortfall occurred and descriptions of resolution strategies being employed to improve performance. Please see the Performance Shortfall Analysis tables beginning on page 84 for this information. In the measures tables beginning on page 237, these results are color-coded in red.

Measures color-coded in yellow do not appear in the Performance Shortfall Analysis tables. Although the target was not achieved for these measures, the result did not significantly impact program performance.

**Please note:** In this report, with the exception of table and chart titles, references to years (e.g., 2005, 2006) are fiscal years unless stated otherwise.



## Strategic Goal One

### *Restoration and Improved Quality of Life for Disabled Veterans*

#### STRATEGIC OBJECTIVE 1.1

##### *Specialized Health Care Services*

*Maximize the physical, mental, and social functioning of veterans with disabilities and be a leader in providing specialized health care services.*

#### Making a Difference for the Veteran

### VA Helps Disabled Veterans Adapt their Homes Through Grants



A Specially Adaptive Housing grant may be used to build a new home with appropriate adaptations or to modify an existing home to meet the veteran's individual needs

Changes in the laws that allow certain seriously injured veterans and servicemembers to receive grants to construct or modify homes are expected to result in many new grants. Before the changes, eligible veterans and servicemembers could receive Specially Adapted Housing (SAH) grants of \$10,000 or \$50,000 from VA over their lifetimes. Now they may receive up to \$12,000 or \$60,000. In addition, these amounts will now rise annually based on a cost-of-construction index. SAH grants of up to \$14,000 for temporary residences, previously available only to veterans, are now available to veterans and servicemembers. Eligible veterans and servicemembers may use the Specially Adapted Housing Program up to three separate times. However, the total amount of assistance received may not exceed the maximum in effect at the time of the third grant.

"Veterans seriously disabled during their military service have earned this benefit," said Secretary of Veterans Affairs Dr. James B. Peake. "This change ensures that every eligible veteran and servicemember has the chance to use the maximum amount afforded to them by our grateful nation."

Since the program began in 1948, it has provided more than \$675 million in grants to about 35,000 seriously disabled veterans. To ensure veterans' and servicemembers' needs are met and grant money is spent properly, VA works closely throughout the entire process with contractors and architects to design, construct, and modify homes that meet the individuals' housing accessibility needs.

Veterans and servicemembers with specific permanent and total service-connected disabilities entitling them to VA compensation are eligible for the Specially Adapted Housing benefit. A new law adds disabilities resulting from severe burn injuries to the eligibility criteria. Eligible individuals may use the grant to construct an adapted home or to modify an existing one to meet their special needs.

For more information about grants and other housing programs, call a local VA regional office at 1-800-827-1000 or a local veterans service organization. Additional program information and grant applications (VAF-26-4555) may be found at [Web: www.homeloans.va.gov/sah.htm](http://www.homeloans.va.gov/sah.htm).





**Significant Trends, Impacts, Use and Verification of FY 2008 Results**

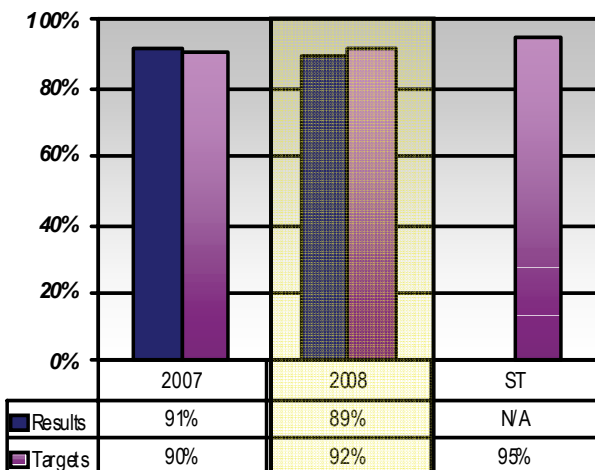
<b>Supporting Measure</b>				
<b>PERCENT OF SPECIALLY ADAPTED HOUSING (SAH) GRANT RECIPIENTS WHO INDICATED THAT GRANT-FUNDED HOUSING ADAPTATIONS INCREASED THEIR INDEPENDENCE</b>				
<b>Performance Trends</b>			<b>Impact on Veterans</b>	
	2006	2007	2008	ST
■ Results	93.2%	Avail. 12/08	Avail. 12/09	N/A
■ Targets	Baselined	98.0%	98.0%	99.0%
<p>(1) Actual data TBD. Final data are expected in 12/2009.                  (2) ST= Strategic Target</p>				
<b>How VA Verifies Results Data for Accuracy</b>			<b>How VA Leadership Uses Results Data</b>	
<p>Results data are compiled and verified for accuracy by 3<sup>rd</sup> party evaluations annually. The 3<sup>rd</sup> party evaluation staff is skilled in proper data collection and data analysis techniques.</p>			<p>Grant recipients are surveyed every year to determine their level of independence as a result of the SAH program. The surveys also gauge veteran satisfaction levels and other SAH program performance-related data.</p> <p>The responses from the surveys are compiled, and the results are analyzed by VA leadership. Program policy modifications are implemented based on results data.</p>	



**Supporting Measure**

**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**

**Performance Trends**



(1) Actual data through 07/2008. Final data are expected in 12/2008.

(2) ST = Strategic Target

**Impact on Veterans**

This measure is designed to monitor how quickly VA case managers contact and engage severely wounded OEF/OIF veterans and their families. Case managers play an important role in helping these individuals make a smooth and efficient transition into the VA healthcare system. In this context, the case managers help these veterans and their families understand the constellation of benefits that VA has to offer.

**How VA Verifies Results Data for Accuracy**

Data are analyzed monthly to ensure the service members identified for transfer by the VA Liaison located at the Military Treatment Facility align with the number and location of service members/veterans actually transferred during the reporting period.

The number and identification of the transferring seriously injured or ill (SI/I) patients serves as a verification tool for the measure's denominator (patients actually transferred). Attempts to contact the patient (numerator) are entered into a national database, along with clinical and demographic information obtained during the contact.

The data entered serves as verification that contact has been completed. Unsuccessful attempts to contact are also tracked, and verified as a means to ensure that continued efforts are undertaken to contact all SI/I patients referred to VA care.

**How VA Leadership Uses Results Data**

Measures data are posted on the VHA Support Service Center (VSSC) site monthly, where they are viewable by facility, network, and Central Office staff. Measure data are also published quarterly in the Executive Briefing Book maintained on the Office of Quality and Performance Web site. Data are shown nationally, as well as by VISN and facility. Quality Managers, Chief Medical Officers, Facility Directors, Network Directors, and Central Office staff access the data in the Briefing Book on a regular basis.

Results data serve as key VA monitoring capabilities with regard to OEF/OIF patients. Data are used to identify process and system problems that can then be resolved in a timely manner. If the performance level of a given facility markedly or repeatedly falls below the target of 90 percent, VA contacts the facility to determine possible reasons and solutions. Potential strategies may include increasing the number of case managers, additional staff training, improving documentation to capture accomplishments, and expanding ways for making contact with a veteran.



## Additional Performance Information for Strategic Objective 1.1

### OIG Major Management Challenges

- Quality of Health Care (see page 256 for more details)
- New and Significantly-Increased Health Problems Associated with OEF/OIF (see page 266 for more details)

### GAO High-Risk Areas

The Government Accountability Office did not identify any high-risk areas related to this objective.

### Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Medical Care program during CY 2003, which resulted in a rating of "Adequate." Please see OMB PART reviews on page 79 for more information.

### Program Evaluations

A program evaluation of mental health services for seriously mentally ill (SMI) patients in VA is being conducted by the Altarum Institute in conjunction with RAND-University of Pittsburgh Health Institute. It will assess type, level and quality of care provided, as well as degree of satisfaction of patients receiving SMI services for schizophrenia, bipolar, major depression, post-traumatic stress disorder, and substance use disorder.

This study, unprecedented in its scope, will evaluate patient-centered outcomes measured across the continuum of care-- from diagnosis through treatment, chronic disease management, and rehabilitation. The study was started in 2006 and will be completed in 2010. Particular attention is being paid to patient outcomes to determine if the services we provide are making a difference in our patients' lives. Service-connected veterans having these mental

health conditions are a particular emphasis, especially in terms of determining why they may or may not choose to use VA for their health care.

The major deliverable in 2008 was the presentation of the preliminary results of an extensive survey of all VA facilities that focused on evaluating the level of current services and the extent of the use of evidence-based care. These results will serve as a baseline and allow VA to track the use of its mental health enhancement funds by repeating the survey later in the study. This study is designed to provide detailed information on services currently provided, workload, cost, staffing, types of care, referral patterns, and use of primary care and mental health specialists. All of this information will facilitate the successful implementation of the Mental Health Strategic Plan, identify potential gaps in services, and guide the use of enhancement funds to improve patient care.

A second major deliverable is the identification of performance indicators to evaluate mental health care and patient outcomes, along with accompanying documentation of the justification for and strength of the indicators. These may also be adopted by VA to complement its current mental health measurement and quality improvement efforts. The level of detail and specificity in this evaluation reaches far beyond studies previously developed in VA.

### New Policies, Procedures, or Process Improvements

VA mandated that all OEF/OIF veterans who come to VA for care be screened for TBI. Screening policy and procedures have been defined in a VA directive, standardized tools have been disseminated, and performance indicators have been implemented to ensure the mandate is met. Veterans with positive screens are offered timely follow-up evaluations by providers



with training and expertise in TBI evaluation and care. In addition, an algorithm for the management of TBI symptoms has been developed by VA experts and disseminated nationally to veterans and their families as well as to providers.

In 2008 VA experienced increased inquiries and usage of the VA-Guaranteed Home Loan and the Specially Adapted Housing (SAH) grants. Legislation passed which increased the maximum guaranty amount up to 175 percent of the Freddie Mac single-family conventional conforming loan limit in certain high cost areas. SAH maximum grant amounts were raised to \$12,000 and \$60,000 as a result of new legislation. In addition, these amounts will increase annually based on a cost-of-construction index. SAH grants of up to \$14,000 for temporary residences, previously available only to veterans, are now available to veterans and servicemembers. This legislation also added disabilities resulting from severe burn injuries to the eligibility criteria for the SAH grant.

#### **Other Important Results**

In May 2008, VA began contacting nearly 570,000 recent combat veterans to ensure they knew about VA's medical services and other benefits. A contractor-operated "Combat Veteran Call Center" called two distinct populations of veterans from Iraq and Afghanistan: those who were sick or injured while serving in Iraq or Afghanistan and those who have been discharged from

active duty but have not contacted VA for services.

More than 100 measures focused on **specialized health care** are now analyzed by health care program officials quarterly, with focus on such areas as access, prevention/health promotion, cardiovascular disease, mental health, and most recently, measures related to health care for OEF/OIF servicemembers and veterans focused in part on combat related disorders such as TBI, PTSD, Substance Use Disorder, and depression.

Current measures are being refined and new measures have been designed to evaluate access to services and assess the **quality** of patient care across the continuum of care and in a broad variety of settings, including inpatient, outpatient, emergency, rehabilitation, and long-term care settings. Quality is further evaluated in special populations such as women, mentally ill, spinal cord injury, and OEF/OIF.

As of July 2008, VA processed 789 SAH grants for severely disabled veterans to build a new or adapt an existing dwelling to meet their adaptive housing needs and allow them to live more independently. This is a 21 percent increase in grant volume from 2007.

#### **Data Verification and Quality**

VA's data quality improvement efforts, including its work on data verification and validation, are described in the Assessment of Data Quality on page 217.



## Complete Listing of Measures Supporting Strategic Objective 1.1

**Green or G:** Target was met or exceeded. **Yellow or Y:** Target was not met, but the deviation was not significant or material. **Red or R:** Target was not met, but the deviation was significant or material.

Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target	
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets		
<b>Strategic Goal 1: Restore the capability of veterans with disabilities to the greatest extent possible, and improve the quality of their lives and that of their families.</b>								
<b>Recap</b>								
							Green	0
							Yellow	1
							Red	0
							<b>Total</b>	<b>1</b>

Objective 1.1: Maximize the physical, mental, and social functioning of veterans with disabilities and be a leader in providing specialized health care services.

Specially Adapted Housing Independence (Percent of Specially Adapted Housing (SAH) grant recipients who indicate that grant-funded housing adaptations increased their independence)	N/A	N/A	93.2%	Avail. 12/2008	Avail. 12/2009	98.0%	99.0%
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 (through July)	N/A	N/A	Baseline	91%	* 89% Y	92%	95%

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.



## STRATEGIC OBJECTIVE 1.2

### *Decisions on Disability Compensation Claims*

*Provide timely and accurate decisions on disability compensation claims to improve the economic status and quality of life of service-disabled veterans.*

## Making a Difference for the Veteran

### One-Stop Service for Soldiers



VA opened the newly expanded Fort Bragg VA benefits office, located at the Soldier Support Center. The VA benefits office is now considered a one-stop service for soldiers by offering everything from VA intake interviews to medical examinations, as well as on-site vocational rehabilitation and employment counselors.

In 1998, VA opened a Benefits Delivery at Discharge (BDD) site in Fort Bragg, North Carolina. The BDD program expedites the disability claims process by completing claim development actions prior to a servicemember's release from active duty. As a result, BDD participants receive their disability compensation benefits shortly after release from active duty.

In 2008, VA opened the newly expanded Fort Bragg VA benefits office, located at the Soldier Support Center. The VA benefits office is now considered a one-stop service for soldiers. The office offers everything from VA intake interviews to medical examinations, as well as on-site vocational rehabilitation and employment counselors. VA also shares the Center with a multitude of other services including the Army Career and Alumni Program and four veterans service organizations.

VA's new facility was built with a complete, seamless transition from active duty to civilian life in mind. Fort Bragg soldiers and veterans praise everything from the location's accessibility, ease of use, and privacy to the one-stop service experience provided by the facility.

The Benefits Delivery Office is open from 8:00 a.m. to 4:00 p.m. weekdays. Information on VA benefits can also be obtained by calling toll-free 1-800-827-1000, or by visiting the VA Web site at [Web: www.va.gov](http://www.va.gov).



**Significant Trends, Impacts, Use and Verification of FY 2008 Results**

Key Measure																											
AVERAGE DAYS TO PROCESS COMPENSATION AND PENSION RATING-RELATED ACTIONS																											
Performance Trends				Impact on the Veteran																							
<table border="1"> <thead> <tr> <th>Year</th> <th>Results</th> <th>Targets</th> </tr> </thead> <tbody> <tr> <td>2004</td> <td>166</td> <td>145</td> </tr> <tr> <td>2005</td> <td>167</td> <td>145</td> </tr> <tr> <td>2006</td> <td>177</td> <td>185</td> </tr> <tr> <td>2007</td> <td>183</td> <td>160</td> </tr> <tr> <td>2008</td> <td>179</td> <td>169</td> </tr> <tr> <td>ST</td> <td>N/A</td> <td>125</td> </tr> </tbody> </table>				Year	Results	Targets	2004	166	145	2005	167	145	2006	177	185	2007	183	160	2008	179	169	ST	N/A	125	<p>The average length of time it takes to process claims for compensation or pension has decreased by 4 days from 183 days in 2007 to 179 days in 2008. For the veteran, this is a slight improvement over last year's results and it means that on average they are waiting slightly less time for a compensation or pension claim decision.</p>		
Year	Results	Targets																									
2004	166	145																									
2005	167	145																									
2006	177	185																									
2007	183	160																									
2008	179	169																									
ST	N/A	125																									
				<p><b>How VA Leadership Uses Results Data</b></p> <p>To improve the average days to process, VA hired nearly 2,000 new employees in 2008. As these new employees are trained and gain experience, they will help reduce processing time. In addition, consolidation of original and reopened disability and death pension claims to the three Pension Management Centers (PMCs), which began in May 2008, was completed in September 2008. Survivors benefit claims and dual claims (having both compensation and pension issues) will be consolidated to the three PMCs in FY 2009. This increases the resources dedicated to disability claims processing.</p>																							
				<p><b>How VA Verifies Results Data for Accuracy</b></p> <p>Data extracted from VBA systems of record (that is, Benefits Delivery Network and VETSNET) are captured electronically through a fully automated reporting process and imported into an enterprise data warehouse.</p> <p>VBA's Performance Analysis &amp; Integrity (PA&amp;I) staff assesses the data on a monthly basis to detect discrepancies that would indicate an error in the automated data collection system. This review by PA&amp;I staff and leadership ensures accurate reporting, consistency, and absence of anomalies. All reports produced from the enterprise data warehouse were developed using business rules provided by each of VBA's business lines.</p>																							

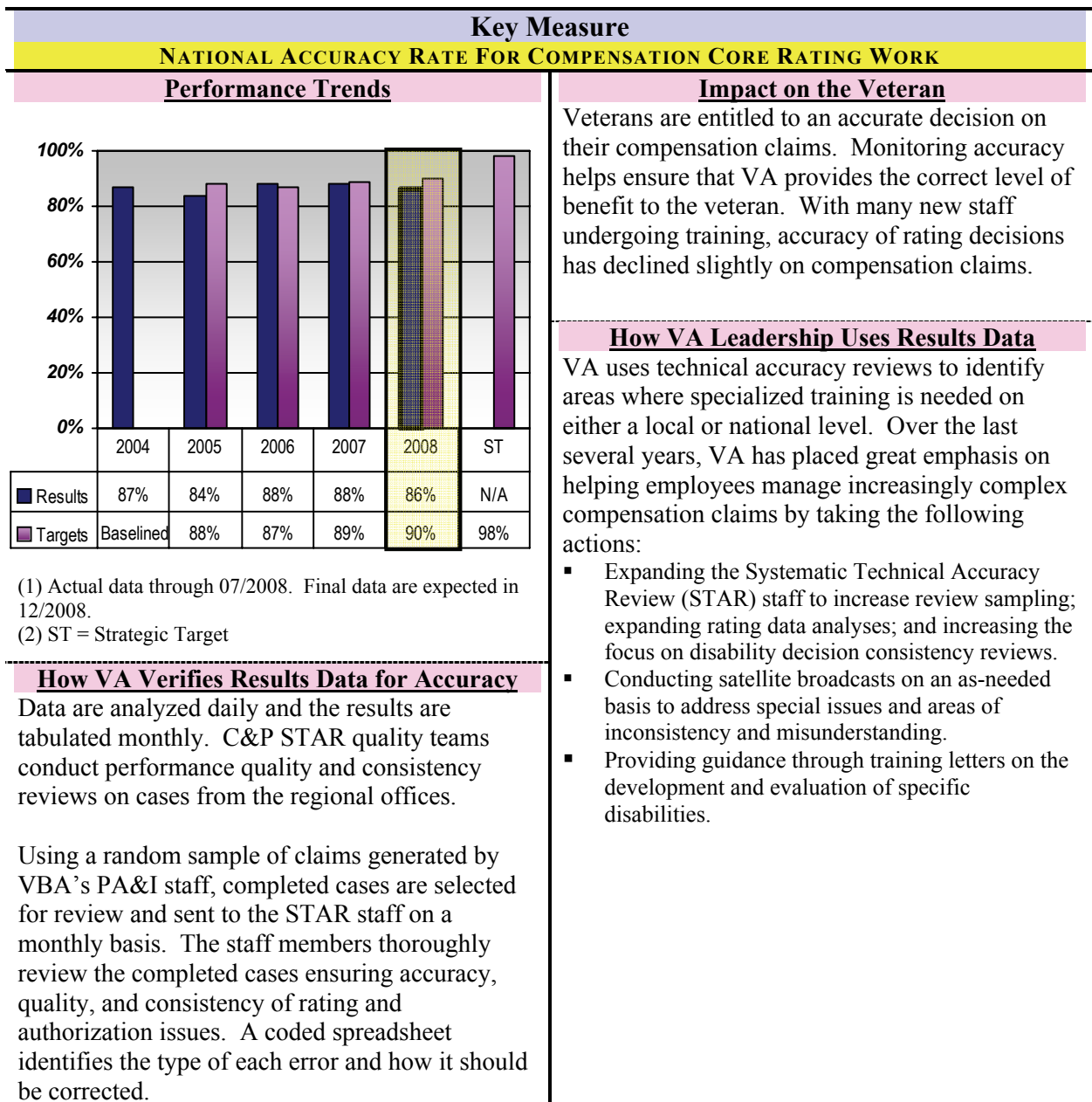
ST = Strategic Target



Key Measure																								
AVERAGE DAYS PENDING FOR RATING-RELATED COMPENSATION ACTIONS																								
Performance Trends				Impact on the Veteran																				
<table border="1"> <thead> <tr> <th>Year</th> <th>Results</th> <th>Targets</th> </tr> </thead> <tbody> <tr> <td>2004</td> <td>120</td> <td>Baselined</td> </tr> <tr> <td>2005</td> <td>122</td> <td>119</td> </tr> <tr> <td>2006</td> <td>130</td> <td>150</td> </tr> <tr> <td>2007</td> <td>132</td> <td>127</td> </tr> <tr> <td>2008</td> <td>121</td> <td>120</td> </tr> </tbody> </table>				Year	Results	Targets	2004	120	Baselined	2005	122	119	2006	130	150	2007	132	127	2008	121	120	<p>On average, compensation claims that require a rating decision are pending 11 fewer days in 2008 than in 2007. This means that the veteran is waiting less time, on average, for a decision from VA on their compensation claim.</p>		
Year	Results	Targets																						
2004	120	Baselined																						
2005	122	119																						
2006	130	150																						
2007	132	127																						
2008	121	120																						
				How VA Leadership Uses Results Data																				
				<p>To reduce the average days pending, VA is adding more resources. VA hired nearly 2,000 new employees in 2008. In addition, consolidation of original and reopened disability and death pension claims to the three Pension Management Centers (PMCs), which began in May 2008, was completed in September 2008. Survivors benefit claims and dual claims (having both compensation and pension issues) will be consolidated to the three PMCs in FY 2009. This increases the resources dedicated to disability claims processing.</p>																				
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				<p>Data extracted from VBA systems of record (that is, Benefits Delivery Network and VETSNET) are captured electronically through a fully automated reporting process and imported into an enterprise data warehouse.</p> <p>VBA's Performance Analysis &amp; Integrity (PA&amp;I) staff assesses the data on a monthly basis to detect discrepancies that would indicate an error in the automated data collection system. This review by PA&amp;I staff and leadership ensures accurate reporting, consistency, and absence of anomalies. All reports produced from the enterprise data warehouse were developed using business rules provided by each of VBA's business lines.</p>																				

(1) 2007 result is corrected.  
 (2) ST = Strategic Target





**Additional Performance Information for Strategic Objective 1.2**

**OIG Major Management Challenges**

- Workload (see page 274 for more details)
- Quality (see page 276 for more details)
- Staffing (see page 278 for more details)

- Benefits Delivery Network System Records (see page 287 for more details)

**GAO High-Risk Areas**

- Modernizing Federal Disability Programs (see page 307 for more details)



### **Program Assessment Rating Tool (PART) Evaluation**

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Compensation program during CY 2002, which resulted in a rating of "Results Not Demonstrated." Please see OMB PART reviews on page 75 for more information.

### **Program Evaluations**

In July 2007 the President's Commission on Care for America's Returning Wounded Warriors, led by Robert Dole and Donna Shalala, provided recommendations to improve and modernize the VA disability compensation program. An example of VBA action taken from recommendations of the Disability Evaluation Report is the Disability Evaluation System (DES) pilot currently underway in the National Capital Region. The pilot focuses on a DoD-administered single comprehensive medical examination and a single disability evaluation provided by VA. The goals of the pilot program are to reduce the overall time it takes a servicemember to progress through DES from the time of referral to the Medical Examination Board to the receipt of VA benefits.

The Veterans' Disability Benefits Commission began work in May 2005. The purpose of the Commission was to carry out a study of the benefits under the laws of the United States provided to compensate and assist veterans and their survivors for disabilities and deaths attributable to military service, and to produce a report on the study. The Commission issued its findings and recommendations in October 2007.

VA is studying the Commission's recommendations and has acted upon them by hiring a contractor to conduct a study and make recommendations regarding Transition payments, quality-of-life payments, and earnings loss payments in the compensation structure. The study began in February 2008.

### **New Policies, Procedures, or Process Improvements**

VA proposed a regulation to implement the Expedited Claims Adjudication (ECA) Initiative. The regulation allows represented claimants to voluntarily waive certain response timelines, agree to respond quickly to VA requests for evidence, and file any desired appeals in an expedited manner. The regulation is under development and should result in a reduced Appeals Resolution Time for ECA appeals in this 2-year pilot project.

### **Other Important Results**

BVA's Leadership Initiative provides opportunities for all Board employees, as well as employees of other organizations within and outside of VA, to improve their leadership skills through training, mentoring, and networking. Events include programs where Senior Counsel shared their insights and experiences with regard to career development; a book discussion focusing on leadership; networking breakfasts; and a service event to provide comfort items for active duty personnel stationed in Iraq and Afghanistan.

The Board also sends high producing, high quality attorneys, veterans law judges, and administrative professionals to Leadership VA, as well as leadership seminars and programs offered through the United States Office of Personnel Management's Federal Executive Institute and the Management Development Centers. All of these various training courses are an integral part of the Board's plan to develop its future leaders.

### **Data Verification and Measure Validation**

More details on data verification and quality and measure validation for the key measures that support this objective are provided in the Key Measures Data Table on page 228.



## Complete Listing of Measures Supporting Strategic Objective 1.2

**Green or G:** Target was met or exceeded. **Yellow or Y:** Target was not met, but the deviation was not significant or material. **Red or R:** Target was not met, but the deviation was significant or material

Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	

**Recap**

Green	5
Yellow	4
Red	2
Total	11

**Strategic Goal 1: Restore the capability of veterans with disabilities to the greatest extent possible, and improve the quality of their lives and that of their families.**

Objective 1.2: Provide timely and accurate decisions on disability compensation claims to improve the economic status and quality of life of service-disabled veterans.

<b>National accuracy rate (core rating work) % (Compensation) (through July)</b>	87%	84%	88%	88%	* 86% Y	90%	98%
<b>Rating-related compensation actions - average days pending (a) Corrected</b>	120	122	130	(a) 132	121 Y	120	100
<b>Compensation &amp; Pension rating-related actions - average days to process</b>	166	167	177	183	179 R	169	125
Overall satisfaction rate % (Compensation)	59%	58%	(1) N/A	(1) N/A	(1) N/A	65%	90%
National accuracy rate (compensation authorization work) % (through July)	90%	90%	91%	92%	* 95% G	93%	98%
Percent of veterans in receipt of compensation whose total income exceeds that of like circumstanced veterans	N/A	N/A	N/A	(2)	(2)	(2)	(2)
Percent of compensation recipients who were kept informed of the full range of available benefits	43%	44%	(1) N/A	(1) N/A	(1) N/A	53%	60%
Percent of compensation recipients who perceive that VA compensation redresses the effect of service-connected disability in diminishing their quality of life	N/A	N/A	N/A	(2)	(2)	(2)	(2)
National accuracy rate (Fiduciary work) % (Compensation & Pension) (through July)	81%	85%	83%	84%	* 82% Y	85%	98%
Productivity Index % (Compensation and Pension)	N/A	N/A	90%	88%	79% R	90%	100%
Deficiency-free decision rate (BVA)	93.0%	89.0%	93.0%	94.0%	95.0% G	92.0%	92.0%
Appeals resolution time (Number of Days) (Joint BVA-VBA Compensation and Pension measure) (a) 2008 and Strategic Targets established by BVA	529	622	657	660	645 G	(a) 700	(a) 675
BVA Cycle Time (Days)	98	104	148	136	155 Y	150	104
Appeals decided per Veterans Law Judge (BVA)	691	621	698	721	754 G	752	800
Cost per case (BVA time only)	\$1,302	\$1,453	\$1,381	\$1,337	\$1,365 G	\$1,648	\$1,619
(1) No customer satisfaction survey was performed for 2006-2008. VBA anticipates that a survey office will be in place in 2009 and that the first survey will be conducted in 2010 for 2009.							
(2) This measure is being removed as it does not reflect the intent of the governing statute of the Compensation program.							

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.



## STRATEGIC OBJECTIVE 1.3

### *Suitable Employment and Special Support*

*Provide eligible service-connected disabled veterans with the opportunity to become employable and obtain and maintain employment, while delivering special support to veterans with serious employment handicaps.*

## Making a Difference for the Veteran

### VA Hires Veteran Employment Coordinators



The staff of the newly-established Veterans Employment Coordination Service recently gathered in Washington, DC for their initial training conference.

In November 2007, the Department of Veterans Affairs (VA) announced the hiring of 10 full-time Regional Veterans Employment Coordinators to focus efforts to attract, recruit, and hire veterans throughout the Department. These regional coordinators will work with over 160 Local Veteran Employment Coordinators at human resources offices throughout the Department.

"After our young men and women have concluded serving in our military, VA will use every hiring flexibility available to bring their talents and skills to our Department should they want to continue to serve this great Nation through VA," said Deputy Secretary of Veterans Affairs Gordon H. Mansfield.

"VA believes enhancing a veteran's opportunity for employment is not merely the obligation of a grateful Nation. It is good government and good business. This stepped-up recruitment and hiring of veterans into the Department of Veterans Affairs ensures we are able to employ some of our Nation's most highly motivated, disciplined, and experienced citizens," added Mansfield.

During FY 2007, 31 percent of VA employees were veterans, and nearly 7.7 percent were service-connected disabled veterans.



## VACO Veterans Career Fair a “Huge Success”



Veterans Rick Schiessler and Billy Wright have a conversation while at the One-VA Veterans Career Fair.

More than 300 veterans attended the One-VA Veterans Career Fair in September to learn more about jobs available at VA Central Office (VACO) and local VA facilities. This was the first job fair hosted by VACO Human Resources (HR) aimed specifically at veterans and the turnout exceeded all expectations. “The job fair was a huge success and is another indication of VA’s commitment to serving veterans,” said Acting Deputy Assistant Secretary for Human Resources Management Willie L. Hensley. “I plan to ask the administrations and staff offices to help us expand this effort to local communities around the country.”

Participating veterans learned about the federal application process, had questions answered by HR professionals, and talked one-on-one with VA employers from VHA, VBA, NCA, IT, General Counsel, and other offices seeking to fill positions. The job fair, along with other veteran recruitment programs such as the Veterans Employment Coordinator Service, is one of several VA HR initiatives designed to help VA meet its succession planning goals and boost the number of veteran employees in its workforce.



**Significant Trends, Impacts, and Use and Verification of FY 2008 Results**

Key Measure																											
VOCATIONAL REHABILITATION AND EMPLOYMENT (VR&E) REHABILITATION RATE																											
Performance Trends				Impact on the Veteran																							
<table border="1"> <thead> <tr> <th>Year</th> <th>Results</th> <th>Targets</th> </tr> </thead> <tbody> <tr> <td>2004</td> <td>62%</td> <td>67%</td> </tr> <tr> <td>2005</td> <td>63%</td> <td>66%</td> </tr> <tr> <td>2006</td> <td>73%</td> <td>69%</td> </tr> <tr> <td>2007</td> <td>73%</td> <td>73%</td> </tr> <tr> <td>2008</td> <td>76%</td> <td>75%</td> </tr> <tr> <td>ST</td> <td>N/A</td> <td>80%</td> </tr> </tbody> </table>				Year	Results	Targets	2004	62%	67%	2005	63%	66%	2006	73%	69%	2007	73%	73%	2008	76%	75%	ST	N/A	80%	<p>A “rehabilitated” veteran is one who successfully completes the rehabilitation program plan. Rehabilitated veterans are capable and equipped with the required skills and tools needed to hold suitable employment or improved ability to live independently.</p> <p>Over the past several years, VA has improved performance in this area due to several factors including the following:</p> <ul style="list-style-type: none"> <li>• VA has placed an increased focus on ensuring veterans are employable by completing the program.</li> <li>• The hiring of employment coordinators has allowed VA to refine the employment coordinator role and provide more direct job placement services.</li> <li>• Training of counselors, managers, and employment coordinators has enabled VA to provide a higher quality of service to veterans. Training is focused on Maximum Rehabilitation Gains, Functional Capacity Evaluations, use of Cognitive Assistive Devices, and Independent Living.</li> </ul>		
Year	Results	Targets																									
2004	62%	67%																									
2005	63%	66%																									
2006	73%	69%																									
2007	73%	73%																									
2008	76%	75%																									
ST	N/A	80%																									
<p>ST = Strategic Target</p>				<p><b>How VA Verifies Results Data for Accuracy</b></p> <p>Data are verified monthly against the source data by Vocational Rehabilitation and Employment Service analysts and distributed to regional offices.</p> <p>The regional offices review the data to ensure alignment with activities performed and that the data agree with the raw data submitted for analysis.</p>																							
				<p><b>How VA Leadership Uses Results Data</b></p> <p>The key indicator of the effectiveness of the VR&amp;E program is the rehabilitation rate. The measure is used to assess the performance of vocational rehabilitation counselors, counseling psychologists, VR&amp;E officers, and regional office directors as well as the effectiveness of the program and services provided.</p> <p>For detailed information on how this measure is calculated, please see the definitions section in Part IV.</p>																							



## Additional Performance Information for Strategic Objective 1.3

### OIG Major Management Challenges and GAO High-Risk Areas

VA's Office of Inspector General did not identify any major management challenges related to this objective. The Government Accountability Office did not identify any high-risk areas related to this objective.

### Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Vocational Rehabilitation and Employment Program during CY 2006, which resulted in a rating of "Adequate." Please see OMB PART reviews on page 76 for more information.

### Program Evaluations

In response to the Secretary's Task Force Report of 2004 on the Vocational Rehabilitation and Employment Program, an outside entity was contracted to perform a Veterans Employability Research Study to quantify and document reasons veterans discontinue the VR&E Program before completion.

Upon receipt of the Veterans Employability Research Study findings in February 2008, VR&E contracted an outside entity to perform a follow-up study on employment-based rehabilitated veterans. In contrast to the Veterans Employability Research Study, this study will:

- Examine the employment activities of successfully rehabilitated employment-based participants as well as those who discontinued program participation.

- Give VR&E Service an understanding of optimal needs and services for vocational rehabilitation participants and their successful readjustment to civilian employment.

### Other Important Results

VR&E Service conducted several training sessions for counselors, managers, and employment coordinators on topics including:

- Fiscal Accuracy and Integrity
- Program Outcome Accuracy
- Maximum Rehabilitation Gains
- Functional Capacity Evaluations
- Cognitive Assistive Devices
- Independent Living

In addition, VR&E Service completed 2 of 6 Electronic Performance Support System (EPSS) modules. These modules provide reference tools for current staff and a standardized training tool for newly hired staff, ensuring consistent service provision to veterans.

Through the Quality Assurance Review program, VR&E Service was able to identify areas that warranted attention and additional training for all VR&E counselors. Standardized training is provided to improve the counselors' service to veterans nationwide. These training sessions were provided throughout the year; it is anticipated that improvement will be demonstrated during the next fiscal year's quality assurance reviews.

### Data Verification and Measure Validation

More details on data verification and quality and measure validation for the key measure that supports this objective are provided in the Key Measures Data Table on page 228.



## Complete Listing of Measures Supporting Strategic Objective 1.3

**Green or G:** Target was met or exceeded. **Yellow or Y:** Target was not met, but the deviation was not significant or material. **Red or R:** Target was not met, but the deviation was significant or material

Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	

<b>Recap</b>	
Green	6
Yellow	0
Red	0
<b>Total</b>	<b>6</b>

**Strategic Goal 1: Restore the capability of veterans with disabilities to the greatest extent possible, and improve the quality of their lives and that of their families.**

Objective 1.3: Provide eligible service-connected disabled veterans with the opportunity to become employable and obtain and maintain employment, while delivering special support to veterans with serious employment handicaps.

<b>Rehabilitation rate % (VR&amp;E)</b>	62%	63%	73%	73%	76% G	75%	80%
Speed of entitlement decisions in average days (VR&E)	57	62	54	54	48 G	52	40
Accuracy of decisions (Services) % (VR&E)	86%	87%	82%	77%	82% G	79%	96%
Customer satisfaction (Survey) % (VR&E) (1) No customer satisfaction survey was performed for 2005-2007. (2) 2008 data will be available by the end of CY 2009.	79%	(1) N/A	(1) N/A	(1) N/A	(2) TBD	84%	92%
Accuracy of Vocational Rehabilitation program completion decisions % (VR&E)	94%	97%	95%	93%	95% G	94%	99%
Serious Employment Handicap (SEH) Rehabilitation Rate % (VR&E)	N/A	N/A	73%	73%	75% G	75%	80%
<b>Common Measures**</b>							
Percent of participants employed first quarter after program exit (VR&E)	N/A	N/A	N/A	N/A	N/A	N/A	80%
Percent of participants still employed three quarters after program exit (VR&E)	N/A	N/A	N/A	N/A	N/A	N/A	85%
Percent change in earnings from pre-application to post-program employment (VR&E)	N/A	N/A	N/A	N/A	N/A	N/A	TBD
Average cost of placing participant in employment (VR&E)	N/A	N/A	N/A	\$8,856	\$8,000 G	\$8,000	\$6,500
** These are designated as "common measures" because they are also used by other agencies that manage vocational rehabilitation programs. They also support the Performance Improvement Initiative of the President's Management Agenda. Targets shown above are estimates and may change. VBA anticipates receiving the first batch of data from the Department of Labor in December 2008. This information will be used to set a baseline.							

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.





## STRATEGIC OBJECTIVE 1.4

### *Improved Standard of Living for Eligible Survivors*

*Improve the standard of living and income status of eligible survivors of service-disabled veterans through compensation, education, and insurance benefits.*

## Making a Difference for the Veteran

### Advisory Committee on Gulf War Veterans

Gulf War veterans made an invaluable contribution to national security and peace in a volatile region. Established by Secretary Peake in April 2008, the Advisory Committee on Gulf War Veterans will review the Department's benefits and services and recommend policies to ensure that they adapt to the needs of veterans who served in the Southwest Asia theater of operations during 1990–1991.

The 14-member committee is comprised of Gulf War and other veterans, veterans service organizations' representatives, medical experts, and the survivor of a Gulf War veteran. These members were selected to provide a variety of perspectives, experiences, and expertise.

The committee held its first meeting in June 2008 and its second in September.

During the meetings, the committee has received in-depth presentations on benefits, services, and clinical standards and practices from the National Cemetery, Veterans Benefits, and Veterans Health Administrations. Veterans from across the country have attended the meetings and given their perspectives and recommendations during public comment periods. Additionally, veterans who have not been able to travel to the meetings have been able to listen through the Veterans Affairs Nationwide Teleconferencing System (VANTS) and submit their comments in writing.

During the September meeting, the committee spoke with five Gulf War veterans at the Washington, DC VA Medical Center. The members were able to hear veterans' experiences with the claims process as well as their experiences at the medical center. The veterans were candid in voicing their concerns and appreciative for the opportunity to speak face to face with a committee formed to address Gulf War veterans' health care and benefits needs. The committee is expected to complete its work within 18 months.



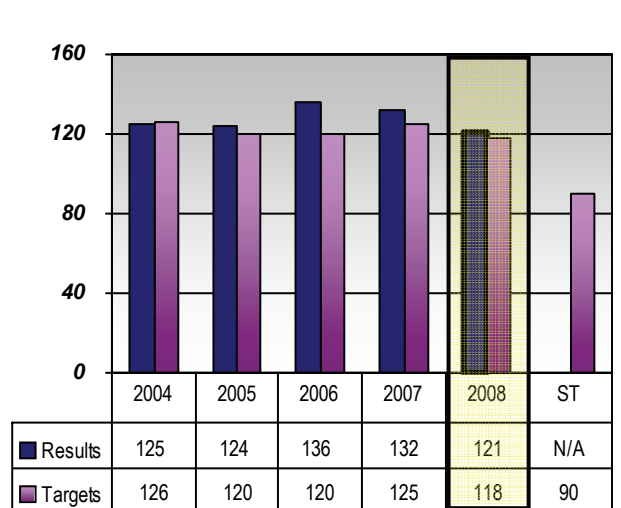
*Department of Veterans Affairs  
2008  
Gulf War Advisory Committee*



**Significant Trends, Impacts, Use and Verification of FY 2008 Results**

**Key Measure**  
**AVERAGE DAYS TO PROCESS DEPENDENCY AND INDEMNITY COMPENSATION (DIC) ACTIONS**

**Performance Trends**



ST = Strategic Target

**How VA Verifies Results Data for Accuracy**

Data extracted from VBA systems of record (that is, Benefits Delivery Network and VETSNET) are captured electronically through a fully automated reporting process.

VBA's Performance Analysis & Integrity (PA&I) staff assesses the data on a monthly basis to detect discrepancies that would indicate an error in the automated data collection system. This review by PA&I staff and leadership ensures accurate reporting, consistency, and absence of anomalies.

**Impact on the Veteran**

Although VA missed the 2008 target by 3 days, the length of time it takes to process a DIC claim has decreased from an average of 132 days in 2007 to 121 days in 2008. Thus, compared with 2007, survivors and dependents wait on average 11 fewer days to receive their benefits.

**How VA Leadership Uses Results Data**

Based on recent performance and the strong desire to improve, VA leadership will consolidate DIC claims processing within three Pension Management Centers in 2009.

Through this centralization, leadership anticipates that DIC claims processing will experience improvements in timeliness without sacrificing accuracy of decisions.



## Additional Performance Information for Strategic Objective 1.4

### OIG Major Management Challenges

- Workload (see page 274 for more details)
- Quality (see page 276 for more details)
- Staffing (see page 278 for more details)
- Benefits Delivery Network System Records (see page 287 for more details)

### GAO High-Risk Areas

- Modernizing Federal Disability Programs (see page 307 for more details)

### Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Compensation program during CY 2002, which resulted in a rating of "Results Not Demonstrated." Please see OMB PART reviews on page 75 for more information.

### Program Evaluations

The Veterans' Disability Benefits Commission began work in May 2005. The purpose of the Commission was to carry out a study of the benefits under the laws of the United States that are provided to compensate and assist veterans and their survivors for disabilities and deaths attributable to military service, and to produce a report on the study. The Commission issued its findings and recommendations in October 2007.

In response to the recommendations, VA contracted with Economic Systems, Inc., to conduct studies and provide recommendations for incorporating Long-Term Transition Payments, Quality of Life Benefit Payments, and Earnings Loss Payments into the VA compensation

structure. The study began in February 2008.

### New Policies, Procedures, or Process Improvements

In 2008 VA did the following:

- Began routine quarterly monitoring of compensation and pension rating decisions by diagnostic code.
- Began Disability Evaluation System (DES) pilot in the National Capital Region in cooperation with DoD for active duty persons entering the Physical Evaluation Board process in November 2007.
  - The pilot program aims to ensure that all servicemembers separating from service have the opportunity to enroll in the VA Health Care System.
- Began processing all Benefits Delivery at Discharge cases in a paperless environment in August 2008.
- Continued consolidation efforts including the following:
  - Consolidation of customer service calls to nine National Call Center, which began in November 2007 and is scheduled to be completed in FY 2009.
  - Establishment of a fiduciary hub pilot, consolidating fiduciary activities to one site in August 2008.
  - Consolidation of original pension and reopened pension work to the three Pension Management Centers, which began in May 2008 and concluded in September 2008.

### Data Verification and Measure Validation

More details on data verification and quality and measure validation for the key measure that supports this objective are provided in the Key Measures Data Table on page 228.



## Complete Listing of Measures Supporting Strategic Objective 1.4

**Green or G:** Target was met or exceeded. **Yellow or Y:** Target was not met, but the deviation was not significant or material. **Red or R:** Target was not met, but the deviation was significant or material.

Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target										
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets											
<b>Strategic Goal 1: Restore the capability of veterans with disabilities to the greatest extent possible, and improve the quality of their lives and that of their families.</b>																	
Objective 1.4: Improve the standard of living and income status of eligible survivors of service-disabled veterans through compensation, education, and insurance benefits.																	
<table border="1" style="float: right; margin-left: auto;"> <thead> <tr> <th colspan="2"><b>Recap</b></th> </tr> </thead> <tbody> <tr> <td>Green</td> <td>0</td> </tr> <tr> <td>Yellow</td> <td>1</td> </tr> <tr> <td>Red</td> <td>0</td> </tr> <tr> <td><b>Total</b></td> <td><b>1</b></td> </tr> </tbody> </table>								<b>Recap</b>		Green	0	Yellow	1	Red	0	<b>Total</b>	<b>1</b>
<b>Recap</b>																	
Green	0																
Yellow	1																
Red	0																
<b>Total</b>	<b>1</b>																

Average days to process - DIC actions (Compensation)	125	124	136	132	121 Y	118	90
Percent of DIC recipients who are satisfied that VA recognized their sacrifice (Compensation)	80%	N/A	N/A	(2)	(2)	(2)	(2)
(2) This measure is being removed as it does not reflect the intent of the governing statute of the Compensation program.							

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.



## Strategic Goal Two

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

### STRATEGIC OBJECTIVE 2.1

#### *Reentry into Civilian Life*

*Ease the reentry of new veterans into civilian life by increasing awareness of, access to, and use of VA health care, benefits, and services.*

### Making a Difference for the Veteran

#### VA Outreach to OEF/OIF Veterans



Dr. James B. Peake, Secretary of Veterans Affairs kicked off the outreach campaign by calling an injured OEF/OIF veteran to highlight VA services that were available to him.

In May, the Department of Veterans Affairs (VA) began contacting nearly 570,000 recent combat veterans to ensure they knew about VA's medical services and other benefits.

"We will reach out and touch every veteran of Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF) to let them know we are here for them," said Dr. James B. Peake, Secretary of Veterans Affairs. "VA is committed to getting these veterans the help they need and deserve."

A "Combat Veteran Call Center" telephoned two distinct populations of veterans from Iraq and Afghanistan.

In the first phase, calls went to an estimated 15,500 veterans who were sick or injured while serving in Iraq or Afghanistan. VA offered to appoint a care manager to work with them if they did not already have one. Care managers ensure veterans receive appropriate care and know about their VA benefits.

For 5 years after their discharge from the military, these combat veterans have special access to VA health care. VA personnel have been deployed to the military's major medical centers to assist wounded servicemembers and their families during the transition to civilian lives.

The second phase launched in June is targeting 550,000 OEF/OIF veterans who have been discharged from active duty but have not contacted VA for services. Once contacted, veterans are informed about VA's benefits and services.

"We will leave no stone unturned to reach these veterans," said Dr. Edward Huycke, Chief of the Veterans Affairs - Department of Defense coordination office.



**Significant Trends, Impacts, Use and Verification of FY 2008 Results**

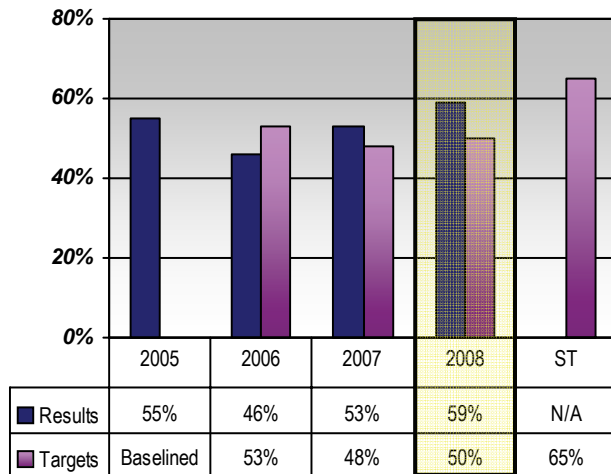
<b>Supporting Measure</b>															
<b>PERCENT OF APPOINTMENTS FOR PRIMARY CARE SCHEDULED WITHIN 30 DAYS OF DESIRED DATE FOR VETERANS AND SERVICEMEMBERS RETURNING FROM A COMBAT ZONE</b>															
<u>Performance Trends</u>		<u>Impact on the Veteran</u>													
<table border="1" style="margin-top: 10px;"> <thead> <tr> <th></th> <th>2007</th> <th>2008</th> <th>ST</th> </tr> </thead> <tbody> <tr> <td>Results</td> <td>95%</td> <td>97%</td> <td>N/A</td> </tr> <tr> <td>Targets</td> <td>90%</td> <td>96%</td> <td>97%</td> </tr> </tbody> </table>					2007	2008	ST	Results	95%	97%	N/A	Targets	90%	96%	97%
	2007	2008	ST												
Results	95%	97%	N/A												
Targets	90%	96%	97%												
<p>ST = Strategic Target</p>															
<u>How VA Verifies Results Data for Accuracy</u>		<u>How VA Leadership Uses Results Data</u>													
<p>VA's VistA scheduling software captures data and requires minimal interpretation to ensure accuracy. VA's data quality/accuracy standards are applied, and data pulls undergo audits and ongoing verification to ensure accuracy. Collection staff is skilled and trained in proper procedures of the scheduling package.</p>		<p>Delivery of primary care is critical to preventative health care and timely disease identification for all Americans.</p> <p>Timely access to VA medical staff and facilities is therefore critical to servicemembers returning from a combat zone. With a 96 percent result, VA is confident that veterans are receiving primary care when and where they need it.</p> <p>VA uses the results of this measure to inform and drive quality improvement activities that promote shorter waiting times by improving efficiencies, addressing missed opportunities, and providing management with information to make resource decisions as they relate to servicemembers returning from a combat zone. For example, a) during FY 2008, 29 VHA facilities with the largest numbers of patients waiting to be seen were paired (in order to receive coaching) with 29 facilities of the same complexity levels with the fewest numbers of patients waiting. Excellent results have accrued; b) VHA has defined staff support ratios essential to optimizing Primary Care panel management. Tracking of staff support ratios is ongoing; during FY 2008, facilities in which staff support ratios were found to be sub-optimal were required to provide action plans and timelines to bring the facilities into compliance.</p>													



**Supporting Measure**

**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 SERVICEMEMBER’S DISCHARGE**

**Performance Trends**



ST = Strategic Target

**Impact on the Veteran**

The Benefits Delivery at Discharge (BDD) and Quick Start programs provide a seamless transition from the DoD health care system into the VA medical and benefits system.

The BDD program helps servicemembers who have only 60 to 180 days remaining before separation and/or retirement to file for VA service-connected disability compensation. The Quick Start program helps servicemembers with fewer than 60 days to discharge or who do not meet the BDD criterion requiring availability for all examinations prior to discharge to submit a claim prior to discharge.

In 2008, VA received more than 47,000 pre-discharge BDD and Quick Start claims.

**How VA Verifies Results Data for Accuracy**

Fully automated VETSNET Operations Report (VOR) data are available on a continuous basis regarding the number of BDD and Quick Start claims received and completed. C&P staff reviews the data monthly to identify trends in the number and types of claims being filed through the BDD and Quick Start claims process. Participation rate information is calculated at the end of the fiscal year by DoD.

**How VA Leadership Uses Results Data**

VA uses the results data to measure the participation rate in the BDD program. Together with DoD, VA seeks to achieve a participation rate of 65 percent by 2011.



## **Additional Performance Information for Strategic Objective 2.1**

### **OIG Major Management Challenges and GAO High-Risk Areas**

VA's Office of Inspector General did not identify any major management challenges related to this objective. The Government Accountability Office did not identify any high-risk areas related to this objective.

### **Program Assessment Rating Tool (PART) Evaluation**

No PART evaluations have been completed that specifically address this objective.

### **Program Evaluations**

No independent program evaluations have been conducted recently that specifically address this objective.

### **New Policies, Procedures, or Process Improvements**

Pre-discharge claims for compensation are accepted within 180 days prior to separation at any intake site for National Guard members, Reservists, and those undergoing medical and physical evaluation boards.

In November 2007, VA and the Department of Defense began the Disability Evaluation System (DES) Pilot in the National Capital Region for those servicemembers entering the medical evaluation board and physical evaluation board process. In FY 2008, 712 servicemembers participated in the pilot. The pilot program aims to ensure that all servicemembers separating from service have the opportunity to enroll in the VA Health Care System. VA and DoD are exploring opportunities to expand the pilot beyond the National Capital Region.

In May 2008, the VA Outreach Office initiated a pilot demobilization program with the Army. The initial visit was made to Ft. Bragg, North Carolina, and Camp Shelby, Mississippi. The purpose of this initiative is to inform demobilizing reserve component (RC) combat veterans of their enhanced VA health care

benefits during their mandatory demobilization separation briefings; offer assistance to demobilizing RC soldiers in completion of the enrollment form 1010EZ and collect completed forms; and develop a similar process for demobilizing RC combat veterans from the other services. VA encourages 100 percent enrollment at the demobilization sites. VA has executed outreach and enrollment programs at 15 Army sites, 4 Navy ports, 3 U.S. Marine bases, and will initiate support at Air Force and Coast Guard demobilization sites in the near future. Presently over 4,000 demobilizing RC veterans have completed the enrollment forms on site at demobilization stations across the Nation.

In July 2008, VA expanded the Benefits Delivery at Discharge (BDD) program to servicemembers separating from installations that do not have local memoranda of understanding with VA in place.

Because of the BDD program's unique process, it is being used to evaluate the viability of "paperless claims processing." All contents of a BDD claims folder, including a servicemember's application for benefits, VA's duty to assist notification letter, and Service Treatment records are scanned into the Virtual VA imaging and document management repository to establish a complete "e-Folder." VBA employees review the e-Folder rather than the paper claims folder to support any necessary development and conduct the rating decision through the use of the VETSNET suite of applications. Effective in August 2008, all new BDD claims are processed in the paperless claims environment.

### **Other Important Results**

VA is actively participating in the DoD Post Deployment Health Reassessment (PDHRA) program at Reserve and Guard locations by providing information on VA care and benefits, enrolling Reservists and Guardsmen in the VA healthcare system, and arranging appointments for referred servicemembers. Since inception in 2007, over 208,450 Reserve and Guard members completed the PDHRA on-site screen resulting





in over 43,700 referrals to VHA facilities and 20,025 referrals to Vet Centers.

VA's Center for Faith-Based and Community Initiatives (CFBCI) develops and coordinates VA's outreach efforts to disseminate information more effectively to faith-based and other community organizations (FBCOs) in the provision of services to OEF/OIF veterans. FBCOs partner with local VA programs within the community to enhance service delivery options.

An example of this effort is the VA Chaplain Service Veterans Community Outreach Initiatives, which provide training to local clergy in the community. Local VA chaplains conduct half-day training events throughout the country to provide education and resources for clergy members and others regarding physical, mental,

and spiritual health issues experienced by some returning warriors and their families. VA Chaplain Service has sponsored 65 Education Day Events around the Nation and distributed over 2,600 Resource Information Packets on caring for returning warriors and their families. Chaplain Open Houses provide local FBCOs with information about existing programs and how they can participate in these programs. VA hosted 23 Open Houses, which reached nearly 700 participants.

#### **Data Verification and Quality**

VA's data quality improvement efforts, including its work on data verification and validation, are described in the Assessment of Data Quality on page 217.



## Complete Listing of Measures Supporting Strategic Objective 2.1

**Green or G:** Target was met or exceeded. **Yellow or Y:** Target was not met, but the deviation was not significant or material. **Red or R:** Target was not met, but the deviation was significant or material.

Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	

<b>Strategic Goal 2: Ensure a smooth transition for veterans from active military service to civilian life.</b>							
Objective 2.1: Ease the reentry of new veterans into civilian life by increasing awareness of, access to, and use of VA health care, benefits, and services.							

<b>Recap</b>	
Green	6
Yellow	0
Red	0
<b>Total</b>	<b>6</b>

Percent of veterans returning from a combat zone who respond "yes, completely" to survey questions on the following:							
If they believe that their VA provider listened to them (through July)	N/A	N/A	Baseline	64%	* 79% G	70%	76%
If they had trust and confidence in their VA provider (through July)	N/A	N/A	Baseline	59%	* 75% G	70%	76%
Percent of appointments for primary care scheduled within 30 days of desired date for veterans and servicemembers returning from a combat zone	N/A	N/A	Baseline	95%	97% G	96%	97%
Percent of unclassified electronic DoD health records available electronically to VA clinicians for separated servicemembers (VHA)	N/A	N/A	N/A	100%	100% G	100%	100%
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 servicemember's discharge (Compensation)	N/A	55%	46%	53%	59% G	50%	65%
Number of outpatient visits at Joint Ventures and significant sites (Facilities providing 500 or more outpatient visits and/or admissions per year) (VHA)	N/A	N/A	121,229	102,595	N/A	126,128	133,845
Number of pilot, demonstration, and existing programs implemented by VA in which faith-based and community organizations participate (CFBCI)	N/A	4	6	12	12 G	12	14



## STRATEGIC OBJECTIVE 2.2

### *Decisions on Education Claims*

*Enhance the ability of veterans and servicemembers to achieve educational and career goals by providing timely and accurate decisions on education claims and continuing payments at appropriate levels.*

## Making a Difference for the Veteran

### Enhanced Educational Benefits for America's Veterans



National Guard and the Reserves who serve on active duty will see a significant increase in their educational benefits.

Some members of the National Guard and the Reserves who serve on active duty will see a significant increase in their educational benefits, thanks to new improvements to the education benefit program.

“Reservists and National Guardsmen who serve multiple tours on active duty may get an increase in their educational benefits, in keeping with the value of their service to our Nation,” said Secretary of Veterans Affairs Dr. James B. Peake in March.

Under new provisions, members who accumulate 3 years on active duty, regardless of breaks in service, may be eligible for the maximum payment under the Reserve Education Assistance Program (REAP). Previously, reservists and guardsmen had to serve 2 continuous years on active duty to receive the highest payment.

The new law, part of the National Defense Authorization Act of 2008, also expands the period of eligibility for certain Guard and Reserve members who complete their service obligation before separation from the

selected reserve.

Additionally, some REAP-eligible National Guard and Reserve members may now make an extra contribution to the Department of Defense to increase their monthly benefit rates.

Participants in REAP and the Montgomery GI Bill program for the Selected Reserve who pursue non-degree programs lasting less than 2 years may also be eligible to receive accelerated payments.

For more information on changes to VA's GI Bill benefits, go to **Web:** [www.GIBILL.va.gov](http://www.GIBILL.va.gov) or call 1-888-GIBILL1 (or 1-888-442-4551).



**Significant Trends, Impacts, Use and Verification of FY 2008 Results**

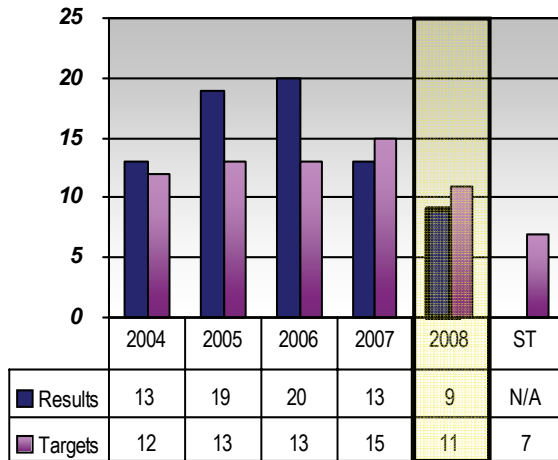
Key Measure																								
AVERAGE DAYS TO COMPLETE ORIGINAL EDUCATION CLAIMS																								
Performance Trends				Impact on the Veteran																				
<table border="1"> <tr> <td>2004</td> <td>2005</td> <td>2006</td> <td>2007</td> <td>2008</td> <td>ST</td> </tr> <tr> <td>26</td> <td>33</td> <td>40</td> <td>32</td> <td>19</td> <td>N/A</td> </tr> <tr> <td>24</td> <td>25</td> <td>27</td> <td>35</td> <td>24</td> <td>10</td> </tr> </table>				2004	2005	2006	2007	2008	ST	26	33	40	32	19	N/A	24	25	27	35	24	10	<p>The timeliness of completing original education claims improved from 32 days in 2007 to 19 days in 2008. Thus, compared with 2007, veterans waited on average 13 fewer days to receive their initial award notification and payment. Timely payments to veterans for educational claims are critical to helping them meet their educational goals.</p>		
2004	2005	2006	2007	2008	ST																			
26	33	40	32	19	N/A																			
24	25	27	35	24	10																			
				How VA Leadership Uses Results Data																				
<p>ST = Strategic Target</p>				<p>VA management uses performance results to pinpoint areas of performance weakness and then takes appropriate corrective actions. Such actions include hiring additional employees to process claims and authorizing additional funding at the processing offices to enable employees to work overtime.</p>																				
How VA Verifies Results Data for Accuracy				<p>The improvement in performance during 2008 was primarily due to the continued performance of the Education Call Center that was established in 2007. The Call Center enabled Regional Processing Office (RPO) employees to process more claims and reduce the backlog of pending claims. Employees at the Call Center answered education program inquiries from servicemembers, reservists, veterans, and dependents.</p>																				
<p>Quality review staff verifies the data. Accuracy of timeliness data entry for quarterly quality review sample cases is examined to determine reliability of automated data reports.</p>																								
<p>There are documented procedures to guide staff responsible for verifying the accuracy of timeliness data, and for those staff who enter the source data. Data are captured electronically and Distribution of Operational Resources (DOOR) reports are automatically generated. Data are analyzed monthly and verified quarterly.</p>																								



**Key Measure**

**AVERAGE DAYS TO COMPLETE SUPPLEMENTAL EDUCATION CLAIMS**

**Performance Trends**



ST = Strategic Target

**Impact on the Veteran**

The timeliness of completing supplemental education claims improved from 13 days in 2007 to 9 days in 2008. Thus, compared with 2007, veterans waited on average 4 fewer days to receive their award notification and payment. Timely payments to veterans for educational claims are critical to helping veterans meet their educational goals.

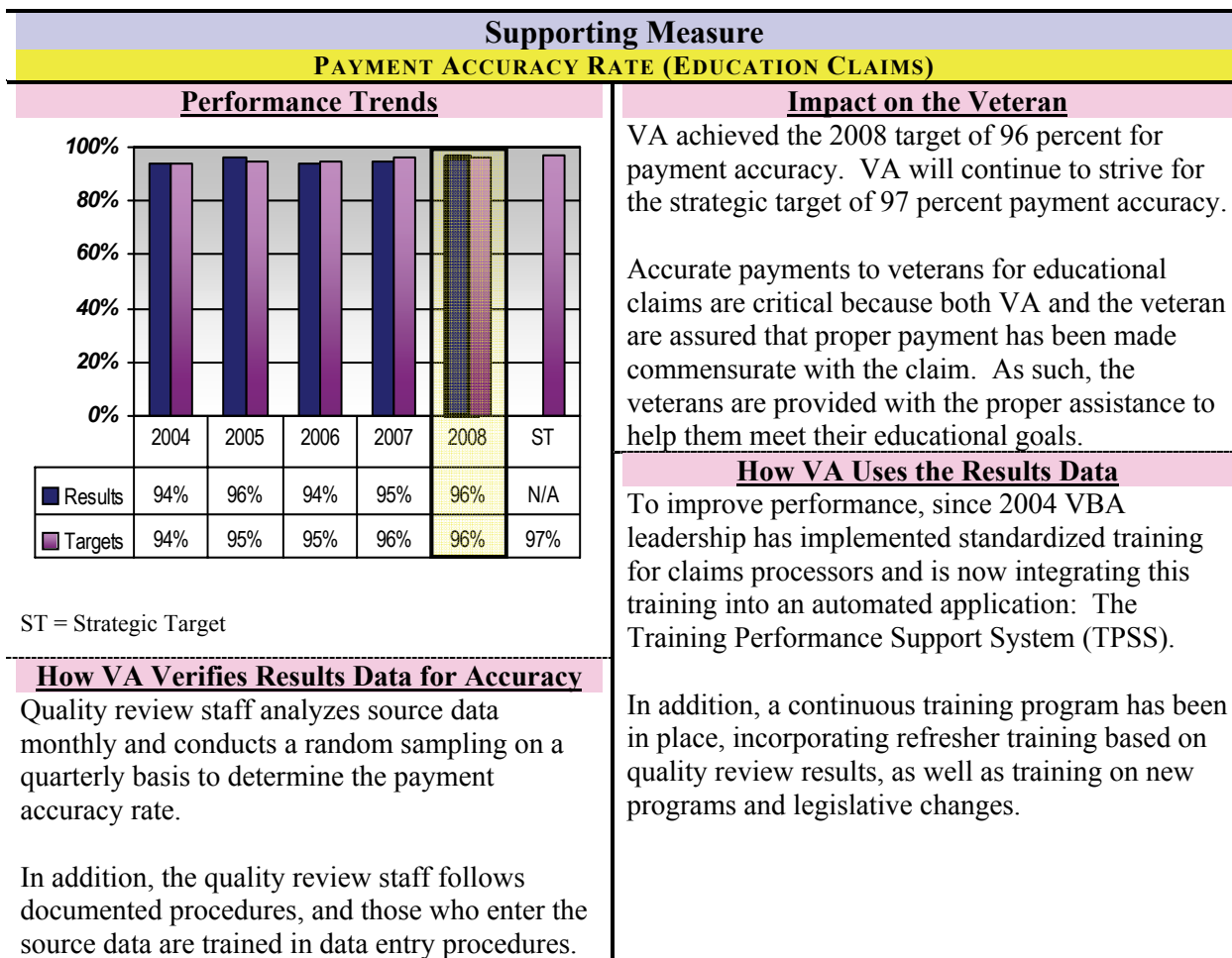
**How VA Uses the Results Data**

VA management uses performance results to pinpoint areas of performance weakness and then takes appropriate corrective actions. As stated on the previous page, the formation of the Educational Call Center in 2007 enabled VA to process more supplemental claims and reduce the backlog of pending claims.

**How VA Verifies Results Data for Accuracy**

Quality review staff verifies the data. Accuracy of timeliness data entry for quarterly quality review sample cases is examined to determine reliability of automated data reports.

There are documented procedures to guide staff responsible for verifying the accuracy of timeliness data, and for those staff who enter the source data. Data are captured electronically and Distribution of Operational Resources (DOOR) reports are automatically generated. Data are analyzed monthly and verified quarterly.



### Additional Performance Information for Strategic Objective 2.2

#### OIG Major Management Challenges and GAO High-Risk Areas

VA's Office of Inspector General did not identify any major management challenges related to this objective. The Government Accountability Office did not identify any high-risk areas related to this objective.

#### Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Education program during CY 2003,

which resulted in a rating of "Results Not Demonstrated." Please see OMB PART reviews on page 77 for more information.

#### Program Evaluations

No independent program evaluations have been conducted recently that specifically address this objective.

#### New Policies, Procedures, or Process Improvements

VA implemented several major policies and procedures that enhanced the ability of veterans and servicemembers to achieve educational and career goals in 2008, including the following:

- Issued instructions to implement Centralized Certification of Enrollment for educational institutions.



- Issued instructions for processing National Test claims, which allow VA to reimburse claimants for the fee charged for one national test for admission to institutions of higher learning under the Montgomery GI Bill-Selected Reserve and the Reserve Educational Assistance Program.
- Issued instructions for processing Reserve Educational Assistance Program additional contribution payments.
- Removed the signature requirement for hard copy applications for education benefits, thus reducing the workload and improving claims processing time. The signature requirement is not required by law.

#### **Other Important Results**

In 2008, Education Service implemented nine recommendations from its 2006 RPO workshop. The recommendations primarily dealt with policy and information technology systems-related modifications that improved VA's ability to process claims more efficiently.

#### **Data Quality**

VA is migrating information technology applications to the VBA corporate environment. We have begun development of the new Work Study Management System (WSMS), which

creates and manages contracts and timesheets associated with work study benefits, and the new Flight, On-the-job training, Correspondence, Apprenticeship System (FOCAS). Presently, both WSMS and the legacy FOCAS applications are single-user, stand-alone applications residing at the four VA RPOs. The current development efforts will move these applications to the VBA Web-based enterprise architecture.

Consolidating the stand-alone applications into a single database is expected to improve the quality of data for both work study and FOCAS claims. WSMS is scheduled to be deployed in March 2009, and FOCAS is scheduled to be deployed in September 2009.

#### **Data Verification and Measure Validation**

More details on data verification and measure validation for the two key measures that support this objective is provided in the Key Measures Data Table on page 228.



## Complete Listing of Measures Supporting Strategic Objective 2.2

**Green or G:** Target was met or exceeded. **Yellow or Y:** Target was not met, but the deviation was not significant or material. **Red or R:** Target was not met, but the deviation was significant or material.

Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	

<b>Recap</b>	
Green	6
Yellow	0
Red	0
<b>Total</b>	<b>6</b>

**Strategic Goal 2: Ensure a smooth transition for veterans from active military service to civilian life.**

Objective 2.2: Enhance the ability of veterans and servicemembers to achieve educational and career goals by providing timely and accurate decisions on education claims and continuing payments at appropriate levels.

Average days to complete original education claims	26	33	40	32	19 G	24	10
Average days to complete supplemental education claims	13	19	20	13	9 G	11	7
Montgomery GI Bill usage rate (%): Veterans who have passed their 10-year eligibility period (Estimate)	71%	71%	70%	70%	* 71% G	71%	80%
Customer satisfaction-high rating (Education)	86%	(1) N/A	(1) N/A	(1) N/A	(1) N/A	89%	95%
Telephone Activities - Blocked call rate % (Education)	20%	38%	43%	32%	4% G	20%	10%
Telephone Activities - Abandoned call rate % (Education) (a) Corrected	10%	17%	20%	(a) 14%	5% G	10%	5%
Payment accuracy rate % (Education)	94%	96%	94%	95%	96% G	96%	97%
<b>Measures Under Development</b>							
Percent of Montgomery GI Bill participants who successfully completed an education or training program	N/A	N/A	N/A	N/A	N/A	TBD	TBD
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	N/A	N/A	N/A	N/A	(1) N/A	TBD	TBD
(1) No customer satisfaction survey was performed for 2005-2008. VBA anticipates that a survey office will be in place in 2009 and that the first survey will be conducted in 2010 for 2009.							

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.





## Strategic Goal Three

*Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.*

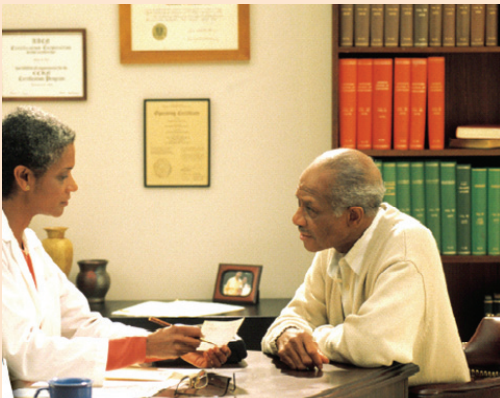
### STRATEGIC OBJECTIVE 3.1

#### *Delivering Health Care*

*Provide high-quality, reliable, accessible, timely, and efficient health care that maximizes the health and functional status of enrolled veterans, with special focus on veterans with service-connected conditions, those unable to defray the costs, and those statutorily eligible for care.*

### Making a Difference for the Veteran

#### VA Promoting Healthy Lifestyles



“VA’s patients should consider themselves partners with our health professionals in managing their own care,” said Dr. James B. Peake, Secretary of Veterans Affairs. “They need to ensure they eat right, exercise regularly, and stay on the move.”

With more than 70 percent of patients coming to the Department of Veterans Affairs (VA) for health care found to be overweight, VA is boosting its efforts to increase veterans’ fitness through exercise, good nutrition, and healthy lifestyles.

“VA’s patients should consider themselves partners with our health professionals in managing their own care,” said Dr. James B. Peake, Secretary of Veterans Affairs. “They need to ensure they eat right, exercise regularly, and stay on the move.”

MOVE, in fact, is the name for a VA program at each of the Department’s 153 medical centers in which veterans have their body fat measured and receive “prescriptions” for exercises and nutrition.

VA officials say the need for fitness is clear. Not only do its veteran patients have a higher rate of obesity than the rest of the country’s population, but 20 percent of VA patients also have diabetes, a rate almost 3 times higher than other Americans.

Under VA’s MOVE program, diabetic patients get regular screenings of blood sugar levels and other problem areas. Patients can complete a questionnaire about their lifestyle and vital signs that gives doctors information about how to best support patients’ efforts to improve their lifestyles.

Veterans and VA employees are eligible to take part in a “Champions Challenge” by committing themselves to walk 100 miles in 100 days.

MOVE and the “Champions Challenge” are part of a broader VA program called HealthierUS Veterans. A joint project between VA and the Department of Health and Human Services, HealthierUS Veterans educates veterans and their families about the risks of obesity and diabetes, and encourages them to eat healthy, stay active, and get fit for life.

For more information about VA’s MOVE program, visit the [Web](http://www.move.va.gov/) site at [www.move.va.gov/](http://www.move.va.gov/).

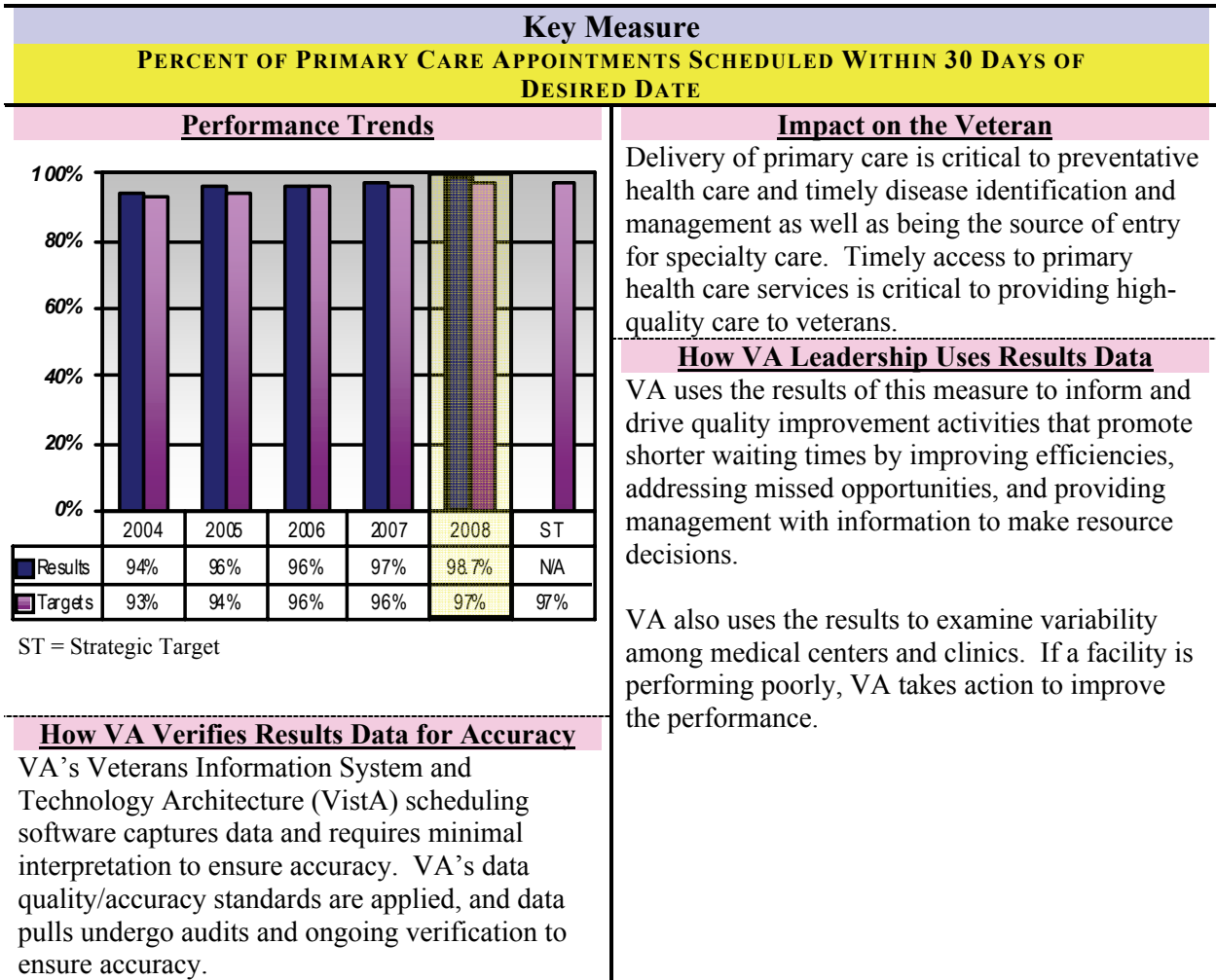


**Significant Trends, Impacts, and VA's Use and Verification of FY 2008 Results**

Key Measure																						
CLINICAL PRACTICE GUIDELINES INDEX II																						
Performance Trends	Impact on the Veteran																					
<table border="1" style="margin-top: 10px;"> <thead> <tr> <th></th> <th>2004</th> <th>2005</th> <th>2006</th> <th>2007</th> <th>2008</th> <th>ST</th> </tr> </thead> <tbody> <tr> <td>Results</td> <td>77%</td> <td>87%</td> <td>83%</td> <td>83%</td> <td>84%</td> <td>N/A</td> </tr> <tr> <td>Targets</td> <td>70%</td> <td>77%</td> <td>77%</td> <td>84%</td> <td>85%</td> <td>87%</td> </tr> </tbody> </table>		2004	2005	2006	2007	2008	ST	Results	77%	87%	83%	83%	84%	N/A	Targets	70%	77%	77%	84%	85%	87%	<p>This measure targets promotion of early identification and treatment of potentially disabling and/or deadly diseases such as acute cardiac diseases, hypertension, diabetes, major depressive disorder, and schizophrenia, as well as tobacco use cessation. VA uses this measure to assess the quality of health care being delivered to its patients in accordance with industry standards.</p> <p style="background-color: #fce4d6; text-align: center;"><b>How VA Leadership Uses Results Data</b></p> <p>Early identification and intervention of acute and potentially disabling chronic diseases enable VA to target education, disease management, and care access to prevent and/or limit the effects of potentially disabling diseases and improve the quality of life for the veteran.</p>
	2004	2005	2006	2007	2008	ST																
Results	77%	87%	83%	83%	84%	N/A																
Targets	70%	77%	77%	84%	85%	87%																
<p>(1) Actual data through 07/2008. Final data are expected in 12/2008.                  (2) The 2004 and 2005 results are for CPGI I. The 2006, 2007, and 2008 results are CPGI II. In FY 2009, VHA is transitioning to CPGI III.                  (3) ST = Strategic Target</p>																						
<p style="text-align: center;"><b>How VA Verifies Results Data for Accuracy</b></p> <p>VA is committed to data accuracy for reporting on the clinical quality of care. Sampling of the patient population for evaluation of the quality of care indicators for the Clinical Practice Guidelines Index (CPGI) and the Prevention Index (PI) are done through a standardized sampling framework by a statistician. Data are abstracted through trained, 3<sup>rd</sup> party, contracted staff (External Peer Review Program) who reviews the medical record for the quality metrics VA tracks.</p>																						

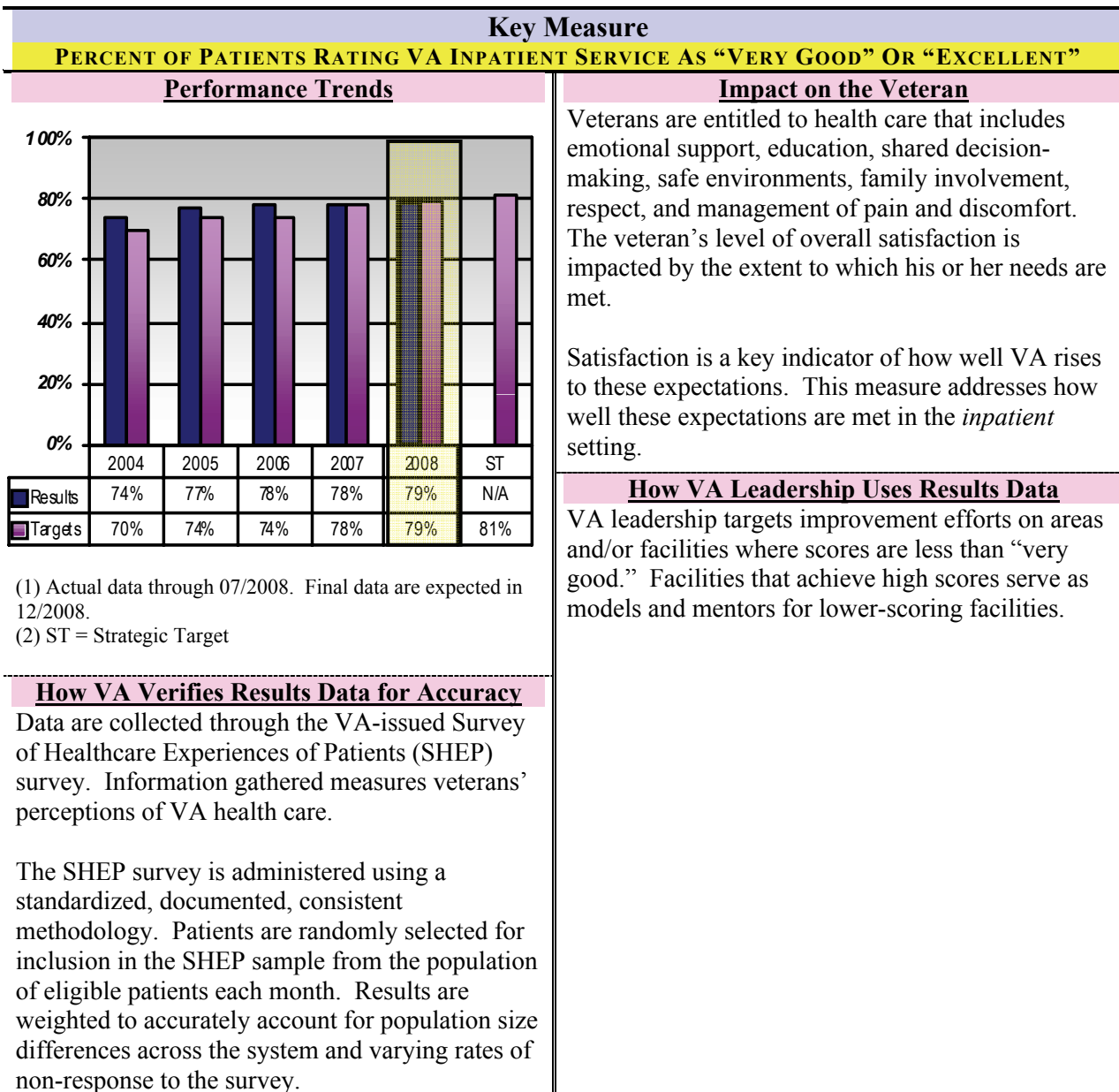


Key Measure																											
PREVENTION INDEX III																											
Performance Trends					Impact on the Veteran																						
<table border="1"> <thead> <tr> <th>Year</th> <th>Results (%)</th> <th>Targets (%)</th> </tr> </thead> <tbody> <tr> <td>2004</td> <td>88%</td> <td>82%</td> </tr> <tr> <td>2005</td> <td>90%</td> <td>88%</td> </tr> <tr> <td>2006</td> <td>88%</td> <td>88%</td> </tr> <tr> <td>2007</td> <td>88%</td> <td>88%</td> </tr> <tr> <td>2008</td> <td>88%</td> <td>88%</td> </tr> <tr> <td>ST</td> <td>N/A</td> <td>88%</td> </tr> </tbody> </table>							Year	Results (%)	Targets (%)	2004	88%	82%	2005	90%	88%	2006	88%	88%	2007	88%	88%	2008	88%	88%	ST	N/A	88%
Year	Results (%)	Targets (%)																									
2004	88%	82%																									
2005	90%	88%																									
2006	88%	88%																									
2007	88%	88%																									
2008	88%	88%																									
ST	N/A	88%																									
<p>(1) Actual data through 07/2008. Final data are expected in 12/2008.            (2) The 2004 and 2005 results are for PI II. The 2006, 2007, and 2008 results are PI III. In FY 2009, VHA is transitioning to PI IV.            (3) ST = Strategic Target</p>					<p><b>How VA Leadership Uses Results Data</b></p> <p>Early identification and intervention for risky behaviors and disease risk enable VA to target education, immunization programs, and clinic access to prevent and/or limit potential disabilities resulting from these activities and/or diseases. VA targets all outpatients for its prevention measures. VA targets the inpatient population for education on disease-specific care such as discharge instructions for the congestive heart failure patient and the need for immunizations for patients with pneumonia.</p>																						
<p><b>How VA Verifies Results Data for Accuracy</b></p> <p>VA is committed to data accuracy for reporting on the clinical quality of care. Sampling of the patient population for evaluation of the quality of care indicators for the Clinical Practice Guidelines Index (CPGI) and the Prevention Index (PI) are done through a standardized sampling framework by a statistician. Data are abstracted through trained, 3<sup>rd</sup> party, contracted staff (External Peer Review Program) who reviews the medical record for the quality metrics VA tracks.</p>																											





Key Measure						
PERCENT OF SPECIALTY CARE APPOINTMENTS SCHEDULED WITHIN 30 DAYS OF DESIRED DATE						
Performance Trends					Impact on the Veteran	
	2004	2005	2006	2007	2008	ST
■ Results	93%	93%	94%	95%	97.5%	N/A
■ Targets	90%	93%	93%	95%	95%	96%
ST = Strategic Target						
<b>How VA Verifies Results Data for Accuracy</b>					<b>How VA Leadership Uses Results Data</b>	
<p>VA's Veterans Information System and Technology Architecture (VistA) scheduling software captures data and requires minimal interpretation to ensure accuracy. VA's data quality/accuracy standards are applied, and data pulls undergo audits and ongoing verification to ensure accuracy.</p>					<p>Specialty care appointments are the vehicle by which VA treats veterans with diseases and disabilities requiring specialized medical, rehabilitation, surgical, or other unique resources. Timely access to VA medical staff and facilities is therefore critical to those veterans in need of specialty care.</p> <p>VA uses the results of this measure to inform and drive quality improvement activities that promote shorter waiting times by improving efficiencies, addressing missed opportunities, and providing management with information to make resource decisions.</p> <p>VA also uses the results to examine variability among medical centers and clinics. If a facility is performing poorly, VA takes action to improve performance.</p>	



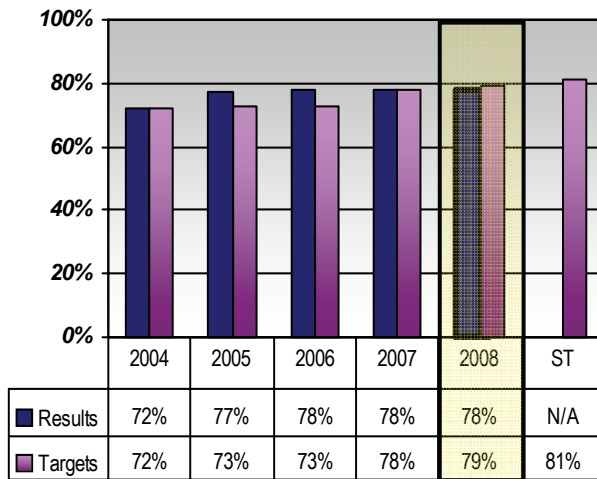
(1) Actual data through 07/2008. Final data are expected in 12/2008.  
 (2) ST = Strategic Target



**Key Measure**

**PERCENT OF PATIENTS RATING VA OUTPATIENT SERVICE AS “VERY GOOD” OR “EXCELLENT”**

**Performance Trends**



- (1) Actual data through 07/2008. Final data are expected in 12/2008.
- (2) ST = Strategic Target

**How VA Verifies Results Data for Accuracy**

Data are collected through the VA-issued Survey of Healthcare Experiences of Patients (SHEP) survey. Information gathered measures veterans’ perceptions of VA health care.

The SHEP survey is administered using a standardized, documented, consistent methodology. Patients are randomly selected for inclusion in the SHEP sample from the population of eligible patients each month. Results are weighted to accurately account for population size differences across the system and varying rates of non-response to the survey.

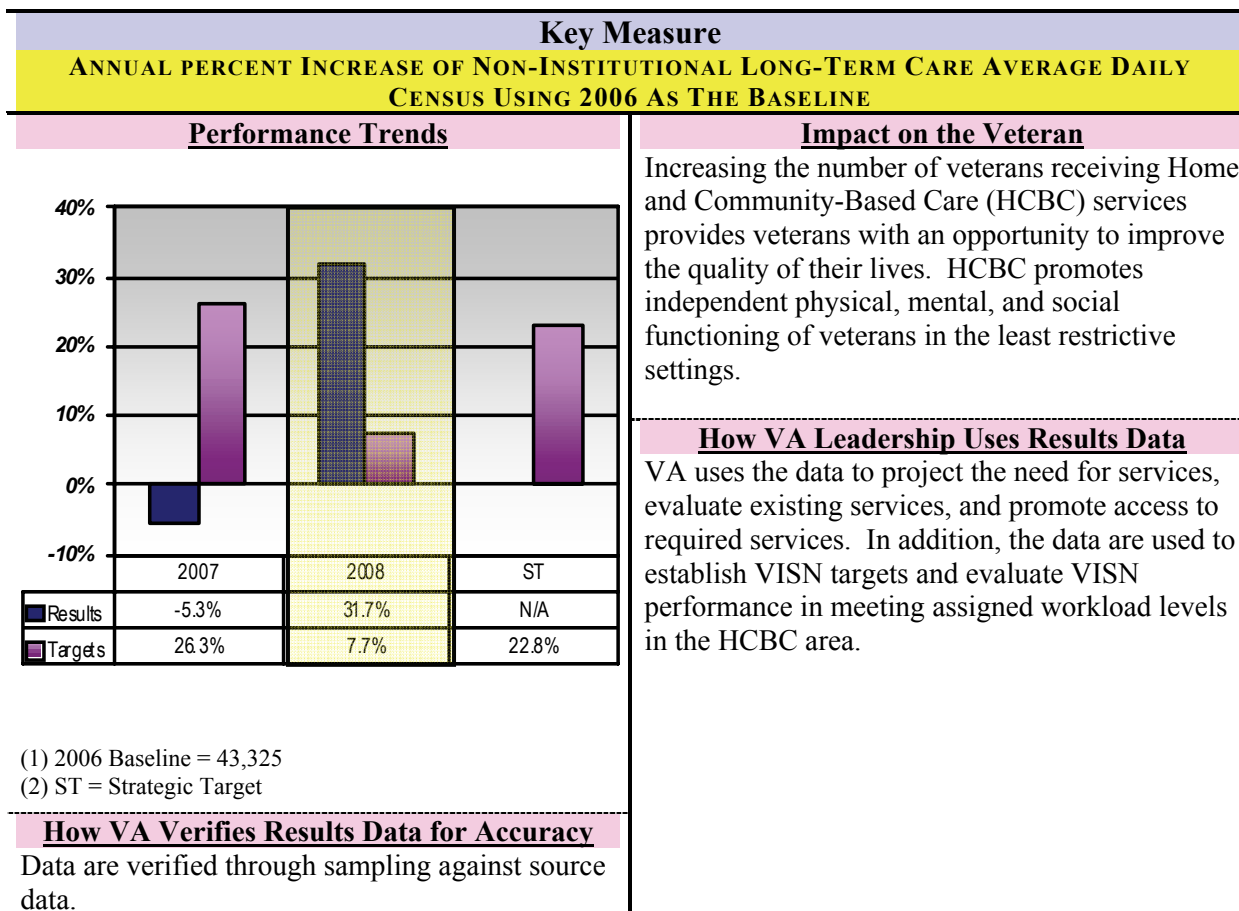
**Impact on the Veteran**

Veterans are entitled to health care that includes emotional support, education, shared decision-making, safe environments, family involvement, respect, and management of pain and discomfort. The veteran’s level of overall satisfaction is impacted by the extent to which his or her needs are met.

Satisfaction is a key indicator of how well VA rises to these expectations. This measure addresses how well these expectations are met in the *outpatient* setting.

**How VA Leadership Uses Results Data**

VA leadership targets improvement efforts on areas where scores are less than “very good.” Facilities that achieve high scores serve as models and mentors for lower-scoring facilities. These improvement efforts may target any part of the facility from programs to individual clinics.



(1) 2006 Baseline = 43,325  
 (2) ST = Strategic Target

### Additional Performance Information for Strategic Objective 3.1

#### OIG Major Management Challenges

- Quality of Health Care (see page 256 for more details)
- New and Significantly-Increased Health Problems Associated with OEF/OIF (see page 266 for more details)

#### GAO High-Risk Areas

The Government Accountability Office did not identify any high-risk areas related to this objective.

#### Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Medical Care program during CY 2003, which resulted in a rating of "Adequate." Please see OMB PART reviews on page 79 for more information.

#### Program Evaluations

A program evaluation of VA's oncology program is being conducted by Abt Associates in conjunction with Harvard Medical School. It was begun in 2005 and will be completed in 2010.





Given the complexity and unique nature of the different types of cancer, the scope of the study is limited to a subset of six oncologies which represent either the highest prevalence or special populations: lung, colorectal, prostate, myeloma, non-Hodgkins lymphoma, and breast cancer. **These six cancers account for about 73 percent of the 42,000 newly-diagnosed cancer cases in VA each year.**

The evaluation examines the quality of care for veteran patients and their clinical outcomes, as well as questions on access, availability and utilization of services, pain and end-of-life management, the use of pharmaceuticals and clinical trials, cancer care capabilities within each medical center, and cost. In 2008 VA received two of the six cancer data sets, which included the performance indicators. The indicators are developed and vetted by cancer experts. We have received the measures of performance for colon, prostate, and lung cancers so far. We expect to receive them for breast and hematologic cancers, symptom management, and end-of-life care later in 2009.

VHA will implement Colorectal Cancer measures in the External Peer Review Program. They provide objective, specific measures to evaluate quality care by VA practitioners; they are also used to evaluate network directors' performance. Additional deliverables are reports on VISN comparisons for colorectal cancer that will give us concrete information on such things as mortality and morbidity, cancer services, and patient outcomes. These will allow us to address any recommendations to improve outcomes and services.

#### **New Policies, Procedures, or Process Improvements**

VA has mandated that all OEF/OIF veterans who come to VA for care are screened for TBI. Screening policy and procedures have been defined in a VA directive.

OEF/OIF TBI screening is done through a clinical reminder and rolls up nationally. This provides information on all patients who qualify

to be screened and identifies the patients requiring follow-up.

Veterans with positive screens are offered timely follow-up evaluations by providers with training and expertise in TBI evaluation and care. In addition, an algorithm for the management of TBI symptoms has been developed by VA experts and disseminated nationally to veterans and their families as well as to providers.

#### **Other Important Results**

Performance measurement data are collected on several domains of care on a quarterly basis. These domains include mental health, prevention/health promotion, access to timely care, health care measures for OEF/OIF, and inpatient care. Medical care experts then analyze the data to provide information to the system on these key areas. The analysis includes an examination of quality of care by gender, as well as care for specific populations such as spinal cord injury and disease-specific care. Our aim is to improve the quality of care for our veterans.

#### **Data Verification and Measure Validation**

More details on data verification and measure validation for the key measures that support this objective is provided in the Key Measures Data Table on pages 230-233.



## Complete Listing of Measures Supporting Strategic Objective 3.1

**Green or G:** Target was met or exceeded. **Yellow or Y:** Target was not met, but the deviation was not significant or material. **Red or R:** Target was not met, but the deviation was significant or material.

Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target										
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets											
<b>Strategic Goal 3: Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.</b>																	
							<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center;"><b>Recap</b></td> </tr> <tr> <td style="padding: 2px;">Green</td> <td style="text-align: right; padding: 2px;">6</td> </tr> <tr> <td style="padding: 2px;">Yellow</td> <td style="text-align: right; padding: 2px;">4</td> </tr> <tr> <td style="padding: 2px;">Red</td> <td style="text-align: right; padding: 2px;">0</td> </tr> <tr> <td style="border-top: 1px solid black; padding: 2px;">Total</td> <td style="text-align: right; border-top: 1px solid black; padding: 2px;">10</td> </tr> </table>	<b>Recap</b>		Green	6	Yellow	4	Red	0	Total	10
<b>Recap</b>																	
Green	6																
Yellow	4																
Red	0																
Total	10																

Objective 3.1: Provide high-quality, reliable, accessible, timely, and efficient health care that maximizes the health and functional status of enrolled veterans, with special focus on veterans with service-connected conditions, those unable to defray the costs, and those statutorily eligible for care.

<b>Percent of patients rating VA health care service as very good or excellent:</b>							
<b>Inpatient (through July)</b>	74%	77%	78%	78%	* 79% G	79%	81%
<b>Outpatient (through July)</b>	72%	77%	78%	78%	* 78% Y	79%	81%
Percent of primary care appointments scheduled within 30 days of desired date	94%	96%	96%	97%	98.7% G	97%	97%
Percent of specialty care appointments scheduled within 30 days of desired date	93%	93%	94%	95%	97.5% G	95%	96%
Percent of new patient appointments completed within 30 days of desired date	N/A	N/A	N/A	N/A	Baseline	Baseline	95%
Percent of unique patients waiting more than 30 days beyond the desired appointment date	N/A	N/A	N/A	N/A	Baseline	Baseline	10%
Clinical Practice Guidelines Index II (through July) <small>The 2004 and 2005 results are for CPGII. The 2006, 2007, and 2008 results are CPGI II. In FY 2009, VHA is transitioning to CPGI III.</small>	77%	87%	83%	83%	* 84% Y	85%	87%
Prevention Index III (through July) <small>The 2004 and 2005 results are for PI II. The 2006, 2007, and 2008 results are PI III. In FY 2009, VHA is transitioning to PI IV.</small>	88%	90%	88%	88%	* 88% G	88%	88%
Annual percent increase of non-institutional, long-term care average daily census using 2006 as the baseline <b>(1) Baseline = 43,325</b>	N/A	N/A	(1) Baseline	-5.3%	31.7% G	7.7%	22.8%
Number of new enrollees waiting to be scheduled for their first appointment (electronic waiting list) (Estimate) <b>(1) Corrected</b>	N/A	N/A	(1) 3,700	127	* 96 G	<200	<200
Percent of patients who report being seen within 20 minutes of scheduled appointments at VA health care facilities (through July)	69%	73%	74%	74%	* 76% Y	80%	90%
Percent of Admission notes by surgical residents that have a note from attending physician within one day of hospital admission to a surgery bed service	N/A	75%	86%	89%	89% Y	95%	95%

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.



## STRATEGIC OBJECTIVE 3.2

### *Decisions on Pension Claims*

*Provide eligible veterans and their survivors a level of income that raises their standard of living and sense of dignity by processing pension claims in a timely and accurate manner.*

## Making a Difference for the Veteran

### VA Improves Pension Processing Through Consolidation



Pictured above is the Milwaukee Regional Office which houses one of VBA's Pension Management Centers.

In September 2008, the Veterans Benefits Administration (VBA) completed consolidation of original pension claims for veterans and survivors from 57 regional offices to three Pension Management Centers (PMCs) located in Philadelphia, Pennsylvania, St. Paul, Minnesota, and Milwaukee, Wisconsin. Pension benefits provide monthly payments to income-eligible wartime veterans at age 65 or over or to those who are permanently and totally disabled. Additionally, the pension program provides monthly payments to income-eligible surviving spouses and dependent children of deceased wartime veterans who die as a result of a disability unrelated to military service.

VBA began its pension consolidation efforts in January 2002 when pension maintenance work was transferred from regional offices to the PMCs with three main tasks: 1) process annual Eligibility Verification Reports, 2) conduct integrity/matching programs, and 3) issue income maintenance awards. With the latest consolidation, the PMCs now have assumed the responsibility of processing all aspects of pension claims.

VBA demonstrated improved accuracy and oversight following the consolidation of pension maintenance work. The goal of this consolidation is to further improve accuracy, timeliness, and administration of benefits and services for all of our needs-based programs.

For more information, go to [Web: www.vba.va.gov/bln/21/pension/index.htm](http://www.vba.va.gov/bln/21/pension/index.htm) or call 1-877-294-6380.



**Significant Trends, Impacts, Use and Verification of FY 2008 Results**

Key Measure																								
AVERAGE DAYS TO PROCESS COMPENSATION AND PENSION RATING-RELATED ACTIONS																								
Performance Trends				Impact on the Veteran																				
<table border="1"> <thead> <tr> <th>Year</th> <th>Results</th> <th>Targets</th> </tr> </thead> <tbody> <tr> <td>2004</td> <td>166</td> <td>145</td> </tr> <tr> <td>2005</td> <td>167</td> <td>145</td> </tr> <tr> <td>2006</td> <td>177</td> <td>185</td> </tr> <tr> <td>2007</td> <td>183</td> <td>160</td> </tr> <tr> <td>2008</td> <td>179</td> <td>169</td> </tr> </tbody> </table>				Year	Results	Targets	2004	166	145	2005	167	145	2006	177	185	2007	183	160	2008	179	169	<p>The average length of time it takes to process claims for compensation or pension has decreased by 4 days from 183 days in 2007 to 179 days in 2008. For the veteran, this is a slight improvement over last year's results and it means that on average they are waiting slightly less time for a compensation or pension claim decision.</p>		
Year	Results	Targets																						
2004	166	145																						
2005	167	145																						
2006	177	185																						
2007	183	160																						
2008	179	169																						
				How VA Leadership Uses Results Data																				
				<p>To improve the average days to process, VA hired nearly 2,000 new employees in 2008. As these new employees are trained and gain experience, they will help reduce processing time. In addition, consolidation of original and reopened disability and death pension claims to the three Pension Management Centers (PMCs), which began in May 2008, was completed in September 2008. Survivors benefit claims and dual claims (having both compensation and pension issues) will be consolidated to the three PMCs in FY 2009. This increases the resources dedicated to disability claims processing.</p>																				
				How VA Verifies Results Data for Accuracy																				
<p>Data extracted from VBA systems of record (that is, Benefits Delivery Network and VETSNET) are captured electronically through a fully automated reporting process and imported into an enterprise data warehouse.</p> <p>VBA's Performance Analysis &amp; Integrity (PA&amp;I) staff assesses the data on a monthly basis to detect discrepancies that would indicate an error in the automated data collection system. This review by PA&amp;I staff and leadership ensures accurate reporting, consistency, and absence of anomalies. All reports produced from the enterprise data warehouse were developed using business rules provided by each of VBA's business lines.</p>																								

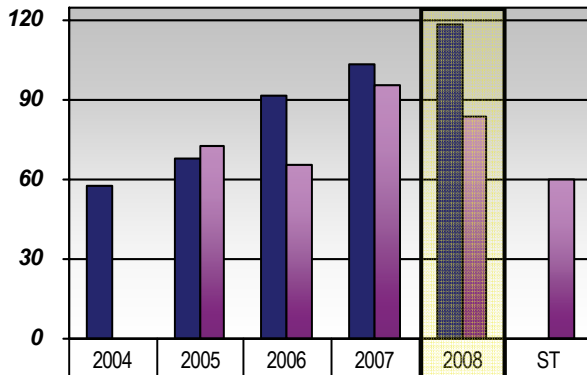
ST = Strategic Target



**Key Measure**

**AVERAGE DAYS TO PROCESS NON-RATING PENSION ACTIONS**

**Performance Trends**



	2004	2005	2006	2007	2008	ST
■ Results	58	68	92	104	119	N/A
■ Targets	Baselined	73	66	96	84	60

ST = Strategic Target

**How VA Verifies Results Data for Accuracy**

Data extracted from VBA systems of record (that is, Benefits Delivery Network and VETSNET) are captured electronically through a fully automated reporting process and imported into an enterprise data warehouse.

VBA's Performance Analysis & Integrity (PA&I) staff assesses the data on a monthly basis to detect discrepancies that would indicate an error in the automated data collection system. This review by PA&I staff and leadership ensures accurate reporting, consistency, and absence of anomalies. All reports produced from the enterprise data warehouse were developed using business rules provided by each of VBA's business lines.

**Impact on the Veteran**

The average time to process non-rating pension actions in 2008 grew to 119 days, an increase of 15 days since 2007. This increase occurred as VA hired and trained new employees to handle the increased workload at the three Pension Management Centers (PMCs).

Training took time and resources away from claims processing and adjudication work. However, once new employees are fully trained, processing times will decrease.

**How VA Leadership Uses Results Data**

To address declining performance, VA consolidated the processing of original and reopened disability and death pension claims to the three Pension Management Centers (PMCs) in 2008.

Survivors benefit claims and dual claims (having both compensation and pension issues) will also be consolidated to the three PMCs in 2009. The consolidation strategy will increase resources dedicated to disability claims processing.



Key Measure																								
NATIONAL ACCURACY RATE FOR PENSION AUTHORIZATION WORK																								
Performance Trends				Impact on the Veteran																				
<table border="1"> <thead> <tr> <th>Year</th> <th>Results</th> <th>Targets</th> </tr> </thead> <tbody> <tr> <td>2004</td> <td>84%</td> <td>Baselined</td> </tr> <tr> <td>2005</td> <td>86%</td> <td>84%</td> </tr> <tr> <td>2006</td> <td>88%</td> <td>88%</td> </tr> <tr> <td>2007</td> <td>91%</td> <td>89%</td> </tr> <tr> <td>2008</td> <td>92%</td> <td>92%</td> </tr> </tbody> </table>				Year	Results	Targets	2004	84%	Baselined	2005	86%	84%	2006	88%	88%	2007	91%	89%	2008	92%	92%	<p>Despite increased workload, VA has continued to improve the accuracy of non-rating pension work, thereby ensuring that those veterans most in need of financial resources receive the maximum benefit payable.</p>		
Year	Results	Targets																						
2004	84%	Baselined																						
2005	86%	84%																						
2006	88%	88%																						
2007	91%	89%																						
2008	92%	92%																						
				How VA Leadership Uses Results Data																				
				<p>VA leadership uses technical accuracy reviews to identify areas where specialized training is needed on either a local or national level.</p>																				
				<p>Leadership has expanded use of the C&amp;P STAR quality staff to do more sampling and analysis of claims decisions.</p>																				
				<p>With a greater number of pension-specific cases being reviewed by STAR quality staff, there is greater opportunity to provide feedback to the field, which has positive and immediate effects on accuracy.</p>																				
				How VA Verifies Results Data for Accuracy																				
				<p>Data are analyzed weekly and results are tabulated monthly and annually by the STAR quality staff. The information is entered manually into a nationalized database, which is reviewed on a monthly basis and provided to field stations for additional feedback. C&amp;P STAR quality staff conducts claims processing accuracy reviews monthly for a random sample of cases from regional offices.</p>																				

(1) Actual data through 07/2008. Final data are expected in 12/2008.  
 (2) ST = Strategic Target

**Additional Performance Information for Strategic Objective 3.2**

**OIG Major Management Challenges**

- Workload (see page 274 for more details)
- Quality (see page 276 for more details)
- Staffing (see page 278 for more details)
- Benefits Delivery Network System Records (see page 287 for more details)

**GAO High-Risk Areas**

- Modernizing Federal Disability Programs (see page 307 for more details)



### **Program Assessment Rating Tool (PART) Evaluation**

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Pension program during CY 2005, which resulted in a rating of "Adequate." Please see OMB PART reviews on page 81 for more information.

### **Program Evaluations**

No independent program evaluations have been conducted recently that specifically address this objective.

### **New Policies, Procedures, or Process Improvements**

VA expanded the STAR quality staff to perform routine quarterly monitoring of the most commonly rated disabilities in January 2008.

VA began a Disability Evaluation System (DES) pilot in the national capital region in cooperation with DoD for active duty persons entering the Physical Evaluation Board process in November 2007.

Benefits Delivery at Discharge centers began processing claims in a paperless environment in August 2008.

VA completed a pilot project of consistency reviews focused on individual unemployability decisions from a regional office identified as a statistical outlier.

VA continued improvement of exam worksheets, templates, and template-generated exam reports based on technical enhancements and field input. A satellite broadcast on improving quality of exam requests aired in early 2008.

The Department drafted rulemaking to update the following portions of the VA Schedule for Rating Disabilities:

- Organs of Special Sense (the eye)
- Neurological Conditions and Convulsive Disorders
- Evaluation of Scars

In February 2008, VA contracted with Economic Systems, Inc., to conduct studies and provide recommendations regarding Long-Term Transition Payments, Quality of Life (QOL) Benefit Payments, and Earnings Loss Payments in the VA compensation structure.

VA continued consolidation efforts such as the following:

- Began consolidation of customer service calls to nine National Call Centers in November 2007, which is scheduled to be completed in 2009.
- Established a fiduciary hub pilot, consolidating fiduciary activities to one site in August 2008.
- Began consolidation of original and reopened disability and death pension claims to the three Pension Management Centers in May 2008. This was completed in September 2008.

### **Data Verification and Measure Validation**

More details on data verification and quality and measure validation for the key measures that support this objective are provided in the Key Measures Data Table on page 232.



## Complete Listing of Measures Supporting Strategic Objective 3.2

**Green or G:** Target was met or exceeded. **Yellow or Y:** Target was not met, but the deviation was not significant or material. **Red or R:** Target was not met, but the deviation was significant or material.

Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	

Recap	
Green	3
Yellow	1
Red	4
<b>Total</b>	<b>8</b>

Strategic Goal 3: Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.

Objective 3.2: Provide eligible veterans and their survivors a level of income that raises their standard of living and sense of dignity by processing pension claims in a timely and accurate manner.

<b>Non-rating pension actions - average days to process</b>	58	68	92	104	119 R	84	60
<b>National accuracy rate (authorization pension work) % (through July)</b>	84%	86%	88%	91%	* 92% G	92%	98%
<b>Compensation &amp; Pension rating-related actions - average days to process</b>	166	167	177	183	179 R	169	125
<b>National accuracy rate (core rating-related pension work) % (through July)</b>	93%	90%	90%	91%	* 88% R	93%	98%
<b>Rating-related pension actions - average days pending</b>	77	83	90	89	87 G	90	65
<b>Overall satisfaction rate % (Pension)</b>	66%	65%	(1) N/A	(1) N/A	(1) N/A	71%	90%
<b>Percent of pension recipients who were informed of the full range of available benefits</b>	40%	41%	(1) N/A	(1) N/A	(1) N/A	45%	60%
<b>Percent of pension recipients who said their claim determination was very or somewhat fair</b>	64%	65%	(1) N/A	(1) N/A	(1) N/A	70%	75%
<b>Percent of pension recipients who believe that the processing of their claim reflects the courtesy, compassion, and respect due to a veteran</b>	N/A	78%	(1) N/A	(1) N/A	(1) N/A	82%	95%
<b>National accuracy rate (Fiduciary work) % (Compensation &amp; Pension) (through July)</b>	81%	85%	83%	84%	* 82% Y	85%	98%
<b>Appeals resolution time (Number of Days) (Joint Compensation and Pension measure with BVA) (a) 2008 and Strategic Targets established by BVA</b>	529	622	657	660	645 G	(a) 700	(a) 675
<b>Productivity Index % (Compensation and Pension)</b>	N/A	N/A	90%	88%	79% R	90%	100%

(1) No customer satisfaction survey was performed for 2006-2008. VBA anticipates that a survey office will be in place in 2009 and that the first survey will be conducted in 2010 for 2009.

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.





## STRATEGIC OBJECTIVE 3.3

### *Providing Insurance Service*

*Maintain a high level of service to insurance policyholders and their beneficiaries to enhance the financial security of veterans' families.*

## Making a Difference for the Veteran

### VA Reduces SGLI and VGLI Premium Rates



The reduction in premiums makes VA life insurance even more affordable for today's men and women in uniform.

On July 1, premiums decreased for veterans and military personnel with life insurance policies managed by VA, thanks to improved investment earnings and a reduction in non-combat claims.

The premium cuts affect military personnel covered by Servicemembers' Group Life Insurance (SGLI) and veterans covered by Veterans' Group Life Insurance (VGLI).

"The reduction in SGLI premiums makes life insurance even more affordable for today's men and women in uniform," said Secretary of Veterans Affairs Dr. James B. Peake. "Lower VGLI premiums will allow more veterans to provide this low-cost financial security to their families. With servicemembers putting their lives at risk against terrorism, life insurance coverage is more important than ever."

To obtain more information about the SGLI and VGLI premium reductions or to view a table with the new VGLI rates, visit the VA insurance [Web](#) site at [www.insurance.va.gov](http://www.insurance.va.gov), or call the Office of Servicemembers' Group Life Insurance at 1-800-419-1473.



**Significant Trends, Impacts, Use and Verification of FY 2008 Results**

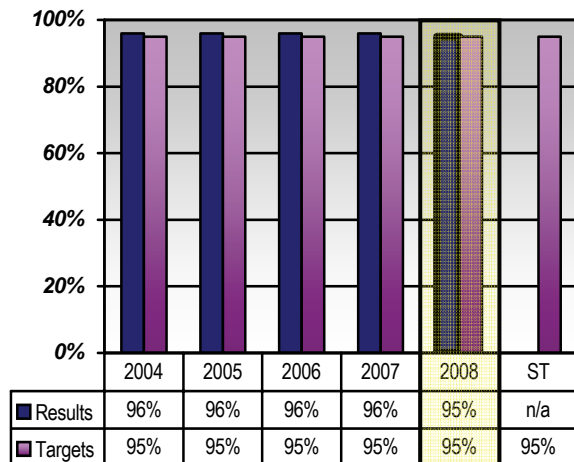
<b>Key Measure</b>																			
<b>AVERAGE NUMBER OF DAYS TO PROCESS TRAUMATIC INJURY PROTECTION SERVICEMEMBERS' LIFE INSURANCE (TSGLI) DISBURSEMENTS</b>																			
<b>Performance Trends</b>			<b>Impact on the Veteran</b>																
<table border="1" style="margin-top: 10px;"> <tr> <td></td> <td>2006</td> <td>2007</td> <td>2008</td> <td>ST</td> </tr> <tr> <td>■ Results</td> <td>3.8</td> <td>3.0</td> <td>2.5</td> <td>N/A</td> </tr> <tr> <td>■ Targets</td> <td>Baselined</td> <td>5</td> <td>5</td> <td>5</td> </tr> </table> <p>ST = Strategic Target</p>						2006	2007	2008	ST	■ Results	3.8	3.0	2.5	N/A	■ Targets	Baselined	5	5	5
	2006	2007	2008	ST															
■ Results	3.8	3.0	2.5	N/A															
■ Targets	Baselined	5	5	5															
<p><b>How VA Verifies Results Data for Accuracy</b></p> <p>The Office of Servicemembers' Group Life Insurance (OSGLI) compiles the data monthly in accordance with written procedures. VA randomly samples data received from OSGLI and notifies OSGLI of any irregularities so that they may be clarified and/or corrected.</p>			<p><b>How VA Leadership Uses Results Data</b></p> <p>VA monitors TSGLI workload to ensure that claims are processed in a timely manner. When there is an increase in TSGLI claims, staffing adjustments are made to ensure timely processing.</p>																
<p>The purpose of the TSGLI program is to provide short-term financial assistance to traumatically injured servicemembers so that their families can be with them during the often extensive recovery and rehabilitation process. For example, servicemembers use this financial assistance to assist their families in making up for lost earnings, continuing to make home loan payments, and providing child care. This program is important because a number of studies have shown that the presence or close proximity of family members aids the rehabilitation process.</p> <p>This measure in particular indicates how quickly VA is able to make payment to the TSGLI beneficiary.</p>																			



**Supporting Measure**

**HIGH VETERANS' SATISFACTION RATINGS ON SERVICES DELIVERED**

**Performance Trends**



ST = Strategic Target

**Impact on the Veteran**

VA's insurance program achieves high levels of customer satisfaction by providing quality service and implementing and administering insurance programs that meet the needs and lifestyles of veterans and their beneficiaries. Results over the past several years confirm that veterans' insurance needs are being met.

**How VA Leadership Uses Results Data**

VA analyzes the results of the monthly surveys for 11 insurance services and addresses any problems identified. In particular, one question in VA's insurance program customer satisfaction survey asks, "What could we do better?" VA takes action on these comments.

For example, VA provides employees with refresher training on customer service and communication skills in response to surveys that indicate the policyholder received less than excellent customer service. VA also follows up on surveys where the respondent indicates a need for further assistance.

**How VA Verifies Results Data for Accuracy**

VA reviews and tabulates the survey responses monthly per written guidelines. VA follows a "separation of duties" approach to maintain data integrity. For example, the operating divisions for which the surveys are conducted are not permitted to tabulate the responses. The Program Management Division reviews and tabulates the survey data.

VA validates the results by re-entering randomly selected monthly responses to determine if similar results are calculated.

**Additional Performance Information for Strategic Objective 3.3**

**OIG Major Management Challenges and GAO High-Risk Areas**

VA's Office of Inspector General did not identify any major management challenges related to this objective. The Government Accountability Office did not identify any high-risk areas related to this objective.

**Program Assessment Rating Tool (PART) Evaluation**

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Insurance program during CY 2005, which resulted in a rating of "Moderately Effective." Please see OMB PART reviews on page 80 for more information.

**Program Evaluations**

An independent program evaluation of the Insurance program was completed in May 2001. The evaluation concluded the program was effective in meeting its Congressional intent.



However, there were several recommendations for improvement, many of which have been implemented.

The evaluation recommended that VA work with DoD to more fully publicize the conversion features of Servicemembers' Group Life Insurance (SGLI) to Veterans' Group Life Insurance (VGLI) in order to increase participation in VGLI. VA worked with the Office of Servicemembers' Group Life Insurance (OSGLI) to develop an attractive marketing folder containing comprehensive information on post-separation life insurance benefits, including the SGLI disability extension and VGLI. This folder is distributed to separating servicemembers at separation briefings and is also available on the VA Insurance Web site.

Separating servicemembers also receive multiple mailings from OSGLI informing them of the option to convert their SGLI coverage to VGLI. As a result of customer feedback received through surveys of VGLI customers, VA and OSGLI revised and pilot tested several versions of the VGLI mailings. The best performing version of the mailing was adopted and implemented in March 2008.

VA also conducts special outreach to recently separated servicemembers who receive a military or VA disability rating of 50 percent or higher, including telephone calls and personalized letters. The purpose of the outreach is to inform these veterans that they may be eligible for a free 2-year extension of the SGLI coverage they held while in service, as well as to offer them the opportunity to convert their SGLI coverage to VGLI without having to meet good health requirements.

VA performed a "Year One Review" of the Servicemembers' Group Life Insurance Traumatic Injury Protection Program (TSGLI) in 2008. The purpose of the review was to ensure that the TSGLI program is fulfilling its Congressional intent of providing short-term,

financial assistance to severely injured servicemembers and their families. The review found the program to be successful, but recommended enhancements in program design. In 2008 VA contracted with Associated Veterans, LLC, to conduct a follow-up independent evaluation of the conversion privilege from SGLI to VGLI. The primary purpose of this study is to determine an appropriate target rate of conversion between the two programs. The study will also offer recommendations for improvement to VA's outreach efforts.

#### **New Policies, Procedures, or Process Improvements**

Policyholders who have been rated Individually Unemployable by VA may be eligible for waiver of premiums on Service-Disabled Veterans Insurance policies. In 2008, VA proactively identified over 1,500 policyholders who were paying premiums, but who were potentially eligible for waiver. VA contacted these policyholders via personalized mailings to advise them to apply for waiver of premiums.

#### **Data Quality**

VA's data quality improvement efforts, including its work on data verification and validation, are described in the Assessment of Data Quality on page 217.

#### **Data Verification and Measure Validation**

More details on data verification and quality and measure validation for the key measure that supports this objective are provided in the Key Measures Data Table on page 232.



### Complete Listing of Measures Supporting Strategic Objective 3.3

**Green or G:** Target was met or exceeded. **Yellow or Y:** Target was not met, but the deviation was not significant or material. **Red or R:** Target was not met, but the deviation was significant or material.

Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	

<b>Recap</b>	
Green	8
Yellow	1
Red	0
<b>Total</b>	<b>9</b>

Strategic Goal 3: Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.

Objective 3.3: Maintain a high level of service to insurance policyholders and their beneficiaries to enhance the financial security of veterans' families.

<b>Average number of days to process TSGLI disbursements (Insurance)</b>	N/A	N/A	3.8	3.0	2.5 G	5	5
Percent of servicemembers covered by SGLI (Insurance)	N/A	98%	99%	99%	99% G	98%	98%
Conversion rate of disabled SGLI members to VGLI % (Insurance)	N/A	35%	41%	40%	45% Y	50%	50%
Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average enlisted servicemember (Insurance)	N/A	1.9	1.8	1.8	1.7 G	1.7	1.0
Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average officer (Insurance)	N/A	1.0	0.9	0.9	0.9 G	0.9	1.0
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 (Insurance)	N/A	1.4	1.3	1.2	1.3 G	1.0	1.0
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 (Insurance)	N/A	0.9	0.9	0.9	1.0 G	1.0	1.0
Rate of high veterans' satisfaction ratings on services delivered % (Insurance)	96%	96%	96%	96%	95% G	95%	95%
Number of disbursements (death claims, loans, and cash surrenders) per FTE (Insurance)	N/A	1,692	1,697	1,724	1,756 G	1,725	1,750



## STRATEGIC OBJECTIVE 3.4

### Meeting Burial Needs

Ensure that the burial needs of veterans and eligible family members are met.

## Making a Difference for the Veteran

### VA Cemeteries Lead Nation in Satisfaction Survey

Again this year, the National Cemetery Administration of the Department of Veterans Affairs (VA) has received the highest rating in customer satisfaction for any federal agency or private corporation surveyed, according to a prestigious, independent survey of customer satisfaction.

"This survey highlights the national cemeteries provide to our Deputy Secretary of Veterans Affairs to care for the Nation's heroes in standards for professionalism and

More than 200 companies the American Customer Satisfaction University of Michigan Business School.

"VA should be commended of service to America's veterans' consultant with CFI Group USA, one of excellent example of how government

This year's survey is the third system received the top rating in the earned a customer satisfaction rating national cemeteries also ranked 2001 and 2004.

ACSI's index for "user trust" produced a rating of 96 out of a possible 100 points for the VA-run cemetery system, which indicates that respondents are exceptionally willing to say positive things about VA's national cemeteries.

Since 1994, ACSI has been a national indicator of customer evaluations of the quality of goods and services available to U.S. residents. It is the only uniform measure of customer satisfaction for government and industry. ACSI allows benchmarking between the public and private sectors and between 1 year's results and the next.



VA's cemetery system took part in the American Customer Satisfaction Index survey conducted by the University of Michigan Business School and earned a rating of 95 out of a possible 100 points for excellent customer service.

outstanding service employees at VA's 125 Nation's veterans and their families," said Gordon H. Mansfield. "It is our honor perpetuity, meeting the highest compassion."

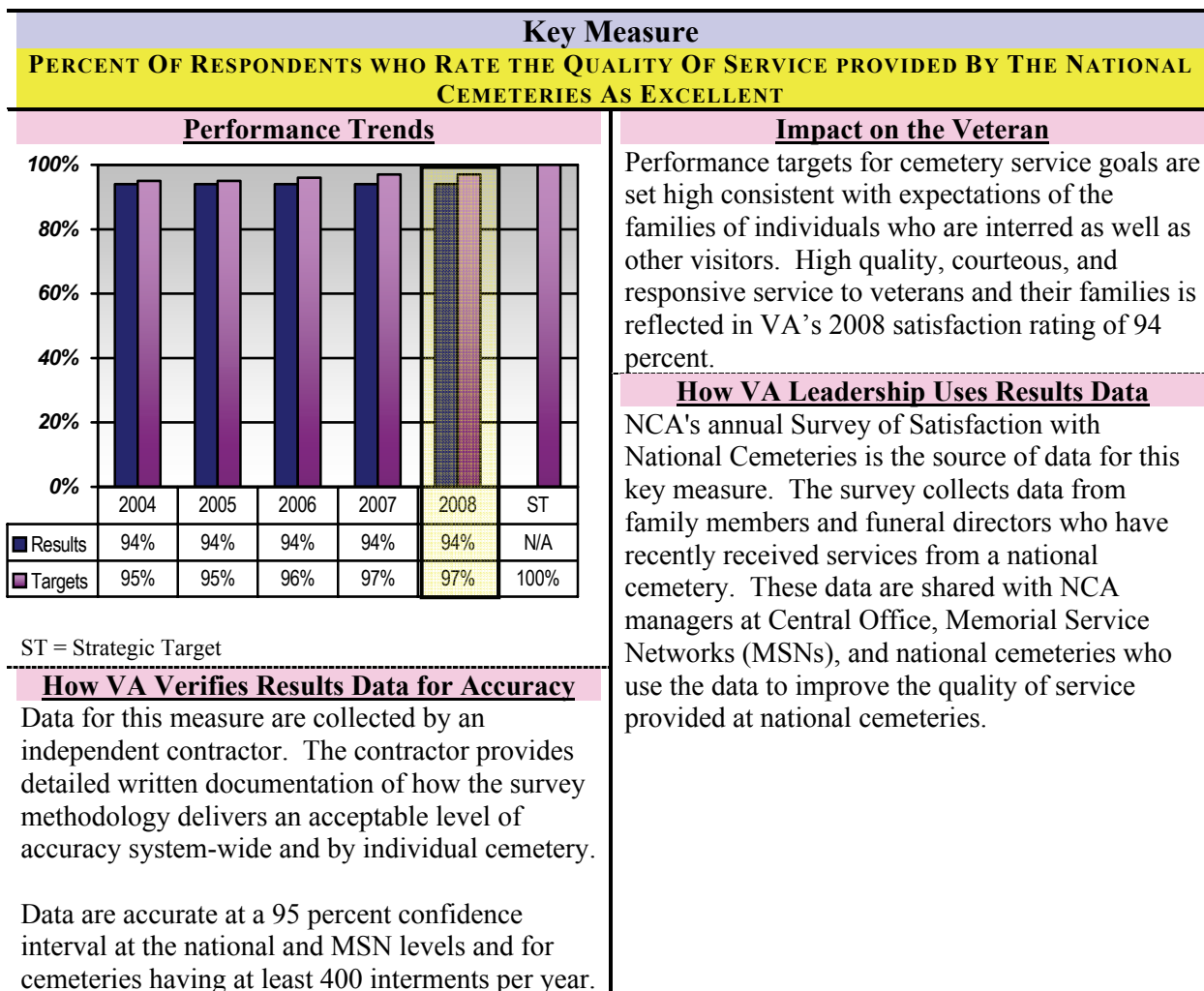
and most of the federal sector take part in Index (ACSI) survey, conducted by the

for continuing to provide such a high level families," said John Cioffi, senior the survey's sponsors. "VA serves as an should provide services to its citizens." consecutive one in which VA's cemetery Nation. For 2007, VA's cemetery system of 95 out of a possible 100 points. The number one in customer satisfaction in



**Significant Trends, Impacts, and Use and Verification of FY 2008 Results**

<b>Key Measure</b>						
<b>PERCENT OF VETERANS SERVED BY A BURIAL OPTION WITHIN A REASONABLE DISTANCE (75 MILES) OF THEIR RESIDENCE</b>						
<b>Performance Trends</b>				<b>Impact on the Veteran</b>		
				<p>By the end of 2008, more than 19 million veterans and their families had reasonable access to a burial option.</p> <p>One of VA’s primary objectives is to ensure that the burial needs of veterans and eligible family members are met. Having reasonable access is integral to realizing this objective.</p>		
	2004	2005	2006	2007	2008	ST
■ Results	75.3%	77.1%	80.2%	83.4%	84.2%	N/A
■ Targets	75.3%	78.3%	81.6%	83.8%	83.7%	90.0%
ST = Strategic Target						
<b>How VA Verifies Results Data for Accuracy</b>						
<p>VA staff is trained and skilled in proper procedures for calculating the number of veterans that live within the service area of cemeteries that provide a first interment burial option. Changes to this measure are documented and reported through VA's annual Performance and Accountability Report and VA Monthly Performance Reports. Results of a VA Office of the Inspector General audit assessing the accuracy of data used for this measure affirmed the accuracy of calculations made by VA personnel.</p>						
<b>How VA Leadership Uses Results Data</b>						
<p>VA analyzes census data to determine areas of the country that have the greatest number of veterans not currently served by a burial option. This information is used in planning for new national cemeteries and for gravesite expansion projects to extend the service lives of existing national cemeteries, as well as in prioritizing funding requests for state veterans cemetery grants.</p>						



Performance targets for cemetery service goals are set high consistent with expectations of the families of individuals who are interred as well as other visitors. High quality, courteous, and responsive service to veterans and their families is reflected in VA's 2008 satisfaction rating of 94 percent.

**How VA Leadership Uses Results Data**

NCA's annual Survey of Satisfaction with National Cemeteries is the source of data for this key measure. The survey collects data from family members and funeral directors who have recently received services from a national cemetery. These data are shared with NCA managers at Central Office, Memorial Service Networks (MSNs), and national cemeteries who use the data to improve the quality of service provided at national cemeteries.

**How VA Verifies Results Data for Accuracy**

Data for this measure are collected by an independent contractor. The contractor provides detailed written documentation of how the survey methodology delivers an acceptable level of accuracy system-wide and by individual cemetery.

Data are accurate at a 95 percent confidence interval at the national and MSN levels and for cemeteries having at least 400 interments per year.

**Additional Performance Information for Strategic Objective 3.4**

**OIG Major Management Challenges and GAO High-Risk Areas**

VA's Office of Inspector General did not identify any major management challenges related to this objective. The Government Accountability Office did not identify any high-risk areas related to this objective.

**Program Assessment Rating Tool (PART) Evaluation**

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Burial program during CY 2002, which resulted in a rating of "Moderately Effective." Please see OMB PART reviews on page 82 for more information.





### **Program Evaluations**

The Veterans Millennium Health Care and Benefits Act, Public Law 106-117, directed VA to contract for an independent demographic study to identify those areas of the country where veterans do not have reasonable access to a burial option in a national or state veterans cemetery, and identify the number of additional cemeteries required through 2020. Volume 1: Future Burial Needs, published in May 2002, identified those areas having the greatest need for burial space for veterans. VA continues to use this report as a valuable tool for planning new national cemeteries.

In August 2008 VA completed an independent and comprehensive program evaluation of the full array of burial benefits and services that the Department provides to veterans and their families in accordance with 38 USC 527. The evaluation was performed by ICF International to provide VA with an objective assessment of the extent to which VA's program of burial benefits has reached its stated goals and the impact that this program has had on the lives of veterans and their families.

The evaluation showed that 85 percent of veterans prefer either a casket or cremation burial option, affirming that VA is meeting the burial needs of veterans and their families by providing these options at national cemeteries. The evaluation also validated VA policies that consider veterans living within 75 miles of a national or state veterans cemetery with available first interment gravesites for either casketed or cremated remains to be adequately served with a burial option within a reasonable distance of their home. Major recommendations included the need to continue building new national cemeteries and supporting state cemetery development to serve veterans nationwide and to consider a new veteran population threshold of 110,000 veterans within a 75-mile area for establishing new national cemeteries.

While internal discussion and analysis are underway, the findings from this program evaluation will serve to inform and guide VA's management of the burial benefits program. The report is available to the public on the Department of Veterans Affairs Web site at [Web: www.va.gov/op3/](http://www.va.gov/op3/).

### **New Policies, Procedures, or Process Improvements**

From 2007 through 2009, NCA will establish eight new national cemeteries (two have already opened in Sacramento, California and South Florida). The development of these cemeteries is consistent with current policy to locate national cemeteries in areas with the largest concentrations of veterans. Each location will provide a burial option to at least 170,000 veterans not currently served.

NCA continued the implementation of its new National Cemetery Scheduling Office (NCSO) in 2008. The NCSO began operations in January 2007, providing centralized interment scheduling 7 days a week for 27 existing national cemeteries in 9 Midwestern states and VA's two newly opened national cemeteries in Sacramento, California and South Florida. In 2008, the NCSO expanded operations to provide service to 53 of VA's 125 national cemeteries. The NCSO delivers more consistent eligibility determination in standard eligibility requests and quicker eligibility determination when eligibility cannot be immediately established. The NCSO also provides a vehicle for NCA to capitalize on new technologies that support paperless, secure recordkeeping, and future enhancements such as online interment scheduling for funeral homes.

### **Other Important Results**

As directed by the National Cemetery Expansion Act of 2003, Public Law 108-109, action is underway to establish six new national cemeteries to serve veterans in the areas of Bakersfield, California; Birmingham, Alabama; Columbia/Greenville, South Carolina; Jacksonville, Florida; Sarasota County, Florida; and Southeastern Pennsylvania.



These cemeteries are expected to begin operations in 2009 and will provide service to about 1 million veterans.

VA also completed construction projects to extend burial operations at Willamette, Oregon; Sitka, Alaska; Florence, South Carolina; and San Joaquin Valley, California National Cemeteries.

In addition to building, operating, and maintaining national cemeteries, VA also administers the State Cemetery Grants program, which provides grants to states for up to 100 percent of the cost of establishing, expanding, or improving state veterans cemeteries.

Increasing the availability of state veterans cemeteries is a means to provide a burial option to those veterans who may not have reasonable access to a national cemetery.

In 2008, four new state veterans cemeteries began interment operations in Glennville, Georgia; Anderson, South Carolina; Des Moines, Iowa; and Williamstown, Kentucky. In 2008, 71 operating state veterans cemeteries performed nearly 25,000 interments of veterans and eligible family members, and grants were obligated to establish, expand, or improve state veterans cemeteries in 11 states. Also in 2008, state veterans cemeteries provided a burial option to more than 2 million veterans and their families.

#### **Data Verification and Measure Validation**

More details on data verification and quality and measure validation for the key measures that support this objective are provided in the Key Measures Data Table on page 234.



### Complete Listing of Measures Supporting Strategic Objective 3.4

**Green or G:** Target was met or exceeded. **Yellow or Y:** Target was not met, but the deviation was not significant or material. **Red or R:** Target was not met, but the deviation was significant or material.

Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	
<p>Strategic Goal 3: Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.</p>							

**Recap**

Green	3
Yellow	2
Red	0
Total	5

Objective 3.4: Ensure that the burial needs of veterans and eligible family members are met.

<b>Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence</b>	75.3%	77.1%	80.2%	83.4%	84.2% G	83.7%	90.0%
<b>Percent of respondents who rate the quality of service provided by the national cemeteries as excellent</b>	94%	94%	94%	94%	94% Y	97%	100%
Percent of funeral directors who respond that national cemeteries confirm the scheduling of the committal service within 2 hours	73%	73%	74%	72%	72% Y	80%	93%
Percent of headstone and marker applications from private cemeteries and funeral homes received electronically (Internet)	N/A	N/A	N/A	N/A	45%	Baseline	75%
Average number of days to process a claim for reimbursement of burial expenses (Compensation)	48	57	72	91	84 G	84	21
National Accuracy Rate for burial claims processed % (Compensation) (through July)	94%	93%	94%	95%	* 96% G	96%	98%

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.



## STRATEGIC OBJECTIVE 3.5

### *Symbolic Expressions of Remembrance*

*Provide veterans and their families with timely and accurate symbolic expressions of remembrance.*

## Making a Difference for the Veteran

### Holiday Wreaths to Commemorate American Heroes



Holiday wreaths were placed in remembrance at VA national cemeteries across the Nation in December. Pictured is the Ft. Bliss National Cemetery in Texas.

Holiday wreaths were placed in remembrance at Department of Veterans Affairs (VA) national cemeteries across the Nation in December.

"This generous and heartfelt gesture of remembering and honoring our veterans during the holiday season is proof that Americans cherish the service and sacrifices of these heroes," said Deputy Secretary of Veterans Affairs Gordon H. Mansfield.

This is the second year the Worcester Wreath Company of Harrington, Maine, has sent holiday wreaths to VA national cemeteries and state veterans cemeteries to display in a nationwide tribute to veterans, called "Wreaths Across America." All 125 VA national cemeteries received 7 wreaths, one for each service branch, one for prisoners and missing in war, and one for merchant mariners. Many veterans cemeteries received additional wreaths for gravesite display from local public donations.

The wreaths are made and decorated by the employees of Worcester Wreath Company. Company President Morrill Worcester said he wanted to recognize veterans, active duty military, and their

families, and through these ceremonies to remind the public to honor veterans for their service and teach children the value of freedom.



**Significant Trends, Impacts, Use and Verification of FY 2008 Results**

Key Measure																											
PERCENT OF GRAVES IN NATIONAL CEMETERIES MARKED WITHIN 60 DAYS OF INTERMENT																											
Performance Trends				Impact on the Veteran																							
<table border="1"> <tr> <td></td> <td>2004</td> <td>2005</td> <td>2006</td> <td>2007</td> <td>2008</td> <td>ST</td> </tr> <tr> <td>■ Results</td> <td>87%</td> <td>94%</td> <td>95%</td> <td>94%</td> <td>93%</td> <td>N/A</td> </tr> <tr> <td>■ Targets</td> <td>78%</td> <td>88%</td> <td>90%</td> <td>90%</td> <td>95%</td> <td>98%</td> </tr> </table>								2004	2005	2006	2007	2008	ST	■ Results	87%	94%	95%	94%	93%	N/A	■ Targets	78%	88%	90%	90%	95%	98%
	2004	2005	2006	2007	2008	ST																					
■ Results	87%	94%	95%	94%	93%	N/A																					
■ Targets	78%	88%	90%	90%	95%	98%																					
<p>The amount of time it takes to mark the grave after an interment is extremely important to veterans and their families. The headstone or marker is a lasting memorial that serves as a focal point not only for present-day survivors, but also for future generations. In addition, it may bring a sense of closure to the grieving process to see the grave marked.</p>																											
<p><b>How VA Leadership Uses Results Data</b></p> <p>NCA field and Central Office employees have online access to monthly and fiscal year-to-date tracking reports on timeliness of marking graves in national cemeteries. Increasing the visibility and access of this information reinforces the importance of marking graves in a timely manner.</p>																											
<p>ST = Strategic Target</p>																											
<p><b>How VA Verifies Results Data for Accuracy</b></p> <p>National cemetery employees are trained and skilled at entering data into NCA's Burial Operations Support System (BOSS). Data are collected and verified by NCA Central Office employees who are skilled and trained in data collection and analysis techniques. Data are verified by sampling against source interment data in BOSS.</p>																											
<p>This information is also used to drive process improvements, such as the development of NCA's local inscription program. The local inscription program further improves NCA's ability to provide these symbolic expressions of remembrance by improving the timeliness of the grave marking process.</p>																											

**Additional Performance Information for Strategic Objective 3.5**

**OIG Major Management Challenges and GAO High-Risk Areas**

VA's Office of Inspector General did not identify any major management challenges related to this objective. The Government Accountability Office did not identify any high-risk areas related to this objective.

**Program Assessment Rating Tool (PART) Evaluation**

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Burial program during CY 2002, which resulted in a rating of "Moderately Effective." Please see OMB PART reviews on page 82 for more information.

**Program Evaluations**

In August 2008 VA completed an independent and comprehensive program evaluation of the full array of burial benefits and services that the Department provides to veterans and their families in accordance with 38 USC 527. The evaluation was performed by ICF International



to provide VA with an objective assessment of the extent to which VA's program of burial benefits has reached its stated goals and the impact that this program has had on the lives of veterans and their families.

The evaluation included a nationwide survey sent to more than 38,000 veterans. More than 75 percent of respondents to this survey indicated that the current array of symbolic expressions of remembrance provided by VA were either "important" or "very important." These include government headstones and markers, Presidential Memorial Certificates (PMCs), a U.S. flag at the funeral service, and military funeral honors. Eighty percent of survey respondents indicated that the concept of the PMC benefit makes them feel that the country appreciates their service to the Nation.

Recommendations included adding space on the VA furnished government headstone and marker to allow room for a military insignia and for appropriate personal inscriptions.

The findings from this program evaluation will serve to inform and guide VA's management of the burial benefits program, particularly with respect to VA's array of benefits that memorialize the service of U.S. veterans. The report is available to the public via the [Web](http://www.va.gov/op3/) at [www.va.gov/op3/](http://www.va.gov/op3/).

### **New Policies, Procedures, or Process Improvements**

Public Law 110-157, dated December 26, 2007, granted VA permanent authority to furnish headstones and markers for the previously marked graves of veterans in private cemeteries. Previous legislation had extended this benefit temporarily through December 31, 2007, only to veterans who died on or before September 11, 2001. Under this new legislation, veterans buried in private cemeteries who died on or after November 1, 1990, are now eligible to receive a government headstone or marker at no cost regardless of whether their grave was previously marked. This legislation significantly extends VA's headstone and marker benefit and enables

the families of millions of veterans to honor the service of veterans whose graves were previously marked with privately furnished headstones or markers.

Public Law 110-157 also gave VA authority to "furnish, upon request, a medallion or other device of a design determined by the Secretary to signify the deceased's status as a veteran, to be attached to a headstone or marker furnished at private expense." This benefit will be available in lieu of a Government furnished headstone or marker for veterans in privately marked graves who died on or after November 1, 1990. VA is currently reviewing medallion prototypes and anticipates that the final medallion will be available to the public in the spring of 2009.

### **Other Important Results**

In addition to VA national cemeteries, VA also furnishes headstones and markers for national cemeteries administered by the Department of the Army and the Department of the Interior and contracts for all columbaria niche inscriptions at Arlington National Cemetery. In 2008 VA processed more than 361,000 applications for headstones and markers for placement in national, state, other public, or private cemeteries. Since 1973 VA has furnished more than 10 million headstones and markers for the graves of veterans and other eligible persons.

VA is committed to ensuring that timely and accurate symbolic expressions of remembrance are provided for veterans who are not buried in national cemeteries. In 2008 VA processed 95 percent of the applications for headstones and markers for such veterans within 20 days of receipt, exceeding VA's long-term goal of 90 percent.

Headstones and markers must be replaced when either the government or the contractor makes errors in the inscription, or if the headstone or marker is damaged during installation. When headstones and markers must be replaced, it further delays the final portion of the interment



process, the placing of the headstone or marker at the gravesite. NCA continues to improve accuracy and operational processes in order to reduce the number of inaccurate or damaged headstones and markers delivered to the gravesite. In 2008, 96 percent of headstones and markers were delivered undamaged and correctly inscribed. In 2008, inscription data for 99 percent of headstones and markers ordered by national cemeteries were accurate and complete. VA will continue to focus on business process reengineering, including improving accuracy and operational processes, in order to prevent delays in marking graves caused by inaccurate or damaged headstones and markers.

In 2008 VA issued more than 511,000 PMCs, bearing the President’s signature, to convey to the family of the veteran the gratitude of the Nation for the veteran’s service. To convey this gratitude, it is essential that the certificate be accurately inscribed. The accuracy rate for inscription of PMCs provided by VA is consistently 98 percent or better.

**Data Verification and Measure Validation**

More details on data verification and quality and measure validation for the key measure that supports this objective are provided in the Key Measures Data Table on page 234.

**Complete Listing of Measures Supporting Strategic Objective 3.5**

**Green or G:** Target was met or exceeded. **Yellow or Y:** Target was not met, but the deviation was not significant or material. **Red or R:** Target was not met, but the deviation was significant or material.

Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	

<b>Recap</b>	
Green	2
Yellow	1
Red	0
<b>Total</b>	<b>3</b>

Strategic Goal 3: Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.

Objective 3.5: Provide veterans and their families with timely and accurate symbolic expressions of remembrance.

Percent of graves in national cemeteries marked within 60 days of interment	87%	94%	95%	94%	93% Y	95%	98%
Percent of applications for headstones and markers that are processed within 20 days for the graves of veterans who are not buried in national cemeteries	N/A	13%	62%	38%	95% G	75%	90%
Percent of headstones and markers that are undamaged and correctly inscribed	97%	96%	96%	96%	96% G	96%	98%



## STRATEGIC OBJECTIVE 3.6

### *Home Purchase and Retention*

*Improve the ability of veterans to purchase and retain a home by meeting or exceeding lending industry standards for quality, timeliness, and foreclosure avoidance.*

## Making a Difference for the Veteran

### VA Helps Veterans Remain in Their Homes



In FY 2008, approximately 179,670 veterans, active-duty service members, and survivors received home loans valued at over \$36 billion.

Many homeowners have found it difficult to pay their mortgages, but quick intervention by loan specialists at the Department of Veterans Affairs (VA) has reduced the number of veterans defaulting on their home loans.

“VA is reaching out to veterans -- both those who use our home-loan guaranty program and those who don't take advantage of our guaranties -- to keep people in their homes,” said Secretary of Veterans Affairs Dr. James B. Peake. “I'm proud of our solid record of success in helping veterans and active-duty personnel deal with financial crises.”

Accounting for much of this success are VA loan specialists at nine regional loan centers who assist people with VA-guaranteed loans to avoid foreclosure through counseling and special financing arrangements. Depending on a veteran's circumstances, VA can intercede with the borrower on the

veteran's behalf to pursue options -- such as repayment plans, forbearance, and loan modifications -- that would allow a veteran to keep a home. The loan specialists also can assist other veterans with financial problems.

Since 1944, VA has guaranteed nearly 18.4 million home loans worth approximately \$967 billion. In FY 2008, approximately 179,670 veterans, active-duty servicemembers, and survivors received loans valued at more than \$36 billion.

About 2.1 million home loans still in effect were purchased through VA's home-loan guaranty program, which makes home loans more affordable for veterans, active-duty members, and some surviving spouses by protecting lenders from loss if the borrower fails to repay the loan. More than 90 percent of VA-backed home loans were given without a down payment.

To obtain help from a VA loan specialist, veterans can call VA toll-free at 1-877-827-3702. Information about VA's home loan guaranty program can be obtained on the [Web](#) at [www.homeloans.va.gov](http://www.homeloans.va.gov).





**Significant Trends, Impacts, and VA’s Use and Verification of FY 2008 Results**

Key Measure																											
FORECLOSURE AVOIDANCE THROUGH SERVICING (FATS) RATIO																											
Performance Trends				Impact on the Veteran																							
<table border="1"> <thead> <tr> <th></th> <th>2004</th> <th>2005</th> <th>2006</th> <th>2007</th> <th>2008</th> <th>ST</th> </tr> </thead> <tbody> <tr> <td>Results</td> <td>44.0%</td> <td>48.0%</td> <td>54.0%</td> <td>57.0%</td> <td>52.4%</td> <td>N/A</td> </tr> <tr> <td>Targets</td> <td>47.0%</td> <td>47.0%</td> <td>47.0%</td> <td>51.0%</td> <td>56.0%</td> <td>57.0%</td> </tr> </tbody> </table>								2004	2005	2006	2007	2008	ST	Results	44.0%	48.0%	54.0%	57.0%	52.4%	N/A	Targets	47.0%	47.0%	47.0%	51.0%	56.0%	57.0%
	2004	2005	2006	2007	2008	ST																					
Results	44.0%	48.0%	54.0%	57.0%	52.4%	N/A																					
Targets	47.0%	47.0%	47.0%	51.0%	56.0%	57.0%																					
<p>ST = Strategic Target</p> <p><b>How VA Verifies Results Data for Accuracy</b></p> <p>VA personnel are skilled and trained in loan servicing procedures. These procedures are documented in the VA loan servicing technician guide and are updated regularly based on loan servicing industry best practices.</p> <p>Prior to input of the staff’s completed servicing actions, a supervisory check of the results data is completed to verify the accuracy of the actions taken.</p> <p>If these actions result in the veteran’s defaulted loan becoming current, then another supervisory check is done to verify the successful intervention data for accuracy.</p>				<p>The 2008 FATS ratio means that 52.4 percent of veterans who otherwise would have lost their homes through foreclosure were able to retain ownership with VA assistance, or at least had the impact of loss lessened by either tendering a deed in lieu of foreclosure or arranging a private sale with a VA claim payment to help close the sale. VA avoided claim payments in most of the FATS cases or else paid smaller claims than if foreclosure had occurred.</p> <p>The 2008 FATS ratio of 52.4 percent represents a 4.6 percentage point decrease from 2007. This reflects the decline in property values and the significant rise in foreclosures in the overall housing market that have made it more difficult for VA to help veterans avoid foreclosure.</p> <p><b>How VA Leadership Uses Results Data</b></p> <p>VA uses the data to measure the effectiveness of field station efforts to assist veterans in avoiding foreclosure. Since veterans benefit substantially from foreclosure avoidance, and at the same time VA realizes cost savings, VA has redesigned the program to promote greater loss mitigation efforts by primary servicers.</p> <p>This redesign effort included development of the VA Loan Electronic Reporting Interface (VALERI) service. With VALERI, servicing of delinquent VA-guaranteed loans will be done in a more effective manner. Full implementation of VALERI will be completed by the end of the 2008 calendar year.</p>																							



## **Additional Performance Information for Strategic Objective 3.6**

### **OIG Major Management Challenges and GAO High-Risk Areas**

VA's Office of Inspector General did not identify any major management challenges related to this objective. The Government Accountability Office did not identify any high-risk areas related to this objective.

### **Program Assessment Rating Tool (PART) Evaluation**

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Housing program during CY 2004, which resulted in a rating of "Results Not Demonstrated." Please see OMB PART reviews on page 78 for more information.

### **Program Evaluations**

No independent program evaluations have been conducted recently that specifically address this objective.

### **New Policies, Procedures, or Process Improvements**

In 2008 VA experienced increased inquiries and usage of the VA-Guaranteed Home Loan and the Specially Adapted Housing (SAH) grants. Legislation passed which increased the maximum guaranty amount up to 175 percent of

the Freddie Mac single-family conventional conforming loan limit in certain high cost areas. SAH maximum grant amounts were raised to \$12,000 and \$60,000 as a result of new legislation. In addition, these amounts will increase annually based on a cost-of-construction index. SAH grants of up to \$14,000 for temporary residences, previously available only to veterans, are now available to veterans and servicemembers. This legislation also added disabilities resulting from severe burn injuries to the eligibility criteria for the SAH grant.

### **Other Important Results**

During 2008 VA continued the implementation of new processes and procedures associated with the redesign of our guaranteed loan default servicing. Full implementation will occur by the end of 2008. This will bring VA very close to performance and operational standards used by large private sector servicers and lenders. The emphasis will be on providing financial incentives and greater flexibility to primary servicers.

### **Data Verification and Measure Validation**

More details on data verification and quality and measure validation for the key measure that supports this objective are provided in the Key Measures Data Table on page 234.



**Complete Listing of Measures Supporting Strategic Objective 3.6**

**Green or G:** Target was met or exceeded. **Yellow or Y:** Target was not met, but the deviation was not significant or material. **Red or R:** Target was not met, but the deviation was significant or material.

Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	
<b>Strategic Goal 3: Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.</b>							
							<b>Recap</b> Green 2 Yellow 2 Red 0 <hr/> Total 4

Objective 3.6: Improve the ability of veterans to purchase and retain a home by meeting or exceeding lending industry standards for quality, timeliness, and foreclosure avoidance.

<b>Foreclosure avoidance through servicing (FATS) ratio % (Housing)</b>	44.0%	48.0%	54.0%	57.0%	52.4% Y	56.0%	57.0%
Veterans satisfaction level % (Housing) (1) No Housing survey was completed for 2004 or 2005.	(1) N/A	(1) N/A	93.1%	Avail. 12/2008	Avail. 12/2009	95.0%	97.0%
Lender Satisfaction (Percent of lenders who indicate that they are satisfied with the VA Loan Guaranty Program) (1) No Housing survey was completed for 2004 or 2005.	(1) N/A	(1) N/A	93.2%	Avail. 12/2008	Avail. 12/2009	94.0%	95.0%
Statistical quality index % (Housing)	98.0%	98.0%	99.0%	99.2%	99.6% G	98.0%	98.5%
Rate of homeownership for veterans compared to that of the general population %	N/A	N/A	N/A	N/A	115.2% G	108.0%	110.0%
E-FATS (Ratio of dollars saved through successful loan interventions, to dollars spent by VA on Loan Administration FTE who perform intervention work) (Housing)	N/A	N/A	7.0:1	6.8:1	5.8:1 Y	7.0:1	8.0:1



## Strategic Goal Four

### *Contributing to the Nation's Well-Being*

#### STRATEGIC OBJECTIVE 4.1

##### *Emergency Preparedness*

*Improve the Nation's preparedness for response to war, terrorism, national emergencies, and natural disasters by developing plans and taking actions to ensure continued service to veterans, as well as to support national, state, and local emergency management and homeland security efforts.*

#### Making a Difference for the Veteran

### VA: Maintaining Readiness in Case of Emergencies

In May 2008 VA participated in the Federal Executive Branch's National Level Exercise (NLE). The Office of Operations, Security, and Preparedness (OSP) coordinated VA's participation in this mandatory multi-phased exercise. All phases of VA's continuity programs were utilized. They included the continuity of government (COG), continuity of operations (COOP), and patient reception operations.

VA's participation in the COG portion of the exercise included the relocation of the Secretary and the Deputy Secretary, as well as other senior leadership to alternate locations. VA's participation at the interagency level involved representation on the National Continuity Team and the National Response Coordination Center, as well as the Department of Homeland Security National Operations Center and the Department of Health and Human Service's Secretary's Operations Center.

VA deployed approximately 140 staff members to its primary COOP site at the Martinsburg VA Medical Center. The Medical Center's top management actively participated by ensuring that the facility could meet the support requirements necessary for the COOP participants to carry out their responsibilities. All phases of COOP operations were tested during this exercise including security, communications, logistics, protocol, documentation, and overall functionality. VA employed new video and audio teleconferencing capabilities, which resulted in greater efficiencies.

Each participating office initiated a complete review of their continuity plans to assess their mission-essential functions, critical systems, and vital records. An evaluation team from the Federal Emergency Management Agency reviewed continuity plans during the exercise. VA's overall evaluation was outstanding.



All phases of COOP operations were tested during this exercise including enhanced communications. New video and audio teleconferencing capabilities were employed that resulted in greater efficiencies.



**Significant Trends, Impacts, Use and Verification of FY 2008 Results**

**Supporting Measure**  
**PERCENT OF VA LEADERSHIP WHO SELF-CERTIFY THEIR TEAMS “READY TO DEPLOY” TO THEIR COOP SITE**

<b>Performance Trends</b>		<b>Impact on the Veteran</b>	
		<p>One hundred percent of VA leadership has certified that their respective teams are ready to deploy to their Continuity of Operations Plan (COOP) site. However, these organizations still routinely exercise deployment to their COOP site and demonstrate their ability to perform essential functions. In case of a national disaster, veterans can be assured of continuity of operations.</p>	
<b>How VA Leadership Uses Results Data</b>		<b>How VA Verifies Results Data for Accuracy</b>	
<p>VA uses the data to determine the need for additional exercises and leadership training. VA requires its leaders to be cognizant of COOP requirements and to gain hands-on experience.</p>		<p>Attendance is taken at each primary COOP site. The National Level Exercise attendant sheets are then disseminated and display a list of all of the VA leaders along with their primary COOP site location.</p>	

ST = Strategic Target

**Additional Performance Information for Strategic Objective 4.1**

**OIG Major Management Challenges**

VA's Office of Inspector General did not identify any major management challenges related to this objective.

**GAO High-Risk Areas**

- Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security: A Governmentwide High-Risk Area (see page 319 for more details)

**Program Assessment Rating Tool (PART) Evaluation**

No PART evaluations have been completed that specifically address this objective.

**Program Evaluations**

No independent program evaluations have been conducted recently that specifically address this objective.

**Other Important Results**

The Office of Operations, Security, and Preparedness completed construction of the Sensitive Compartmented Information Facility (SCIF). This facility will enable senior VA leadership to communicate with other Departments/ Agencies using the crisis management systems during emergencies.



With enhanced communications, VA is able to participate immediately in decision-making meetings across the Federal government. This will have a positive impact on VA's ability to respond during crisis.

VA purchased 40 Very Small Aperture Terminals (VSATs), which ensure that VA facilities in areas affected by emergencies are capable of communicating when normal lines of communication are inoperable. These VSATS

can be deployed around the United States wherever an emergency is anticipated. The Department plans to eventually have one VSAT positioned at every VA medical center.

**Data Verification and Quality**

VA's data quality improvement efforts, including its work on data verification and validation, are described in the Assessment of Data Quality on page 217.

**Complete Listing of Measures Supporting Strategic Objective 4.1**

**Green or G:** Target was met or exceeded. **Yellow or Y:** Target was not met, but the deviation was not significant or material. **Red or R:** Target was not met, but the deviation was significant or material.

Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target										
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets											
<b>Strategic Goal 4: Contribute to the public health, emergency management, socioeconomic well-being, and history of the Nation.</b>																	
<table border="1" style="float: right; margin-left: auto;"> <thead> <tr> <th colspan="2">Recap</th> </tr> </thead> <tbody> <tr> <td>Green</td> <td>2</td> </tr> <tr> <td>Yellow</td> <td>0</td> </tr> <tr> <td>Red</td> <td>0</td> </tr> <tr> <td><b>Total</b></td> <td><b>2</b></td> </tr> </tbody> </table>								Recap		Green	2	Yellow	0	Red	0	<b>Total</b>	<b>2</b>
Recap																	
Green	2																
Yellow	0																
Red	0																
<b>Total</b>	<b>2</b>																

Objective 4.1: Improve the Nation's preparedness for response to war, terrorism, national emergencies, and natural disasters by developing plans and taking actions to ensure continued service to veterans, as well as to support national, state, and local emergency management and homeland security efforts.

Percent of confirmed Successors to the Secretary who attend orientation and/or the annual update (OS&P)	N/A	N/A	N/A	N/A	100% G	95%	100%
Percent of Under Secretaries, Assistant Secretaries, and other key officials who self-certify their teams "ready to deploy" to their COOP site (OS&P)	N/A	85%	85%	90%	100% G	100%	100%



## STRATEGIC OBJECTIVE 4.2

### *Medical Research and Development*

*Advance VA medical research and develop programs that address veterans' needs – with an emphasis on service-connected injuries and illnesses – and contribute to the Nation's knowledge of disease and disability.*

### Making a Difference for the Veteran

## VA Researchers Find That Flat Abnormal Growths in the Colon May Account for Many Cancers



Dr. Roy M. Soetikno and his team collaborated with Japanese gastroenterologists to develop expertise in detecting flat or depressed lesions in the colon.

A study including more than 1,800 patients at the VA Palo Alto Health Care System suggests that flattish abnormal growths in the colon—considered until recently to be rare in the United States and generally ignored during colonoscopies—are more common than previously thought. In addition, they are nearly 10 times more likely to be cancerous than polyps—the small raised knobs of tissue that often contain or signal cancer and are the main target for detection and removal during colonoscopies.

The research was published in the March 2008 issue of the Journal of the American Medical Association and was accompanied by an online video showing the VA team's innovative detection methods. Dr. Roy M. Soetikno, the lead author, and his team collaborated with Japanese gastroenterologists to develop expertise in detecting flat or depressed lesions in the colon. The findings are

likely to have an impact on colorectal cancer screening. This article can be accessed via the **Web** at the following address: [http://www.research.va.gov/news/research\\_highlights/cancer-031308.cfm](http://www.research.va.gov/news/research_highlights/cancer-031308.cfm).



**Significant Trends, Impacts, Use and Verification of FY 2008 Results**

Key Measure						
PROGRESS TOWARDS DEVELOPMENT OF ONE NEW TREATMENT FOR POST-TRAUMATIC STRESS DISORDER (PTSD) (FIVE MILESTONES TO BE ACHIEVED OVER 4 YEARS)						
Performance Trends				Impact on the Veteran		
<p>PTSD is an anxiety disorder that can develop after a person has been exposed to a terrifying event or ordeal in which physical harm occurred or was threatened. PTSD related to military service or combat exposure is a major concern in the health of the veteran population. In cases where veterans do not respond to initial treatment, symptoms (including nightmares, disturbing memories during the day, sleep problems, and aggressive behavior) may persist for years. Therefore, effective relief of symptoms is needed. The milestones involve four clinical trials, three of which have been completed. The fourth trial is still ongoing.</p>						
<p><b>How VA Leadership Uses Results Data</b></p> <p>Results of PTSD studies are rapidly translated into clinical practice. Findings have been published in the <u>Journal of the American Medical Association</u> and <u>Biological Psychiatry</u>. Results of VA's research has been discussed at conferences with VA, DoD, and university attendees.</p>						
<p><b>How VA Verifies Results Data for Accuracy</b></p> <p>Data are analyzed and verified locally by the VA researcher based on milestones achieved and related scientific data. Researcher then forwards summary data to the Office of Research and Development staff in Washington, DC.</p>						
<p>ST = Strategic Target</p>						

**Additional Performance Information for Strategic Objective 4.2**

**OIG Major Management Challenges**

- Medical Research (see page 272 for more details)

**GAO High-Risk Areas**

The Government Accountability Office did not identify any high-risk areas related to this objective.

**Program Assessment Rating Tool (PART) Evaluation**

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Medical Research and Development program during CY 2005, which resulted in a rating of "Moderately Effective." Please see OMB PART reviews on page 83 for more information.

**Program Evaluations**

The National Research Advisory Council (NRAC), a federal advisory committee, completed its annual, independent evaluation in September 2008. The NRAC was instructed to consider the appropriateness of the research to





the VA healthcare mission; the balance of this research in terms of the burden of disease; and the special responsibilities of VA in the areas of mental health, central nervous system injury, and deployment health. As a result of the review, the NRAC gave the VA Research program an evaluation of “fully successful.”

**New Policies, Procedures, or Process Improvements**

In April 2008, the Office of Research and Development (ORD) announced the establishment of the Cooperative Clinical Trial Award Program. It provides an opportunity for principal proponents to work collaboratively with VA clinical trial and biostatistical experts to develop and complete rigorous interventional research. These clinical trials will determine treatment effectiveness and identify clinical advances that may be implemented in the VA healthcare system.

ORD’s Program for Research Integrity Development & Education has created the VA Central Institutional Review Board (IRB) to facilitate the review of ORD multi-site studies. It reviewed its first protocol in August 2008.

Effective March 26, 2008, Cooperative Research and Development Agreements must be used for industry-sponsored research at all VA medical centers. The use of the new agreements is expected to streamline negotiations with sponsors and make it simpler to launch and conduct trials for promising new drugs and medical devices.

**Data Verification and Measure Validation**

More details on data verification and quality and measure validation for the key measure that supports this objective are provided in the Key Measures Data Table on page 234.

**Complete Listing of Measures Supporting Strategic Objective 4.2**

**Green or G:** Target was met or exceeded. **Yellow or Y:** Target was not met, but the deviation was not significant or material. **Red or R:** Target was not met, but the deviation was significant or material.

Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	

<b>Recap</b>	
Green	2
Yellow	2
Red	0
<b>Total</b>	<b>4</b>

Strategic Goal 4: Contribute to the public health, emergency management, socioeconomic well-being, and history of the Nation.

Objective 4.2: Advance VA medical research and develop programs that address veterans’ needs – with an emphasis on service-connected injuries and illnesses – and contribute to the Nation’s knowledge of disease and disability.

<b>Progress towards development of one new treatment for post-traumatic stress disorder (PTSD) (Five milestones to be achieved over 4 years)</b>	33%	40%	47%	67%	80% G	80%	100%
Progress towards development of a standard clinical practice for pressure ulcers (through August) (Six milestones to be achieved over 5 years)	43%	52%	61%	65%	* 68% Y	72%	100%
Progress toward development of robot-assisted treatment/interventions for patients who have suffered neurological injury due to conditions such as spinal cord injury, stroke, multiple sclerosis, and traumatic brain injury (through August) (Twelve milestones to be achieved over 5 years)	11%	21%	43%	54%	* 64% Y	68%	100%
Percentage of study sites that reach 100% of the recruitment target for each year of each clinical study	N/A	29%	40%	35%	38.1% G	38%	50%

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.



## STRATEGIC OBJECTIVE 4.3

### *Academic Partnerships*

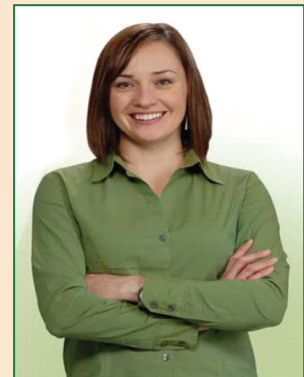
*Enhance the quality of care to veterans and provide high-quality educational experiences for health profession trainees, created internally in VA and via partnerships with the academic community.*

## Making a Difference for the Veteran

### Expanding and Strengthening Training Programs for VA Psychologists

To meet increased needs for mental health services for all veterans, including those returning from the Global War on Terror, the Department of Veterans Affairs (VA) is expanding its training programs for psychologists. “Not all the wounds of war are visible,” said Secretary of Veterans Affairs Dr. James B. Peake. “VA is committed to ensuring veterans receive world-class care for mental health services. This initiative meets our short-term needs, but it will also guarantee we have a pool of well-trained psychologists in the future.”

VA, which has more than 11,000 mental health professionals to care for veterans, has hired more than 800 psychologists in the last 3 years. Because psychology is a key part of comprehensive health care, the Department anticipates an ongoing need to employ additional psychologists. The best resource for VA recruitment of psychologists has been the Department’s own training programs. Seventy-three percent of psychologists hired in the past 2 years have had VA training. As a result, VA has worked with its partners among professional schools and universities to increase the number of psychologists who receive training through VA programs each year, beginning with the 2008-2009 training year. The new positions will bring the national number of training positions in psychology to 620 per year.



“Since the day I arrived as an intern, I have been inspired by VA’s commitment to excellence in research and clinical care. I’m so excited to continue my work here as a full-time psychologist. I work with professionals who are at the top of their field, and I look forward to following in their footsteps,” said Shilo Tippet, Ph.D. PTSD Outpatient Clinic.



## Significant Trends, Impacts, Use and Verification of FY 2008 Results

### Supporting Measure (New)

#### PERCENT OF VHA HEALTHCARE PROFESSIONALS WHO HAVE HAD VA TRAINING PRIOR TO EMPLOYMENT

#### FY 2008 Was a Transition Year

VA is increasing its emphasis on recruiting trainees as part of its succession and workforce planning initiatives. Trainees form an important recruitment pool from which to draw new VA employees. This new measure will evaluate the percent of VHA healthcare professionals who have had VA training prior to employment. The prior measure, “Medical residents’ and other trainees’ scores on a VHA survey assessing their clinical training experience,” was dropped because of stability in satisfaction.

FY 2008 was a baseline year. Results reporting for this new measure will begin in FY 2009.

### Additional Performance Information for Strategic Objective 4.3

#### OIG Major Management Challenges and GAO High-Risk Areas

VA's Office of Inspector General did not identify any major management challenges related to this objective. The Government Accountability Office did not identify any high-risk areas related to this objective.

#### Program Assessment Rating Tool (PART) Evaluation

The Administration conducted a PART evaluation of VA's Medical Care program during CY 2003. However, the evaluation did not specifically cover any aspects of the medical education program.

#### Program Evaluations

No independent program evaluations have been conducted recently that specifically address this objective.

#### New Policies, Procedures, or Process Improvements

To address a shortage of nurses across the Nation and ensure that veterans continue to receive personalized, world-class care in VA facilities, the Department established the VA Nursing Academy as a 5-year pilot program. The new multi-campus Nursing Academy will

enhance nursing education and practice by the following:

- Expanding teaching faculty in VA facilities and affiliated nursing schools.
- Increasing recruitment of student nurses by increasing exposure to VA.
- Increasing collaboration between VA and selected nursing schools.
- Expanding VA's stipend program for graduate nursing students.

The VA nursing academy is a virtual organization with central administration in Washington and teaching at competitively selected nursing schools across the country who partner with VA.

Despite the nationwide shortage of nurses, the American Association of Colleges of Nursing has reported that more than 40,285 qualified applicants were turned away from nursing schools in 2007 because of insufficient numbers of faculty, clinical sites, classroom space, and clinical mentors. VA currently provides clinical education for students from more than 600 nursing schools, but can do more.

The 5-year pilot program is establishing partnerships with 14 nursing schools across the country beginning with 4 for the 2007-2008 academic year, 6 more beginning in the 2008-2009 academic year, and the final 4 beginning in



2009-2010. Accomplishments were evident by the end of the first year. For further details, see Enabling Objective E-1 on page 200.

Further information about the pilot program can be obtained from VA's Office of Academic Affiliations' [Web](#) site at [www.va.gov/oa](http://www.va.gov/oa).

#### **Data Verification and Quality**

VA's data quality improvement efforts, including its work on data verification and validation, are described in the Assessment of Data Quality on page 217.

### **Complete Listing of Measures Supporting Strategic Objective 4.3**

During FY 2008 there were no results reported for Strategic Objective 4.3 because VA undertook a reassessment of its partnerships with academic institutions with the goal to strengthen these collaborative training and research efforts. As part of this reassessment, the previous measure, "Medical residents' and other trainees' scores on a VHA survey assessing their clinical training experience" that had been in place for several years, has been dropped. A new measure has been developed; results reporting for this measure will begin in FY 2009.



## STRATEGIC OBJECTIVE 4.4

### *Socioeconomic Well-Being of Veterans*

*Enhance the socioeconomic well-being of veterans, and thereby the Nation and local communities, through veterans benefits; assistance programs for small, disadvantaged, and veteran-owned businesses; and other community initiatives.*

## Making a Difference for the Veteran

### VA's Veteran-Owned Small Business Verification Program

The VA Center for Veterans Enterprise (CVE) has launched a new program to verify the ownership and control of veteran-owned small businesses (VOSB) and service-disabled veteran-owned small businesses



(SDVOSB). VOSBs or SDVOSBs wishing to participate in the Veterans First Contracting Program must register in the VetBiz.gov Vendor Information Pages (VIP) Database and submit VA Form 0877, VETBIZ Vendor Information Pages Verification

If you own a veteran-owned small business (VOSB) or a service-disabled veteran-owned small business (SDVOSB) and you would like to participate in the Veterans First Contracting Program, register today at [www.vetbiz.gov](http://www.vetbiz.gov)

Program. Once verified, businesses will receive official notification, a lapel pin, and a link to download the verification logo for use on their marketing material. Most importantly, these businesses will qualify to participate in contracting and subcontracting opportunities outlined in the law. For more information about the Verification Program, visit the CVE [Web](http://www.vetbiz.gov) site at [www.vetbiz.gov](http://www.vetbiz.gov) or call the CVE at

the toll-free telephone number 1-866-584-2344.

In January 2008, the Secretary of Veterans Affairs established the first-ever procurement goals for SDVOSBs and VOSBs pursuant to P.L. 109-461. These goals, covering Fiscal Years 2008 and 2009, are ambitious in that they increase the SDVOSB goal for VA from the statutory minimum 3 percent to 7 percent, and VA's VOSB goal from 7 percent to 10 percent. These increases will result in increased spending to veteran entrepreneurs, contributing to their economic well-being and that of their local communities, consistent with VA's Strategic Plan and objectives.

#### THE FOLLOWING EVENTS WERE HELD IN THE SUMMER OF 2008 TO SUPPORT VETERAN-OWNED SMALL BUSINESSES:

- **June 2008:** VA held its 7<sup>th</sup> Annual Champion of Veterans Enterprise Awards Program ceremony to honor individuals and organizations that put veterans and service-disabled veterans first. The award recognizes veterans whose quality performance provides advocates with specific success stories. This year's awards were presented by the Honorable James B. Peake, M.D., Secretary of Veterans Affairs.
- **June 2008:** VA and the National Veteran-Owned Business Association sponsored the 2<sup>nd</sup> Annual Veteran-Owned Business Accountability Summit. The conference tracked the progress of Federal agencies' implementation of Executive Order 13360, Providing Opportunities for Service-Disabled Veteran-Owned Businesses to increase their contracting and subcontracting in Federal acquisitions.
- **July 2008:** VA and the Veterans Small Business Federal Interagency Council co-sponsored the 4<sup>th</sup> National Small Business Conference. With a record attendance of more than 1,700 participants, the conference educated VOSBs and SDVOSBs on business development and assisted them in identifying contracting opportunities within the Federal Government. This conference has become the premiere national veterans business conference. In 2009, VA expects over 2,500 participants to attend this conference.



**Significant Trends, Impacts, Use and Verification of FY 2008 Results**

Supporting Measure																			
PERCENT OF PROCUREMENT OBLIGATIONS AWARDED TO VETERAN-OWNED SMALL BUSINESSES (VOSBs)* AND SERVICE-DISABLED VOSBs (SDVSOBs)																			
Performance Trends	Impact on the Veteran																		
<p style="text-align: center;">Percent of Total VA Procurement Obligations</p> <table border="1"> <caption>Percent of Total VA Procurement Obligations</caption> <thead> <tr> <th>Year</th> <th>VOSB (%)</th> <th>SDVOSB (%)</th> </tr> </thead> <tbody> <tr> <td>2004</td> <td>1.25</td> <td>1.25</td> </tr> <tr> <td>2005</td> <td>4.50</td> <td>2.15</td> </tr> <tr> <td>2006</td> <td>6.17</td> <td>3.56</td> </tr> <tr> <td>2007</td> <td>10.37</td> <td>7.09</td> </tr> <tr> <td>2008</td> <td>15.28</td> <td>12.35</td> </tr> </tbody> </table> <p style="text-align: center;">◆ VOSB    ■ SDVOSB</p>	Year	VOSB (%)	SDVOSB (%)	2004	1.25	1.25	2005	4.50	2.15	2006	6.17	3.56	2007	10.37	7.09	2008	15.28	12.35	<p>VA continues to be a leader in contracting with VOSBs and SDVSOBs, having exceeded the statutory SDVOSB goal in FY 2007. VA nearly doubled its procurement with VOSBs, from \$616.2 million to over \$1.2 billion. Nearly one-third of all small business dollars spent by VA were with VOSBs, marking the first time expenditures by VA with these firms exceeded \$1 billion. Contracting with veteran entrepreneurs is a logical extension of the VA mission and contributes to the economic strength of this important business community. Increased spending also makes entrepreneurship a viable and attractive career option for America's veterans.</p>
Year	VOSB (%)	SDVOSB (%)																	
2004	1.25	1.25																	
2005	4.50	2.15																	
2006	6.17	3.56																	
2007	10.37	7.09																	
2008	15.28	12.35																	
<p><u>Source:</u> Goaling Report, U.S. Small Business Administration</p> <p>* P.L. 109-461 gave VA unique authority to conduct set-aside and sole source procurement with Veteran-Owned Small Businesses. In January 2008, the Secretary established an FY 2008 performance target and instituted PAR reporting requirements. This measure appears in the PAR for the first time.</p> <p>(1) Actual data through 09/2008. Data will not be final until 09/2009.</p>	<p style="text-align: center;"><b>How VA Leadership Uses Results Data</b></p> <p>These data assist VA leadership, the Congress, the veteran entrepreneurial community, and other stakeholders in gauging the extent of VA compliance and success in implementing the Veterans Entrepreneurship and Small Business Development Act of 1999 (P.L. 106-50); the Veterans Benefits, Healthcare and Information Technology Act of 2006 (P.L. 109-461); and Executive Order 13360, <i>Providing Opportunities for Service-Disabled Veteran-Owned Businesses to increase their Contracting and Subcontracting</i>, issued in October 2004.</p> <p>The results also help VA program management identify areas for improvement and assist in targeting training and vendor outreach.</p>																		
<p style="text-align: center;"><b>How VA Verifies Results Data for Accuracy</b></p> <p>Data are analyzed monthly by staff and program managers in the Office of Small and Disadvantaged Business Utilization. Data collection staff is skilled/trained in the proper procedures for extracting and interpreting data.</p>																			



## Additional Performance Information for Strategic Objective 4.4

### OIG Major Management Challenges and GAO High-Risk Areas

VA's Office of Inspector General did not identify any major management challenges related to this objective. The Government Accountability Office did not identify any high-risk areas related to this objective.

### Program Assessment Rating Tool (PART) Evaluation

No PART evaluations have been completed that specifically address this objective.

### Program Evaluations

No independent program evaluations have been conducted recently that specifically address this objective.

### New Policies, Procedures, or Process Improvements

VA implemented Sections 502 and 503 of Public Law (P.L.) 109-461, the Veterans Benefits, Healthcare and Information Technology Act of 2006 (§8127 and §8128 38 U.S.C.), effective June 20, 2007. This program is known in VA as the “Veterans First Contracting Program.” The law establishes a small business program hierarchy within VA that places SDVOSBs and VOSBs first and second, respectively, in VA open market acquisitions. P.L. 109-461 provides VA with unprecedented authorities in contracting with veteran businesses. In addition to authority to set-aside acquisitions for competition exclusively among SDVOSBs, the law also provides VA acquisition professionals with authority to set-aside requirements for VOSBs, and under certain circumstances make sole-source contract awards to SDVOSBs and VOSBs up to \$5 million.

The Department participates extensively in procurement conferences, training sessions, and one-on-one counseling sessions to train small

businesses on VA's acquisition processes, operations, and opportunities. VA continues to make personnel aware of the Department's responsibilities to support small business programs through VA's acquisition training programs.

### Other Important Results

VA's Center for Veterans Enterprise (CVE) maintains the VetBiz.Gov ([www.vetbiz.gov](http://www.vetbiz.gov)) Web portal for veterans in business, which is a primary resource for exchanging information with veteran business owners, buyers, large prime contractors, and other stakeholders.

CVE also provides assistance to veteran entrepreneurs seeking to expand an existing business or start a new business. Services available through the CVE include the Vendor Information Pages (VIP) database, verification of veteran business eligibility, business coaching, video marketing, bid matching, market research reports, and topical news and information. CVE connects veterans with community resources who will help them with their business development needs. In June 2008, the Association for Federal Information Resources Management presented CVE with its “Leadership Award in Acquisition and Procurement” for its support of the U.S. General Services Administration's Veterans Technology Services (VETS) Governmentwide Acquisition Contract (GWAC) for service-disabled veteran-owned small businesses.

### Data Verification and Quality

VA's data quality improvement efforts, including its work on data verification and validation, are described in the Assessment of Data Quality on page 217.



## Complete Listing of Measures Supporting Strategic Objective 4.4

**Green or G:** Target was met or exceeded. **Yellow or Y:** Target was not met, but the deviation was not significant or material. **Red or R:** Target was not met, but the deviation was significant or material.

Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	

Strategic Goal 4: Contribute to the public health, emergency management, socioeconomic well-being, and history of the Nation.

Recap	
Green	2
Yellow	0
Red	0
<b>Total</b>	<b>2</b>

Objective 4.4: Enhance the socioeconomic well-being of veterans, and thereby the Nation and local communities, through veterans benefits; assistance programs for small, disadvantaged, and veteran-owned businesses; and other community initiatives.

Attainment of statutory minimum goals for <u>service-disabled veteran-owned small businesses</u> expressed as a percent of total procurement (OSDBU) (through September; data will not be final until 09/2009)	1.25%	2.15%	3.58%	7.09%	* 12.35% G	3.00%	3.00%
Percent of total procurement dollars awarded to <u>veteran-owned small businesses</u> (through September; data will not be final until 09/2009) P.L. 109-461 gave VA unique authority to conduct set-aside and sole source procurement with Veteran-Owned Small Businesses. In January 2008, the Secretary established an FY 2008 performance target and instituted PAR reporting requirements. This measure appears in the PAR for the first time.	N/A	4.50%	6.17%	10.37%	* 15.28% G	10.00%	10.00%

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.





## STRATEGIC OBJECTIVE 4.5

### *Maintaining National Cemeteries as Shrines*

*Ensure that national cemeteries are maintained as shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made.*

## Making a Difference for the Veteran

### Author Honored by VA

On November 6, Deputy Secretary of Veterans Affairs Gordon H. Mansfield presented a Commendation Award to Tom Ruck, the author of *Sacred Ground: A Tribute to America's Veterans*, a book highlighting the national cemeteries operated by the Department of Veterans Affairs (VA). "Tom Ruck has brought honor and recognition to America's heroes and to VA," said Mansfield. "His respect and admiration for the service and sacrifices of our veterans and their families is reflected on every page of his book."

"I wanted the citizens of this country to realize what beauty and serenity lies within VA's national cemeteries," Ruck said. "Americans need to know how well their veterans are being cared for in these national shrines."

Information on VA burial benefits can be obtained from national cemetery offices, from the [Web](#) at [www.cem.va.gov](http://www.cem.va.gov), or by calling VA regional offices toll-free at 1-800-827-1000.



Tom Ruck, the author of *Sacred Ground: A Tribute to America's Veterans*, received a Commendation Award for his book that highlights the national cemeteries operated by VA.



**Significant Trends, Impacts, Use and Verification of FY 2008 Results**

Key Measure						
PERCENT OF RESPONDENTS WHO RATE NATIONAL CEMETERY APPEARANCE AS EXCELLENT						
Performance Trends				Impact on the Veteran		
<p>National cemeteries carry expectations of appearance that set them apart from private cemeteries. The 2008 score reflects VA's strong commitment to maintaining national cemeteries as national shrines so that bereaved family members are comforted when they come to the cemetery for the interment, or later to visit the grave(s) of their loved one(s).</p> <p>Our Nation's veterans have earned the appreciation and respect not only of their friends and families, but also of the entire country and our allies. VA's cemeteries reflect this appreciation and respect.</p>						
<p><b>How VA Leadership Uses Results Data</b></p> <p>NCA's annual Survey of Satisfaction with National Cemeteries is the source of data for this key measure. The survey collects data from family members and funeral directors who have recently received services from a national cemetery. Respondents are asked to rate numerous aspects of cemetery appearance, such as the condition of gravesites, headstones, and markers. These data are shared with NCA managers at Central Office, Memorial Service Networks (MSNs), and national cemeteries who use the data to improve the appearance of national cemeteries.</p>						
<p><b>How VA Verifies Results Data for Accuracy</b></p> <p>Data are collected by an independent contractor. The contractor provides detailed written documentation of how the survey methodology delivers an acceptable level of accuracy system-wide and by individual cemetery.</p> <p>Data are accurate at a 95 percent confidence interval at both national and Memorial Service Network (MSN) levels and for cemeteries having at least 400 interments per year.</p>						
	2004	2005	2006	2007	2008	ST
■ Results	98%	98%	97%	97%	98%	N/A
■ Targets	98%	98%	99%	99%	99%	100%

ST = Strategic Target

**Additional Performance Information for Strategic Objective 4.5**

**OIG Major Management Challenges and GAO High-Risk Areas**

VA's Office of Inspector General did not identify any major management challenges related to this objective. The Government Accountability Office did not identify any high-risk areas related to this objective.

**Program Assessment Rating Tool (PART) Evaluation**

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Burial program during CY 2002, which resulted in a rating of "Moderately Effective." Please see OMB PART reviews on page 82 for more information.

**Program Evaluations**

The Veterans Millennium Health Care and Benefits Act, Public Law 106-117, directed VA



to contract for an independent study to look at various issues related to the National Shrine Commitment and its focus on cemetery appearance. Volume 3: Cemetery Standards of Appearance was published in March 2002. This report served as a planning tool and reference guide in the task of reviewing and refining VA's operational standards and measures.

In August 2002, Volume 2: National Shrine Commitment was completed. This report identified the one-time repairs needed to ensure a dignified and respectful setting appropriate for each national cemetery. NCA is using the information in this report to address repair and maintenance needs at national cemeteries. Through 2008 NCA has addressed approximately 33 percent of the total repairs identified in this report.

In August 2008, VA completed an independent and comprehensive program evaluation of the full array of burial benefits and services that the Department provides to veterans and their families in accordance with 38 U.S.C. 527. The evaluation was performed by ICF International to provide VA with an objective assessment of the extent to which VA's program of burial benefits has reached its stated goals and the impact that this program has had on the lives of veterans and their families.

The evaluation validated VA's efforts to identify and measure performance in areas key to maintaining national cemeteries as national shrines. The evaluation also recommended improvements to NCA's methods of assessing customer satisfaction to capture the opinions of family members of veterans up to 5 years post-interment and at smaller, national cemeteries that are not actively performing interments.

The findings from this program evaluation will serve to inform and guide VA's management of the burial benefits program, particularly with respect to VA's efforts to maintain national cemeteries as national shrines. The report is

available to the public on the Department of Veterans Affairs [Web](http://www.va.gov/op3/) site at [www.va.gov/op3/](http://www.va.gov/op3/).

### **New Policies, Procedures, or Process Improvements**

In June 2008, VA completed the establishment of a new NCA Human Resources Center (HRC) to serve the staffing needs of all 131 national cemeteries, 5 Memorial Service Network offices, and the NCA National Training Center. Previously, the human resources needs of NCA field sites were supported by local VHA and VBA servicing stations. Establishment of the HRC has enabled NCA to implement new automated HR procedures and other process improvements that have improved the efficiency and cost effectiveness of NCA's recruitment and workers compensation processes.

NCA is continuing its partnership with the National Center for Preservation Technology and Training (NCPTT), an office of the National Park Service (NPS), to conduct a materials conservation and treatment analysis of government-issued marble veteran headstones issued from the 1870s through 1973. Second to VA, NPS has the largest number of national cemeteries, including Gettysburg National Cemetery, under its jurisdiction. Through an interagency agreement, NCPTT will identify alternatives for cleaning historic headstones based upon criteria such as cost effectiveness and environmentally and historic resource-friendly chemicals.

In 2008, NCA continued the implementation of a new Facility Condition Assessment program as part of its continuing commitment to maintain the appearance of national cemeteries as national shrines. Each national cemetery annually assesses whether the condition of each building and structure at the cemetery is considered acceptable according to system-wide standard definitions within VA and within federal guidelines identified by the Federal Real Property Council. This information is used both to provide additional focus to NCA management on the condition of cemetery facilities and for



the allocation of funds for construction projects. Cemetery facilities are among the most highly visible components of national cemeteries. Maintaining the safety and appearance of cemetery facilities is an important component of maintaining national cemeteries as national shrines.

### **Other Important Results**

The willingness to recommend the national cemetery to veteran families during their time of need is an expression of loyalty toward that national cemetery. In 2008, 98 percent of survey respondents (family members and funeral directors who recently received services from a national cemetery) indicated they would recommend the national cemetery to veteran families in their time of need.

To ensure the appearance of national cemeteries meets the standards our Nation expects of its national shrines, VA performed a wide variety of grounds management functions including raising, realigning, and cleaning headstones to ensure uniform height and spacing and to improve appearance. The rows of pristine, white headstones that are set at the proper height and correct alignment provide the vista that is the hallmark of many VA national cemeteries. In 2008 VA collected data that showed that 65 percent of headstones and/or markers in national cemeteries are at the proper height and alignment; 84 percent of headstones, markers, and niche covers are clean and free of debris or objectionable accumulations; and 86 percent of gravesites in national cemeteries had grades that were level and blended with adjacent grade levels. In 2008 National Shrine Commitment projects were initiated at 31 national cemeteries. These projects will raise, realign, and clean more than 506,000 headstones and markers and renovate gravesites in nearly 500 acres.

While attending to these highly visible aspects of our national shrines, VA also maintained roads, drives, parking lots, and walks; painted buildings, fences, and gates; and repaired roofs, walls, and irrigation and electrical systems.

In 2008, 98 percent of survey respondents (family members and funeral directors combined) agreed that the overall appearance of national cemeteries was excellent. This result demonstrates VA's continued commitment to maintaining national cemeteries as shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made.

NCA has an Organizational Assessment and Improvement Program to identify and prioritize improvement opportunities and to enhance program accountability by providing managers and staff at all levels with one "NCA scorecard." As part of the program, assessment teams conduct site visits to all national cemeteries on a rotating basis to validate performance reporting. NCA schedules 12 visits each year to a representative group of national cemeteries from each MSN that illustrates the diversity of our system in terms of age, size, workload, and climate. To date, NCA has completed 45 site visits assessing 80 national cemeteries. Ten visits assessing 21 national cemeteries were conducted in 2008.

VA continued its partnerships with various civic organizations that provide volunteers and other participants to assist in maintaining the appearance of national cemeteries. For example, VA executed an interagency agreement with the Bureau of Prisons provides for the use of selected prisoners to perform work at national cemeteries. Under a joint venture with VHA, national cemeteries provide therapeutic work opportunities to veterans receiving treatment in the Compensated Work Therapy/Veterans Industries program. The national cemeteries are provided a supplemental workforce while giving veterans the opportunity to work for pay, regain lost work habits, and learn new work skills.

### **Data Verification and Measure Validation**

More details on data verification and quality and measure validation for the key measure that supports this objective are provided in the Key Measures Data Table on page 234.



## Complete Listing of Measures Supporting Strategic Objective 4.5

**Green or G:** Target was met or exceeded. **Yellow or Y:** Target was not met, but the deviation was not significant or material. **Red or R:** Target was not met, but the deviation was significant or material.

Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	

<b>Recap</b>	
Green	1
Yellow	4
Red	0
<b>Total</b>	<b>5</b>

**Strategic Goal 4: Contribute to the public health, emergency management, socioeconomic well-being, and history of the Nation.**

Objective 4.5: Ensure that national cemeteries are maintained as shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made.

<b>Percent of respondents who rate national cemetery appearance as excellent</b>	98%	98%	97%	97%	98% Y	99%	100%
Percent of respondents who would recommend the national cemetery to veteran families during their time of need	97%	98%	98%	98%	98% Y	99%	100%
Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment	64%	70%	67%	69%	65% Y	72%	90%
Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations	76%	72%	77%	75%	84% G	80%	90%
Percent of gravesites that have grades that are level and blend with adjacent grade levels	79%	84%	86%	83%	86% Y	88%	95%



## Enabling Goal

### *Applying Sound Business Principles*

## ENABLING OBJECTIVE E-1

### *Development and Retention of a Competent Workforce*

*Recruit, develop, and retain a competent, committed, and diverse workforce that provides high-quality service to veterans and their families.*

## Making a Difference for the Veteran

### VA Creates “Travel Nurse Corps” to Improve Quality of Care for Veterans

To deal with a nationwide shortage of nurses and to improve the quality of care for veterans, the Department of Veterans Affairs (VA) has created a “Travel Nurse Corps” to enable VA nurses to travel and work throughout the Department’s medical system. “VA is committed to putting health care facilities closer to veterans,” said Secretary of Veterans Affairs Dr. James B. Peake.

The Travel Nurse Corps, headquartered at the Phoenix VA Health Care System, is beginning as a 3-year pilot program. Initially, it will place as many as 75 nurses at VA medical centers across the country. The goals of the program are to improve recruitment, decrease turnover of experienced nurses, and maintain high standards of patient care.



Registered Nurse Cynthia Cina was recruited to work in long-term at the Phoenix VA Health Care System. “I like giving back to the men and women who have served our country,” says Cino.

“Those who join the VA Travel Nurse Corps will become key members of a talented group of professionals who are dedicated to providing the best care possible to our Nation’s veterans,” said Cathy Rick, R.N., VA’s Chief Nursing Officer. The program helps VA medical facilities address supplemental staffing needs while also ensuring there is a continued commitment to quality and safety.

The program is also designed to establish a potential pool for national emergencies and serve as a model for an expanded VA travel corps with nurses who have varying specialties. The program is designed to reduce the use of contracted nurses, thus preserving resources that can be used elsewhere to care for veterans.

To learn more about VA’s Travel Nurse Corps, visit the [Web](#) site at [www.travelnurse.va.gov](http://www.travelnurse.va.gov) or e-mail [travelnurse@va.gov](mailto:travelnurse@va.gov) or **call** toll free at (866) 664-1030 or in Phoenix at (602) 200-2398.



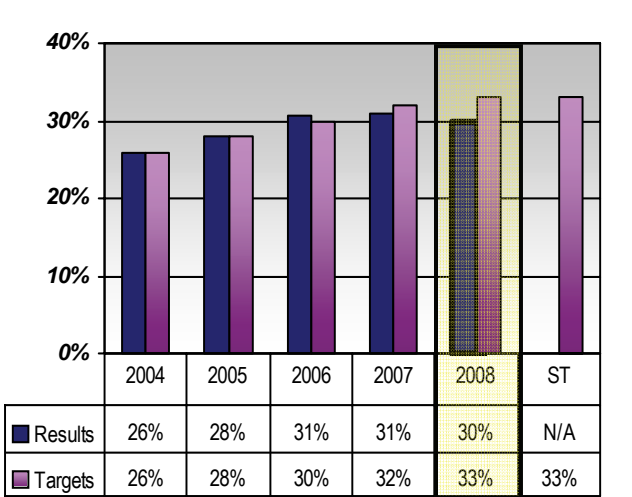
Those who join the VA Travel Nurse Corps will become key members of a talented group of professionals who are dedicated to providing the best care possible to our Nation’s veterans,” said Cathy Rick, R.N., VA’s Chief Nursing Officer.



**Significant Trends, Impacts, Use and Verification of FY 2008 Results**

**Supporting Measure  
PERCENTAGE OF VA EMPLOYEES WHO ARE VETERANS**

**Performance Trends**



ST = Strategic Target

**Impact on the Veteran**

VA not only recognizes the value severely injured veterans bring to the workforce, but also the potential challenges they may face in obtaining meaningful careers. VA’s Veterans Employment Coordination Service (VECS) created a network of Regional Veterans Employment Coordinators under its Severely Injured Veterans Employment Initiative. These coordinators will provide personal hands-on assistance to severely injured veterans, helping to expand employment opportunities for veterans within VA.

VECS seeks to ensure that severely injured veterans from Operation Enduring Freedom and Operation Iraqi Freedom not only have the tools for success, but access to the resources and networks necessary for their transition to the VA workforce.

**How VA Verifies Results Data for Accuracy**

In 2006 VA created a new veteran preference field in the PAID accounting system to distinguish non-veterans from veterans who did not receive veterans’ preference. Previously, non-preference veterans were not distinguished from non-veterans; thus, the veteran employee data were artificially low. Additionally, current employees who came onboard before 2006 were audited against DoD data to correct their veteran status. Corrections were made using the new data field.

Data entry staff is trained in data entry procedures through both formal and information training at their human resources office. On a day-to-day basis, a data entry guide also serves to help data entry staff follow generally accepted data entry protocols.

**How VA Leadership Uses Results Data**

The nine Regional Veterans Employment Coordinators are located throughout the country, working closely with a network of local veterans employment coordinators on behalf of all veterans. They serve as employment case managers for severely injured veterans, assisting in identifying VA career opportunities, crafting competitive applications, navigating the Federal hiring process, and evaluating traditional and non-traditional work accommodations. The local veterans employment coordinators are positioned at every human resources office VA-wide and stand ready to assist any veteran seeking employment in VA.



## Additional Performance Information for Enabling Objective E-1

### OIG Major Management Challenges

VA's Office of Inspector General did not identify any major management challenges related to this objective.

### GAO High-Risk Areas

- Strategic Human Capital Management: A Governmentwide High-Risk Area (see page 311 for more details)

### Program Assessment Rating Tool (PART) Evaluation

No PART evaluations have been completed that specifically address this objective.

### Program Evaluations

No independent program evaluations have been conducted recently that specifically address this objective.

### New Policies, Procedures, or Process Improvements

#### *Student Loan Repayment Programs for many key healthcare occupations*

The Department's research has revealed that quality candidates in high-demand fields evaluate both the traditional and non-traditional benefits of a potential job. The Department has focused on the financial issues of today's graduates through the targeted use of student loan repayments for select Title 38 positions. Through branding and tailoring unique messages to the needs of specific supply pools, VHA's Healthcare Retention and Recruitment Office has seen outstanding results from outreach initiatives designed to enhance and supplement local, facility-based recruiting. These recruitment efforts are supplemented by posting VA jobs on popular online recruitment [Web](#) sites such as *HealthCareers* ([www.healthcareers.com](http://www.healthcareers.com)) and *CareerBuilder* ([www.careerbuilder.com](http://www.careerbuilder.com)).

#### *VA Nursing Academy*

In 2008, the Department established the VA Nursing Academy as a 5-year pilot program

committed to nursing education and practice that will address nursing shortages in VA and the Nation through the following:

- Expanding teaching faculty in VA facilities and affiliated nursing schools.
- Increasing VA recruitment and retention through enhanced clinical experiences for nursing students and expanded teaching opportunities for VA nurses.
- Emphasizing the importance of the continuum of nursing education through expansion of VA's stipend program for graduate students and the Pre- and Post-doctoral Nurse Fellowship Programs.
- Providing financial assistance through a scholarship program for nursing students in exchange for obligations to work in VA facilities following graduation.

The VA Nursing Academy's initial program, "Enhancing Academic Partnerships," involved four academic partnerships of VA facilities and nursing schools and was implemented in the 2007-2008 academic year. Accomplishments of this first year include:

- Increased enrollment in the baccalaureate degree in nursing (BSN) programs in the partnering nursing schools. Each school was required to increase their enrollment by 20 students this first year and by 40 students over the baseline in each of the following years.
- Increased the number of nursing students coming to VA facilities for clinical learning experiences.
- Increased the type of VA clinical experiences available for students.
- Increased the recruitment of BSN graduates in 2008.
- Provided faculty development programs for VA nurses who are serving in faculty positions.
- Implemented a BSN Internship Program prior to graduation to ease the transition from student to new graduate nurse.
- Implemented a Graduate Nurse Residency Program to ease the transition from new





graduate nurse to competent and satisfied registered nurse. This program is also expected to increase retention of recent graduates.

- Enhanced use of simulation learning for nursing students and VA nurses.
- Assigned nursing mentors to students.
- Embedded nurse faculty on VA nursing units to assist with nursing care, enhance evidence-based nursing practice, and aid staff development.
- Increased learning opportunities at VA for critical care, mental health, perioperative care, wound healing, veteran-specific care, and continuity of care.
- Selected six additional VA-nursing school partnerships to begin in the 2008-2009 academic year. The final four partnerships will begin in the 2009-2010 academic year.

**Federal Acquisition Certification for Contracting Program**

In FY 2008, VA adopted the Federal Acquisition Institute/Office of Federal Procurement Policy training model centered around the Federal Acquisition Certification in Contracting (FAC-C) program, which requires all warranted contracting officers to achieve certification

based on their experience and education. VA’s goal is to achieve 100 percent certification for its warranted contracting officers at Levels 2 and 3 by November 2008. As of October 2008, VA has achieved a 97 percent certification rate.

**Center for Acquisition Innovation (CAI)**

In October 2007, VA’s Office of Acquisition and Logistics established the CAI to be a center of excellence for acquisition operations. CAI has offices in three locations. The Frederick, Maryland, CAI will house both an operational support center and the VA Acquisition Academy. The Academy will be the training and learning center for VA’s acquisition workforce to learn the federal acquisition process. The Academy will focus on providing students with the knowledge and on-the-job experience they need to prepare them for a career in the federal acquisition community.

**Data Verification and Quality**

VA’s data quality improvement efforts, including its work on data verification and validation, are described in the Assessment of Data Quality on page 217.

**Complete Listing of Measures Supporting Enabling Objective E-1**

**Green or G:** Target was met or exceeded. **Yellow or Y:** Target was not met, but the deviation was not significant or material. **Red or R:** Target was not met, but the deviation was significant or material.

Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	
<b>Enabling Goal: Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes, and financial resources.</b>							
<b>Objective E-1: Recruit, develop, and retain a competent, committed, and diverse workforce that provides high-quality service to veterans and their families.</b>							

**Recap**

Green	1
Yellow	1
Red	0
<b>Total</b>	<b>2</b>

Percentage of VA employees who are veterans (HR&A)	26%	28%	31%	31%	30% Y	33%	33%
The Alternative Dispute Resolution (ADR) participation rate in the Equal Employment Opportunity (EEO) complaint process (HR&A)	13.0%	17.0%	22.0%	28.0%	45.0% G	30.0%	35.0%



## ENABLING OBJECTIVE E-2

### *Outreach and Communications*

*Improve communication with veterans, employees, and stakeholders about VA's mission, goals, and current performance, as well as benefits and services that the Department provides.*

## Making a Difference for the Veteran

### Secretary Peake Pledges New Programs for Women Veterans

At the VA National Summit on Women Veterans' Issues held in June, Secretary of Veterans Affairs Dr. James B. Peake pledged an aggressive push to ensure women veterans receive the highest quality of care in VA medical facilities. Although VA already has services for women patients equal to those men receive, Peake told the audience of more than 400 women-veteran advocates, "We are reinventing ourselves by expanding our women-centric focus to initiate new programs that meet the needs of women veterans."

Citing the demographic shift that brings increasing numbers of women to VA for care, Peake announced several initiatives including hiring full-time women veteran program managers in VA medical centers; developing quality measurements specifically for women patients; purchasing more state-of-the-art specialized women's health care equipment; and expanding medical education in women's health for VA care providers, as well as the formation of a work group that will focus on women's needs in prosthetics.

Summit attendees also learned that VA recently established an additional work group whose goal is to ensure every female veteran enrolled in VA care has a women's health primary care provider, with an emphasis on continuity of care. The conference also focused on how to inform more women veterans of their VA benefits. It was the fourth women's summit, which VA holds every 4 years.

For more information on VA women veterans' programs, visit the [Web](http://www1.va.gov/womenvet/) at <http://www1.va.gov/womenvet/>.



In June, the Secretary Peake (center), Dr. Kussman, Under Secretary for Health (left) and Brigadier General Mary Kight from California (right) attended the VA National Summit on Women Veterans' Issues that focused on how to inform more women veterans of their VA benefits.



**Significant Trends, Impacts, Use and Verification of FY 2008 Results**

Supporting Measure					
PERCENTAGE OF TITLE 38 REPORTS THAT ARE SUBMITTED TO CONGRESS BY DUE DATE					
Performance Trends			Impact on the Veteran		
			<p>Congress uses Congressionally mandated reports to determine the success of new legislative initiatives affecting veterans and to monitor the continued appropriateness of other programs impacting veterans.</p>		
			<p><b>How VA Leadership Uses Results Data</b></p> <p>VA uses the results data to measure the Department’s progress in submitting reports in a timely manner to Congress.</p> <p>VA’s relationship with its stakeholders is critical. Congress is a key stakeholder and VA’s timely submission of Title 38 reports is an important element in maintaining productive and effective relationships with Congressional decision makers.</p>		
			<p><b>How VA Verifies Results Data for Accuracy</b></p> <p>Data are analyzed weekly in management meetings. Title 38 reports are tracked in WebCIMS, VA’s electronic document management system. Actual delivery date to the Hill is used to determine timeliness.</p>		
	2005	2006	2007	2008	ST
Results	21%	13%	40%	59%	N/A
Targets	100%	35%	45%	50%	100%

(1) 79 percent were delivered on time or within 15 days of due date, and 86 percent were delivered on time or within 30 days of due date.

(2) ST = Strategic Target



Supporting Measure																			
PERCENTAGE OF RESPONSES TO PRE- AND POST-HEARING QUESTIONS THAT ARE SUBMITTED TO CONGRESS WITHIN THE REQUIRED TIMEFRAME																			
Performance Trends	Impact on the Veteran																		
<table border="1" style="margin-top: 10px;"> <tr> <td></td> <td>2005</td> <td>2006</td> <td>2007</td> <td>2008</td> <td>ST</td> </tr> <tr> <td>Results</td> <td>21%</td> <td>15%</td> <td>27%</td> <td>57%</td> <td>NA</td> </tr> <tr> <td>Targets</td> <td>Baselined</td> <td>35%</td> <td>35%</td> <td>45%</td> <td>100%</td> </tr> </table>		2005	2006	2007	2008	ST	Results	21%	15%	27%	57%	NA	Targets	Baselined	35%	35%	45%	100%	<p>Congress holds hearings on proposed legislation that will impact veterans; Congress also holds oversight hearings that examine the effectiveness of veterans' programs.</p> <p>VA has a responsibility to provide Congress with timely responses to questions so that Members have the information they need and veterans are well served.</p>
	2005	2006	2007	2008	ST														
Results	21%	15%	27%	57%	NA														
Targets	Baselined	35%	35%	45%	100%														
<p>(1) 71 percent were delivered on time or within 15 days of due date, and 82 percent were delivered on time or within 30 days of due date.</p> <p>(2) ST = Strategic Target</p>																			
How VA Verifies Results Data for Accuracy	How VA Leadership Uses Results Data																		
<p>Data are analyzed weekly in management meetings. Questions for the record are assigned and tracked in WebCIMS, VA's electronic document management system. Actual delivery date to the Hill is used to determine timeliness.</p>	<p>VA uses the data to track the timeliness of responses to Congress.</p> <p>VA's relationship with its stakeholders is critical. Congress is a key stakeholder and VA's timely submission of responses to hearing questions provides Congressional decision makers the data from which to make decisions.</p>																		

**Additional Performance Information for Enabling Objective E-2**

**OIG Major Management Challenges and GAO High-Risk Areas**

VA's Office of Inspector General did not identify any major management challenges related to this objective. The Government Accountability Office did not identify any high-risk areas related to this objective.

**Program Assessment Rating Tool (PART) Evaluation**

No PART evaluations have been completed that specifically address this objective.

**Program Evaluations**

No independent program evaluations have been conducted recently that specifically address this objective.

**New Policies, Procedures, or Process Improvements**

OCLA provided each program office a listing of the next fiscal year congressionally mandated reports in June.



**Other Important Results**

VA’s Center for Women Veterans’ staff held over 100 collaborative meetings and town-hall forums with women veterans; organizations concerned with women veterans’ issues; and federal, state, and local community representatives to inform them of VA benefits

and services available to women veterans. Center staff also monitored VA’s portion of Transition Assistance Program briefings to ascertain the type and quality of gender-specific information provided to separating or retiring women servicemembers.

**Complete Listing of Measures Supporting Enabling Objective E-2**

**Green or G:** Target was met or exceeded. **Yellow or Y:** Target was not met, but the deviation was not significant or material. **Red or R:** Target was not met, but the deviation was significant or material.

Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	

<b>Recap</b>	
Green	2
Yellow	0
Red	1
<b>Total</b>	<b>3</b>

**Enabling Goal: Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes, and financial resources.**

Objective E-2: Improve communication with veterans, employees, and stakeholders about VA’s mission, goals, and current performance, as well as benefits and services that the Department provides.

Percentage of responses to pre- and post-hearing questions that are submitted to Congress within the required timeframe (OCLA)	N/A	21%	15%	27%	57% G	45%	100%
Percentage of testimony submitted to Congress within the required timeframe (OCLA) (OCLA coordinates requisite clearance for testimony among VA internal organizations and OMB prior to submission to Congress and does not have independent clearance authority.)	N/A	N/A	N/A	75%	58% R	90%	100%
Percentage of title 38 reports that are submitted to Congress within the required timeframe (OCLA)	54% w/i 15 days	21% by due date	13% by due date	40% by due date	59% G	50% by due date	100%



## ENABLING OBJECTIVE E-3

### *Reliable and Secure Information Technology*

*Implement a One-VA information technology framework that enables the consolidation of IT solutions and the creation of cross-cutting common services to support the integration of information across business lines and provides secure, consistent, reliable, and accurate information to all interested parties.*

## Making a Difference for the Veteran

### **My HealtheVet wins CIO 100 and Gold Awards**



MyHealtheVet is a one-stop location for veterans to receive critical medical and benefits information and to provide ways for veterans to input and view some of their own medical records online.

My HealtheVet -- the Web-based portal that enables veterans to create and maintain a personal health record -- has received two major awards from organizations that focus on effective and innovative use of Internet technology. VHA's Office of Information received one of the prestigious 2008 "CIO 100 Awards" for its My HealtheVet Web site. The CIO 100 award program recognizes organizations around the world that exemplify the highest level of operational and strategic excellence in Information Technology.

Earlier this year, My HealtheVet was selected as the Gold Award winner for Best Practices in Consumer Empowerment and Protection Awards in the Category of Patient/Consumer Safety by the

Utilization Review Accreditation Committee, an independent nonprofit group known as a leader in promoting health care quality through its accreditation and education programs.

VA developed My HealtheVet to be a one-stop location for veterans to receive critical medical and benefits information and to provide ways for veterans to input and view some of their own medical records online. Recent upgrades to the Web-based portal include an Active Duty Center for newly discharged veterans, a new calendar option, and Military Health System learning modules featuring 3 online courses developed in concert with the Department of Defense. Another planned upgrade will enable veterans to view their lab results for certain tests and view appointments.

For more information, visit [www.myhealth.va.gov](http://www.myhealth.va.gov) on the **Web**.



## Significant Trends, Impacts, and VA's Use and Verification of FY 2008 Results

### Supporting Measure

#### EARNED VALUE MANAGEMENT PORTFOLIO PERFORMANCE AS MEASURED BY COST AND SCHEDULE PERFORMANCE VARIANCES

See below

### Supporting Measure

#### GRADE ON FEDERAL INFORMATION SECURITY ACT REPORT

See below

### **FY 2008 Was a Transition Year for VA's Information Technology Function**

VA's IT function and underlying activities underwent significant reorganization in FY 2007 and 2008. New measures, including those shown above, were published in VA's FY 2009 budget submission to Congress.

FY 2009 targets and the results achieved against these targets will be reported in the Department's FY 2009 PAR.

### Additional Performance Information for Enabling Objective E-3

#### OIG Major Management Challenges

- IT Security Controls (see page 300 for more details)
- Information Security Program (see page 301 for more details)

#### GAO High-Risk Areas

- Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures: A Governmentwide High-Risk Area (see page 317 for more details)

#### Program Assessment Rating Tool (PART) Evaluation

No PART evaluations have been completed that specifically address this objective.

### New Policies, Procedures, or Process Improvements

The VA Office of Information Protection and Risk Management implemented the following policies and procedures to further strengthen information security and protect sensitive information at VA:

- Directive 6066, Protected Health Information.
- VA Handbook 6500, Information Security Program Handbook, implementing procedures for VA Directive 6500, Information Security Program.
- VA Handbook 6500.2, Management of Security and Privacy Incidents.
- Directive 6502, Enterprise Privacy Program.



- Directive 6600: Responsibility of Employees and Others Supporting VA in Protecting Personally Identifiable Information, establishing VA requirements for protecting personally identifiable and sensitive information on veterans, their family members, and employees.
- Directive 6601: Removable Storage Media, establishing VA policy regarding use of removable storage media.
- Directive 6371: Destruction of Temporary Paper Records.
- VA Directive 6609, Mailing of Personally Identifiable and Sensitive Information.

- A memorandum which specifies language to be placed in VA contracts regarding information security and privacy.

There are a number of directives and handbooks in draft or in departmental concurrence that are scheduled to be issued in FY 2009 that will supplement Directive 6500 mentioned above and will further strengthen controls over information security at VA.

#### **Data Verification and Quality**

VA's data quality improvement efforts, including its work on data verification and validation, are described in the Assessment of Data Quality on page 217.

### **Complete Listing of Measures Supporting Enabling Objective E-3**

During FY 2008, there were no results reported for Enabling Objective E-3 because VA's IT function and underlying activities underwent significant reorganization in FY 2007 and 2008 with an accompanying revision of all IT-related measures. FY 2008 was a "transition year" where VA's new measures were developed. VA's FY 2009 budget submission included the new measures together with FY 2009 targets. Results achieved against these targets will be reported in the Department's FY 2009 PAR.





## ENABLING OBJECTIVE E-4

### *Sound Business Principles*

*Improve the overall governance and performance of VA by applying sound business principles; ensuring accountability; employing resources effectively through enhanced capital asset management, acquisition practices, and competitive sourcing; and linking strategic planning to budgeting and performance.*

## Making a Difference for the Veteran

### Loma Linda Medical Center Gets Electricity From the Sun



This photovoltaic (PV) system was installed at VA's Loma Linda, California Medical Center to provide clean, natural sun-powered electricity.

The Department of Veterans Affairs (VA) has completed installing a rooftop photovoltaic (PV) system at the Loma Linda, California, VA Medical Center. The system provides clean, natural, sun-powered electricity; reduces the medical center's electricity costs; and provides environmental benefits to the medical center, VA, and the community.

Workers installed 1,600 solar panels on the roof of the 4-story Jerry L. Pettis Memorial VA Medical Center in hopes of cutting the Loma Linda hospital's electricity bill by at least \$60,000 a year. The solar panels fit comfortably over 70 percent of the hospital's flat, 200,000-square-foot roof. The project began generating power in August and is meeting expectations.

"Hospitals are big users of energy, so whatever VA can do to become a good 'green' neighbor will benefit all of us, both in the short and the long terms," said Dr. James B. Peake, Secretary of Veterans Affairs. "I'm proud of these innovative steps our people are taking and look for them to expand."

The project is part of a VA-wide push to use renewable energy at facilities. Other technologies planned for VA medical centers include wind, geothermal, and biomass energy, as well as using solar energy for water heating.

E-mail inquiries may be sent to [energy@va.gov](mailto:energy@va.gov).

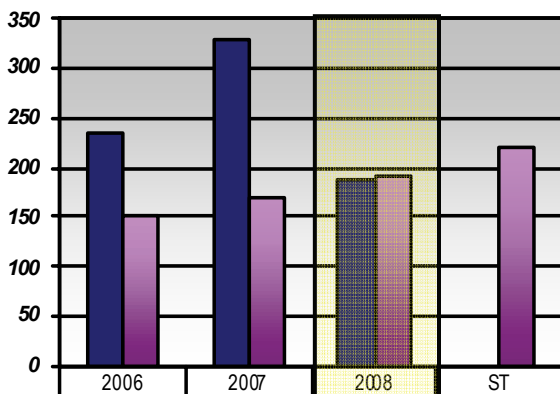


**Significant Trends, Impacts, Use and Verification of FY 2008 Results**

**Supporting Measure**  
**TOTAL ANNUAL VALUE OF JOINT VA/DoD PROCUREMENT CONTRACTS FOR HIGH-COST MEDICAL EQUIPMENT AND SUPPLIES**

**Performance Trends**

(\$ millions)



Results	\$236	\$328	\$188	N/A
Targets	\$150	\$170	\$190	\$220

- (1) 2006 and 2007 results are corrected.
- (2) Beginning in 2007, medical supplies were added to this measure.
- (3) Actual data through 07/2008. Final data are expected in 12/2008.
- (4) ST = Strategic Target

**How VA Verifies Results Data for Accuracy**

Sales data are pulled from the high-tech medical equipment sales database and analyzed by subject matter experts from the National Acquisition Center for accuracy.

**Impact on the Veteran**

VA/DoD use of joint contracting saved VA over \$35 million from March to December 2007. The savings allows VA to focus on patient care while providing high-quality, high-tech health care.

An overview of the savings is below:

- Three month periods ending,
  - June 2007 had a savings of \$11,498,608 (10% of total VA procurements)
  - September 2007 had a savings of \$18,817,664 (10.4% of total VA procurements)
  - December 2007 had a savings of \$5,447,043 (14% of total VA procurements)

The savings shown above are based on recent equipment consolidations (shown as total savings and a percentage against total purchases during the consolidation period).

**How VA Leadership Uses Results Data**

VA uses the results data to verify that joint contracting vehicles are being used to the maximum extent possible by VA's medical facilities.

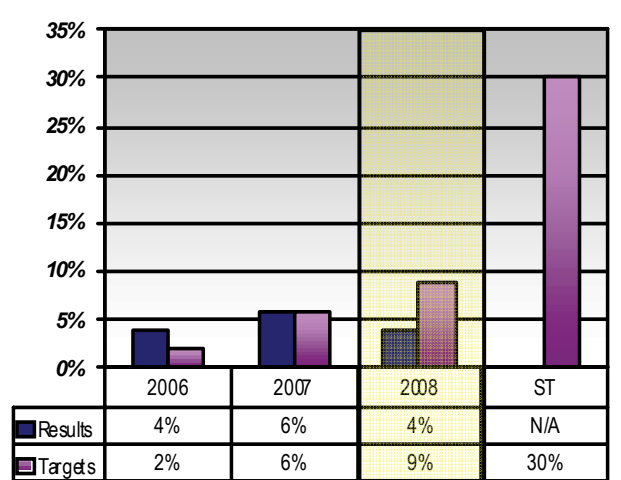


Supporting Measure																											
PERCENT OF SPACE UTILIZATION AS COMPARED TO OVERALL SPACE (OWNED AND DIRECT-LEASED)																											
Performance Trends				Impact on the Veteran																							
<table border="1"> <thead> <tr> <th>Year</th> <th>Results (%)</th> <th>Targets (%)</th> </tr> </thead> <tbody> <tr> <td>2004</td> <td>80%</td> <td>Baselined</td> </tr> <tr> <td>2005</td> <td>98%</td> <td>95%</td> </tr> <tr> <td>2006</td> <td>104%</td> <td>95%</td> </tr> <tr> <td>2007</td> <td>112%</td> <td>95%</td> </tr> <tr> <td>2008</td> <td>113%</td> <td>95%</td> </tr> <tr> <td>ST</td> <td>N/A</td> <td>95%</td> </tr> </tbody> </table>							Year	Results (%)	Targets (%)	2004	80%	Baselined	2005	98%	95%	2006	104%	95%	2007	112%	95%	2008	113%	95%	ST	N/A	95%
Year	Results (%)	Targets (%)																									
2004	80%	Baselined																									
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2006	104%	95%																									
2007	112%	95%																									
2008	113%	95%																									
ST	N/A	95%																									
<p>(1) FY 2008 result is estimated; final data are expected in 01/2009.            (2) ST=Strategic Target</p>				<p><b>How VA Leadership Uses Results Data</b></p> <p>This measure is used to determine VA’s space utilization (i.e., identifying where space is over-utilized or where space is underutilized). Since this is tracked on a hospital-by-hospital basis, the measure pinpoints where more space is needed, or where there is excess space thereby allowing VA’s asset managers to direct resources appropriately.</p>																							
<p><b>How VA Verifies Results Data for Accuracy</b></p> <p>Data are verified for accuracy in a variety of ways. There is an Enhanced Data Validation Plan that includes methods for evaluating frequency, methods, error tolerance, and reporting reliability. In addition, a VA Management Quality Assurance Service team performs a site visit, validating data integrity in meeting VA portfolio goals.</p>				<p>Where space is underutilized and/or vacant, VA develops and executes plans that may involve demolition, enhanced use lease, transfers to State Homes, outlease, or reuse by other VA entities.</p> <p>VA recognizes increases in utilization due to patient care and privacy issues while examining means of measuring utilization in terms of workload.</p>																							



**Supporting Measure**  
**CUMULATIVE PERCENTAGE DECREASE IN FACILITY TRADITIONAL ENERGY CONSUMPTION PER GROSS SQUARE FOOT FROM THE 2003 BASELINE**

**Performance Trends**



(1) Actual data through 08/2008. Final data are expected in 01/2009.  
 (2) ST = Strategic Target

**How VA Verifies Results Data for Accuracy**

FY 2008 data are verified by comparing with last year's data and contacting facilities supplying the information. Square footage data are as verified via real property reporting. In addition, VA automated systems used in this reporting have both automatic and manual checking procedures in place that produce error reports, batch totals, and consistency checks.

**Impact on the Veteran**

As VA decreases energy consumption, cost savings can be devoted to providing more and improved services to veterans.

**How VA Leadership Uses Results Data**

VA uses the data to monitor and report energy efficiency at facilities. The data help identify optimal energy management practices for possible nationwide replication. Conversely, management also uses the data to identify where energy efficiency improvements may be needed.

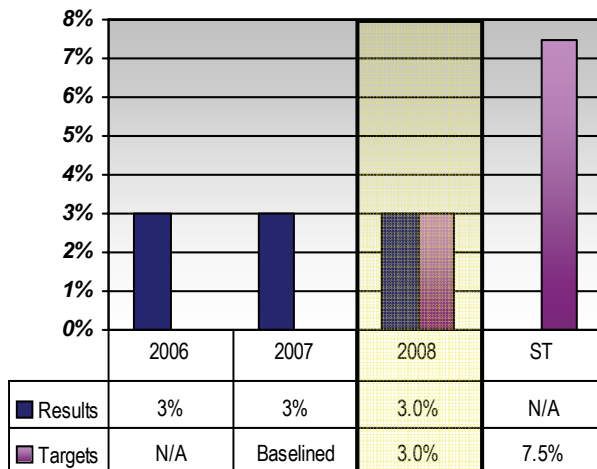
For example, VA targeted several facilities with relatively high consumption per square foot to implement selected energy conservation measures. These measures, such as steam trap replacements, lighting retrofits, and renewable energy projects, improve facility energy efficiency and help control energy costs.



**Supporting Measure**

**PERCENT OF TOTAL FACILITY ELECTRICAL CONSUMPTION THAT IS RENEWABLE**

**Performance Trends**



(1) Actual data through 08/2008. Final data are expected in 01/2009.

(2) ST = Strategic Target

**How VA Verifies Results Data for Accuracy**

The data will be verified by comparing to last year's data and directly with facilities supplying the information. In addition, VA automated systems involved in reporting have both automatic and manual checking procedures in place using error reports, batch totals, and consistency checks.

**Impact on the Veteran**

By using more renewably-generated electricity at its facilities, VA reduces its own and the Nation's dependence on petroleum, enhances facility energy security, and improves the environment.

**How VA Leadership Uses Results Data**

With this data, VA leadership is able to determine how well VA is progressing towards providing veterans with the benefits related to renewable energy use, and where improvements need to be made.

**Additional Performance Information for Enabling Objective E-4**

**OIG Major Management Challenges**

- Financial Management System Functionality (see page 279 for more details)
- Financial Management Oversight (see page 281 or more details)
- Benefits Delivery Network System Records (see page 287 for more details)
- Open Market Procurements and Inventory Controls (see page 289 for more details)
- Contract Modifications to Use Expired Years Funds (see page 291 for more details)

- Contract Award and Administration (see page 293 for more details)
- Electronic Contract Management System (see page 297 for more details)

**GAO High-Risk Areas**

- Federal Real Property: A Governmentwide High-Risk Area (see page 314 for more details)
- Management of Interagency Contracting: A Governmentwide High-Risk Area (see page 320 for more details)

**Program Assessment Rating Tool (PART) Evaluation**

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Medical Care program during CY 2003, which resulted in a rating of "Adequate." The



Administration also conducted a PART evaluation of VA's General Administration program during CY 2004, which resulted in a rating of "Moderately Effective." Please see OMB PART reviews on page 79 and 83 for more information.

### **New Policies, Procedures, or Process Improvements**

The Office of Construction and Facilities Management (CFM) completed its reorganization and now reports directly to the Deputy Secretary. This increases the emphasis on providing facility solutions to health care needs, benefits programs, and national cemeteries.

CFM has increased the use of Indefinite Delivery Indefinite Quantity contracts to improve the facility master plan and project space plan development. This is expected to define budget and scope such that budget overruns and reprogrammings will be minimized.

In October 2007, the VHA Chief Financial Office released a comprehensive 141 page non-healthcare debt desk guide to the field. In January 2008, a national non-healthcare debt conference was held to review and train all attendees on the proper implementation of the contents of the desk guide, and emphasize the importance of proper management of non-healthcare debt as it relates to financial requirements and operational oversight.

In addition to the above-cited Non-Health Care Guidebook, the VHA Chief Business Office (CBO) developed Web-based procedure guides for first and third-party medical care collections fund (MCCF) accounts receivable processing. These guides were published in December 2007, and several training sessions were provided via national conference calls. CBO worked across the organization to update the third-party MCCF accounts receivable follow-up timelines contained in the Medical Care Debts handbook. This update was accomplished to ensure more follow-up on higher dollar receivables, which

comprise a larger portion of the third-party accounts receivable portfolio and result in greater collections. Training was provided on these revised follow-up timelines through several nationwide conference calls as well as a presentation at the CBO National Conference.

### **Federal Acquisition Certification for Contracting Program**

In FY 2008, VA adopted the Federal Acquisition Institute/Office of Federal Procurement Policy training model centered around the Federal Acquisition Certification in Contracting (FAC-C) program, which requires all warranted contracting officers to achieve certification based on their experience and education. VA's goal is to achieve 100 percent certification for its warranted contracting officers by November 26, 2008.

### **Center for Acquisition Innovation (CAI)**

In October 2007, VA Office of Acquisition and Logistics established the CAI to be a center of excellence for acquisition operations. CAI has offices in three locations. The Frederick, Maryland, CAI will house both an operational support center and the VA Acquisition Academy. The academy will be the training and learning center for acquisition interns to learn the federal acquisition process. The academy will focus on providing students with the knowledge and on-the-job experience they need to prepare them for a career in the federal acquisition community.

### **Data Quality**

VA's data quality improvement efforts, including its work on data verification and validation, are described in the Assessment of Data Quality on page 217.



## Complete Listing of Measures Supporting Enabling Objective E-4

**Green or G:** Target was met or exceeded. **Yellow or Y:** Target was not met, but the deviation was not significant or material. **Red or R:** Target was not met, but the deviation was significant or material.

Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	
<b>Enabling Goal: Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes, and financial resources.</b>							
Objective E-4: Improve the overall governance and performance of VA by applying sound business principles; ensuring accountability; employing resources effectively through enhanced capital asset management, acquisition practices, and competitive sourcing; and linking strategic planning to budgeting and performance.							
							<b>Recap</b> Green 14 Yellow 6 Red 0 <hr/> Total 20

Gross Days Revenue Outstanding (GDRO) for third party collections (VHA)	N/A	Baseline	54	59	56 G	57	54
Dollar value of 1st party and 3rd party collections (VHA):							
1st Party (\$ in millions)	\$742	\$772	\$863	\$915	\$922 Y	\$950	\$1,159
3rd Party (\$ in millions)	\$960	\$1,056	\$1,096	\$1,261	\$1,497 G	\$1,341	\$1,531
Total annual value of joint VA/DoD procurement contracts for high-cost medical equipment and supplies** (through July) (1) Corrected **Beginning in 2007, medical supplies were added to this measure.	N/A	Baseline	(1) \$236M	(1) \$328M	* \$188M Y	\$190M	\$220M
Obligations per unique patient user (VHA) (Estimate) (FY 2005 - 2007 results are expressed in constant 2005 dollars based on the Bureau of Labor Statistics Consumer Price Index (CPI). The OMB CPI-U (CPI for All Urban Consumers) was used to project the FY 2008 estimate and target.)	\$5,493	\$5,597	\$5,455	\$5,740	* \$5,891 G	\$5,942	N/A
Percent of tort claims decided accurately at the administrative stage (OGC)	89.0%	88.4%	92.2%	92.6%	93.6% G	91.5%	91.5%
Cumulative % of FTEs (compared to total planned) included in Management Analysis/Business Process Reengineering studies initiated (OP&P)	N/A	0%	0%	33%	54% G	54%	100%
Number of audit qualifications identified in the auditor's opinion on VA's Consolidated Financial Statements (OM)	0	0	0	0	0 G	0	0
Number of material weaknesses identified during the annual independent financial statement audit or separately identified by management (OM) (VA's material weaknesses identified during the annual independent financial statement audit are also considered weaknesses under FMFIA) (1) Corrected	4	4	(1) 4	4	3 G	4	0

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.

Part II - Performance Summaries by Strategic Objective



Strategic Goal/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	

**Enabling Goal: Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes, and financial resources.**

Objective E-4: Improve the overall governance and performance of VA by applying sound business principles; ensuring accountability; employing resources effectively through enhanced capital asset management, acquisition practices, and competitive sourcing; and linking strategic planning to budgeting and performance.

Average number of orders (prosthetics devices and batteries) processed annually per DALC employee (OM) (DALC = Denver Acquisition and Logistics Center)	14,394	16,238	16,794	17,577	18,888 Y	20,000	24,000
Percent of space utilization as compared to overall space (owned and direct-leased) (OAEM) (Estimate)	80% Baseline	98%	104%	112%	* 113% G	95%	95%
Percent Condition Index (owned buildings) (OAEM) (Estimate)	N/A	82% Baseline	79%	74%	* 64% Y	85%	87%
Ratio of non-mission dependent assets to total assets (OAEM) (Estimate)	N/A	22% Baseline	15%	12%	* 13% G	13%	10%
Ratio of operating costs per gross square foot (GSF) (OAEM) (Estimate) (Targets and results were adjusted to conform with Federal Real Property Council Tier 1 definitions)	\$4.52 Baseline	\$4.85	\$5.59	\$5.80	* \$6.46 Y	\$4.52	\$4.52
Cumulative percentage decrease in facility traditional energy consumption per gross square foot from the 2003 baseline (OAEM) (through August)	N/A	N/A	4%	6%	* 4% Y	9%	30%
Percent of total facility electricity consumption that is renewable (OAEM) (through August)	N/A	N/A	3%	3%	* 3.0% G	3.0%	7.5%
Percent of contract awards (design development, construction documents, construction) that meet operating plan target dates within a 90-day variance (OCFM) (Estimate)	N/A	73.3%	71.4%	73.0%	* 83.0% G	75.0%	90.0%
Percent of direct lease acquisitions that meet target dates (OCFM) (1) FY 2007 results are provided only for the last 6 months of the fiscal year.	N/A	N/A	N/A	(1) 70%	100% G	80%	95%
Percent of property acquisitions that meet target dates (OCFM) (1) FY 2007 results are provided only for the last 6 months of the fiscal year.	N/A	N/A	N/A	(1) 75%	100% G	80%	95%
Percent of space criteria departmental updates that are not older than 3 years (OCFM) (1) FY 2007 results are provided only for the last 6 months of the fiscal year.	N/A	N/A	N/A	(1) 100%	100% G	98%	100%

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.





## Assessment of Data Quality

VA's ability to accomplish its mission is dependent on the quality of its data. Each day, VA employees use data to make decisions that affect America's veterans. Data accuracy and reliability are paramount in delivering medical care, processing benefits, and providing burial services.

### Veterans Health Administration

#### I. Data Accuracy

VHA's Data Quality Program and data quality workgroups also provide guidance on data quality policies and practices as follows:

- Develop policy and guidance for field and other staff that provide standard information related to the data content, context, and meaning of specific data elements in VHA databases.
- Provide training and education to users through presentations at Veterans Health Administration electronic Health University (VeHU), Information Technology Conference (ITC) and program specific conferences.
- Disseminate best practices and data quality guidance through the VHA Data Quality Web site, a quarterly data quality newsletter, and through publication of user guides on subjects such as Data Quality, Identity Management and Catastrophic Overwrites which affect patient health care records.
- Participate in VHA's data standardization activities that involve the standardization of VHA's clinical and administrative data in support of critical activities including VA's Health Data Repository program and the Clinical and Health Data Repository data sharing and interoperability project (a collaborative effort between VA and DoD).
- Address patient safety risks through implementation of strong data quality practices that ensure the correct identification of patients and reduce the likelihood of catastrophic overwrites to the patient's longitudinal health record.
- Participate in various workgroups providing stewardship of and expertise on VHA data that provide increased data quality for future efforts such as HealthVet VistA and in VA workgroups such as the effort to identify and document the uses of social security numbers in electronic systems and other records, and to develop alternatives for individual identification. Monitored and resolved data integrity issues and conflicts for more than 400 records with SSN discrepancies.
- Conducted an analysis of the accuracy of Date of Death data to identify how to improve the quality of this information.
- Collaborated in federal and external efforts, e.g., American Health Information Community (AHIC) VA/DoD Clinical Data Repository/Health Data Repository (CHDR), Connecting for Health (Markle Foundation) and National Health Information Network (NHIN) to improve data quality and support interoperability with health partners.
- Developed requirements for the Identity Management Data Quality (IMDQ) Toolkit which is a software application. The toolkit will re-host the legacy Master Patient Index (MPI) Identity Management user interfaces and improve current functionality for the HealthVet VistA and MPI environments. The IMDQ Team will use the IMDQ Toolkit as the primary tool for identifying, managing and resolving issues with active patient's longitudinal health record and ensuring the integrity of the records for all persons across VHA.
- The Identity Management Data Quality team also identified additional data quality requirements or business rules to improve VHA's VistA system around patient identity data by adding software requirements to



prevent errors to patient record identity data that would reduce the quality of the identity data, such as preventing a change to a patient's social security number when that number had been validated by the Social Security Administration for that individual, thereby preserving the quality of the data for the patient and their electronic healthcare record.

VHA has broadened the Data Quality Program. In FY 2008, the Data Quality Program drafted a strategic framework that articulated the following goals:

- Improve the comprehensiveness, timeliness, consistency, and accuracy of VHA data for clinicians, researchers, administrators, veterans, sharing partners and lines of business.
- Reduce patient safety risk through implementation of strong data quality practices.
- Manage the integrity of patient identity information to provide the longitudinal health record.
- Enhance the patient experience by providing and maintaining consistent, complete and accurate data.
- Identify and promulgate industry and VHA data quality business standards and practices.
- Provide effective communication, education and training to improve data quality.
- Improve data quality to support interoperability with health and other partners.

## **II. Data Reliability/Comparability**

VHA's abstracted data provides a reliable estimate of the quality of care being provided and is used to make clinical decisions as well as being used for accountability purposes. Many of the health care quality metrics can be trended over time and have external benchmarks for comparability.

Data reliability and consistency are critical elements for ensuring the timely and appropriate credentialing of health-care professionals. To this end, VetPro was implemented in 2001.

In December 2006, VetPro was expanded to include all licensed, registered, and certified health care professionals. To assure data reliability, original documents used in the credentialing process are scanned into VetPro and are readily available to clinical managers for decision-making and granting of clinical privileges. Any inconsistencies in the data provided and the verification of such data is automatically identified by VetPro and the credentialer must then take appropriate steps to reconcile the information. All primary-source documentation of credentials are stored electronically, including scanned images of the original paper documents.

VHA has long been recognized as a leader in documenting credentials and privileges of health-care professionals through its Credentialing Team. To assure accuracy in managing data, new Credentialing Team members complete a detailed orientation prior to assuming full duties as a program analyst.

Team members have access to three Web-based training modules, one in medical staff leadership and two in provider profiling. There are six more modules related to other aspects of credentialing and privileging due to launch on or before March 2009.

All new credentialers undergo VetPro Security and Confidentiality training prior to being given access to VetPro, the VHA's electronic credentials databank. Program analysts randomly audit credentialing files to assure accuracy of information.

VetPro promotes and demonstrates to other federal and private agencies the value of a secure, easily accessible, consistent, valid data bank of health professionals' credentials.



In sum, VetPro standardized the process of credentialing and privileging throughout VHA by:

- Establishing a secure, accessible, valid electronic database.
- Ensuring appropriate credentials for clinical roles of practitioners.
- Allowing verification of practitioners' track records.
- Promoting telemedicine and emergency readiness due to ease of sharing of electronic files as needed.

### **III. Data Consistency**

VHA's data consistency efforts are implemented through three programs:

- *Data Stewardship* – Establishes and formalizes accountability and governance for the characteristics and management of organizational data and ensures that the appropriate people representing business processes, data and technology are involved in decisions relating to the data they produce, manage and use.
- *Clinical Data Quality Coordination*: Develops clinical data quality guidance and operating policies for VHA. Establishes and maintains mechanisms to identify resolve and monitor clinical data quality.
- *Business Product Management*: Ensures that business stakeholder data quality requirements are identified and communicated through appropriate processes and monitors progress to ensure business needs are met.

## **Veterans Benefits Administration**

### **I. Data Accuracy**

VBA's data management systems have been substantially improved in recent years with such programs as the VETSNET suite of applications and other corporate data solutions. These applications and the analytical tools associated with the data warehouse provide leadership with more robust data, and better support for information management and analysis.

Information is collected in defined formats and entered into specific fields of database records. Data are checked for completeness by system audits and manual verifications.

Certain data, such as SSN, are verified with the Social Security Administration periodically. Prior to award of benefits by VBA, the veteran's record is manually reviewed and data validated to ensure correct entitlement has been approved.

Employees are skilled and trained in the proper procedures; data entry procedures are documented and followed; data are sampled against source data through quality reviews; and procedures for making changes to previously entered data are documented and followed.

### **II. Data Reliability/Comparability**

The Office of Performance Analysis and Integrity (OPA&I), which reports directly to the Under Secretary for Benefits, assesses data for completeness, consistency, accuracy, and appropriateness of use as performance and workload management indicators. These data are extracted from VBA's systems of record, such as VETSNET, and are imported into an enterprise data warehouse.

All reports emanating from the enterprise data warehouse are developed using business rules provided by the respective VBA business lines. Supporting documentation for the enterprise data warehouse is maintained and readily available. Reporting requirements are regularly reviewed and modified when anomalies are noted, or when changes are made to the underlying business applications.

VBA leadership uses performance data to make program decisions concerning benefits processing and other organizational needs. The decision to consolidate functions such as original pension claims processing to improve service is one example of the use of performance data in the decision making cycle. To the extent possible, performance data is comparable



between years, and is routinely reported in during the Monthly Performance Review, in annual budget submissions, and in other forums.

### **III. Data Consistency**

Each VBA business line's requirements for data definitions, collection and documentation are well-documented in users guides and manuals.

During the migration to the corporate environment for the Compensation and Pension, Vocational Rehabilitation and Employment, and Loan Guaranty Programs, reporting consistency is maintained through synchronization of the legacy and corporate data within the corporate database. Corporate reporting requirements are well-defined, but additional requirements and modifications are continually under development. As business users identify new requirements, they are documented and tested to ensure reliability.

Reports are generated on regular schedules (daily, monthly, annually) to ensure consistency between reporting periods. Data are validated monthly by all five VBA business lines, and migrated into Monthly Operations Reports by OPA&I for use by VBA leadership as well as at the local level to make program and operational decisions.

## **National Cemetery Administration**

### **I. Data Accuracy**

NCA determines the annual distribution of living veterans and estimated veteran deaths from data provided by the VA Office of the Actuary based on current census figures. NCA's methodology for estimating the percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence was reviewed in a 1999 OIG audit assessing the accuracy of the data used for this measure. Audit results showed that NCA personnel generally made sound decisions and accurate calculations in determining the percent of veterans served by a burial option. Data were revalidated in the 2002 report entitled Volume 1:

Future Burial Needs, prepared by an independent contractor as required by the Veterans Millennium Health Care and Benefits Act, P.L. 106-117.

NCA utilizes an annual mail-out survey to assess customer satisfaction with the appearance, quality of service provided, and other important aspects of VA national cemeteries. This survey is administered by an independent contractor. Data are accurate at a 95% confidence interval at the national and MSN levels and for cemeteries having at least 400 interments per year.

Performance data are also captured in NCA's Burial Operations Support System (BOSS) and Automated Monument Application System (AMAS) databases. These data are entered daily by NCA personnel who are trained in cemetery data collection and BOSS data entry procedures.

Automated monthly and fiscal-year-to-date reports are provided by VA's Quantico Regional Processing Center and are analyzed, verified, and distributed by trained NCA central office personnel to NCA Central Office, MSN, and national cemetery managers. After reviewing the data for general conformance with previous report periods, headquarters staff flag and resolve any irregularities through contact with the reporting stations and comparisons with source data from the BOSS and AMAS systems.

NCA has established an Organizational Assessment and Improvement Program to identify and prioritize improvement opportunities and to enhance program accountability. As part of the program, assessment teams conduct site visits to all national cemeteries on a rotating basis to review cemetery data collection systems and verify collection methods. This review ensures that cemetery performance data are collected and reported in a manner that is accurate and valid.

### **II. Data Reliability/Comparability**

NCA uses data on the percent of veterans served by a burial option within a reasonable distance



(75 miles) of their residence to determine the need for future national cemeteries and to prioritize funding decisions for potential state veterans cemeteries. These data are comparable between years and show the impact that funding for new cemeteries has made toward serving the burial needs of veterans.

Data from respondents to NCA's annual mail-out survey are collected and reported by an independent contractor. These data are accurate at a 95 percent confidence interval at the national and MSN levels and for cemeteries having at least 400 interments per year. Data provided by this survey are reliable and are used by NCA management to develop funding requests and determine priorities for the operation and maintenance of national cemeteries as national shrines.

### **III. Data Consistency**

Since 1999, NCA has consistently utilized a 75-mile standard for determining the percent of veterans served by a burial option within a reasonable distance of their residence. NCA utilizes the most current VetPop model based on census data and developed by the VA Office of the Actuary to determine the distribution of living veterans for this measure. The consistency of the methodology for calculating performance on this measure is verified in both the 2002 Future Burial Needs report and in the 2008 report entitled Evaluation of the VA Burial Benefits Program, prepared by an independent contractor as required by 38 U.S.C. 527.

The methodology for assessing customer satisfaction on NCA's annual mail-out survey has remained consistent since its inception in 2001. The survey collects data annually from family members and funeral directors who recently received services from a national cemetery. To ensure sensitivity to the grieving process, NCA allows a minimum of 3 months after an interment before including a respondent in the sample population.

The data collection method, requirements and process is specified in the survey contract. These meet industry standards for survey methodology. VA headquarters staff oversees the data collection process to verify that the contractor complies with data collection procedures.

NCA's BOSS database was originally implemented in the early 1990's and continues to serve as VA's primary source for national cemetery workload data. BOSS data fields and input instructions are well documented in BOSS User Guides. Monthly, semi-annual, and annual reports generated from BOSS are automated and generated on regular time schedules to ensure data consistency between reporting periods.



## Veterans Benefits Administration

### Quality Assurance Program (Millennium Act)

VBA maintains a national quality assurance program independent of the field stations responsible for processing claims and delivering benefits. The following information about our programs—including compensation and

pension, education, vocational rehabilitation and employment, housing, and insurance—is provided in accordance with title 38, section 7734.

<b>Cases Reviewed and Employees Assigned by Program</b>		
	<b>Cases Reviewed</b>	<b>Employees Assigned</b>
Compensation and Pension (C&P) (STAR Accuracy Reviews)	19,603	31
Education	1,587	4
Vocational Rehabilitation and Employment	6,146	8
Loan Guaranty (Housing)	1,211	5
Insurance	11,040	4

VBA administers a multi-faceted quality assurance program in an effort to ensure compensation and pension benefits are provided in a timely, accurate, and consistent manner. This comprehensive program includes four tiers. The first tier consists of the established accuracy measures of the quality products within the compensation and pension benefits processing arena. The Systematic Technical Accuracy Review (STAR) program measures accuracy of claims processing decisions made in all regional offices. Monthly quality reviews of VHA examination requests and reports accuracy are conducted in collaboration with the Compensation and Pension Examination Program (CPEP) office.

The second tier of the C&P quality assurance program consists of regional office compliance oversight visits conducted by central office site survey teams. In addition to these regional office visits, the Office of Field Operations also performs regular oversight reviews.

The third tier of the national quality assurance program consists of special ad-hoc reviews. The quality assurance staff completes special focused reviews as needed in support of the agency mission and needs. These reviews are generally

one-time case or examination reviews conducted for a specified purpose.

VBA added a fourth tier to its national quality assurance program by establishing a rating consistency review program in FY 2008. This review assesses recently completed rating decisions across all regional offices, identifies the disabilities by diagnostic code rated most often, and plots both the grant/denial rate and evaluation mode assigned across all regional offices. Stations that fall outside of two standard deviations are considered statistical outliers. Focused case reviews are conducted by the C&P quality review staff on a random sampling of cases completed by identified outliers to determine root causes of inconsistency. This consistency review methodology was piloted in FY 2007.

#### **Summary of Findings and Trends – Compensation and Pension (C&P)**

STAR accuracy reports are based on the month that a case was completed, not when reviewed. Cases are submitted for review no later than the end of the following month.



The STAR system includes review of work in three areas: claims that usually require a rating decision, authorization work (claims that generally do not require a rating decision), and fiduciary work.

Reviews of rating-related decisions and authorization-related actions have a specific focus:

- The benefit entitlement review ensures all issues were addressed, claims assistance was provided (under the Veterans Claims Assistance Act), and the resulting decision

was correct, including effective dates. Accuracy performance measures are calculated based on the results of the benefit entitlement review.

- The decision documentation/notification review ensures adequate and correct decision documentation and proper decision notification.

Results for C&P rating and Pension Management Center reviews for the 12-month period ending June 30, 2008, are as follows:

	Rating Reviews		Authorization Reviews		Pension Management Center Reviews	
	Reviewed	Accuracy	Reviewed	Accuracy	Reviewed	Accuracy
Benefit Entitlement	9,260	87%	6,326	94%	395	97%
Decision Documentation & Notification	9,260	90%	6,326	92%	395	92%

The fiduciary work review focuses on the appointment of fiduciaries, the content of field examinations, and the accountings by fiduciaries. The fiduciary review through June 2008 was based on 3,622 cases with an accuracy rate of 82 percent. Most of the errors were found in the area of protection. "Protection" includes oversight of the fiduciary/beneficiary arrangement, analysis of accounting, adequacy of protective measures for the residual estate, and any measures taken to ensure that VA funds are used for the welfare and needs of the beneficiary and recognized dependents. If any of the individual components is in error, the entire case is in error.

**Actions Taken to Improve Quality – Compensation and Pension**

Regional offices are required to certify corrective actions taken quarterly for errors documented by STAR. Reports on the corrective actions are submitted to VBA Headquarters, where they are reviewed to

determine the adequacy of such actions. Reliability of the reports is monitored during cyclical management site visits. Area offices continue to provide oversight for regional offices, directing the development and implementation of wellness plans as needs arise.

The fiduciary STAR team uses a philosophy of consistency in review and a policy of assigning a dedicated STAR reviewer to specific field stations. Common STAR error findings are used for discussion and training during scheduled site visits and as agenda items for quarterly fiduciary program teleconference calls.

Training remains a priority and is conducted using a variety of mediums including satellite broadcasts, training letters, and computer-assisted training. As part of our ongoing quality improvement effort to provide timely feedback, the C&P quality review staff began conducting monthly quality calls in March 2008 to discuss STAR error trends with regional office staff. C&P Training and STAR staffs collaborate on



training based on error trend analysis. Particular effort is made to ensure high-quality centralized training for new Veterans Service Representatives (VSRs) and Rating Veterans Service Representatives (RVSRs). VBA implemented national individual performance review plans with standardized review categories, sample size, and performance standards for all VSRs and RVSRs.

VBA continues to work closely with VHA to improve the quality of examination requests and reports. Efforts include measuring request and report accuracy, developing CD-ROM and Web-based training materials, and sponsoring quality improvement training sessions for key medical center and regional office staff. The STAR staff, out-based/hospital liaison RVSRs, and C&P Examination Program employees perform examination quality reviews. Another collaborative VBA/VHA initiative in the examination improvement process is the creation of standardized computerized templates for all 57 VBA examination worksheets. Improvements continue to be made in these templates to enhance usability and report generation.

**Summary of Findings and Trends – Education**

Education Service reviewed 1,587 cases in FY 2008. From 2007 to 2008, payment accuracy improved from 94.8 to 95.9 percent. Errors in determining the correct date for reduction or termination of payment were 22.9 percent of all payment errors. Errors in determining training time (part or full time) were 17.1 percent, and incorrect payment for intervals

between terms constituted 17.1 percent. These three causes accounted for 57.1 percent of all payment errors for the FYTD in 2008, slightly more than the 53.3 percent of payment errors that they constituted in 2007.

**Actions Taken to Improve Quality – Education**

As in previous years, the 2008 quarterly quality results identified error trends and causes. Errors in the areas identified then became topics for refresher training in regional processing offices. In addition, annual appraisal and assistance visits provided recommendations for improving specific quality areas.

Education Service is continuing to develop standardized training and certification for employees. The project is expected to have a significant impact in raising quality scores and maintaining them at high levels as the initiative is fully implemented over the next few years.

**Summary of Findings and Trends – Vocational Rehabilitation and Employment (VR&E)**

VR&E completed quality assurance (QA) reviews on 6,146 cases in 2008. The national QA reviews were conducted over a 12-month period, with each regional office reviewed twice during the fiscal year. The goal was to review at least 80 cases from each regional office.

Two reviews were added during this fiscal year: the Independent Living case reviews and the Maximum Rehabilitation Gain reviews.

Accuracy Elements	Target Score 2008	Actual Score 2008
Accuracy of Entitlement Determinations	96%	98%
Accuracy of Evaluation, Planning, and Rehabilitation Services	87%	82%
Accuracy of Fiscal Decisions	94%	87%
Accuracy of Outcome Decisions	92%	96%





In addition to review of cases from each regional office, the QA & Field Survey Team conducted site visits of 13 regional offices in 2008.

### **Actions Taken to Improve Quality – Vocational Rehabilitation and Employment**

The VR&E accuracy scores met or exceeded the target scores for FY 2007 in the following two elements: Accuracy of Entitlement Decisions and Accuracy of Outcome Decisions. These scores are attributed to the following initiatives implemented over the last 3 years:

- Each regional office conducts a review of 10 percent of its caseload each year. This ensures consistency in the QA review process and office procedures.
- The QA review results for national and local reviews are available on the VA Intranet Web site. This information enables regional offices to assess individual quality and to identify training needs.
- The QA Review Team currently works with the Training Team to provide trend data and develop training that clarifies administration of VR&E benefits.

Although the VR&E program is not meeting current targets for Accuracy of Fiscal Decisions and Accuracy of Evaluation, Planning, and Rehabilitation Services, trends for both measures show improvement. Current initiatives to improve performance in these areas include targeted development of quality standards of practice, implementation of policy clarifying service requirements, development of automated job aids, and extensive training for new and experienced counselors.

### **Summary of Findings and Trends – Loan Guaranty (Housing)**

The Loan Guaranty housing program reviewed 10,344 cases under its statistical quality control program during 2008. The defect rate equaled less than 1 percent, with the current national

accuracy index being 99 percent. This is an improvement from 2007.

The housing quality assurance program includes elements beyond the review of cases. The VBA Lender Monitoring Unit performed 45 on-site audits and 36 in-house audits of lenders participating in VA's home loan program. VA audits of lenders during 2008 amounted to approximately \$5,760,000 in liability avoidance via indemnification agreements. VA has also collected \$1,171,922 in 2008 as a result of having indemnification agreements in place.

The Portfolio Loan Oversight Unit (PLOU) conducts two types of reviews: in-house and on-site. PLOU reviewed 94 billing invoices and completed 3,721 associated invoice reviews of the portfolio services contractor, as well as 7,276 non-invoice reviews related to contract compliance. Additionally, PLOU conducted research and tracking on funds due the Department based on monies flowing through the Department of Justice to VA. The amount traced and recovered for VA in 2008 is \$565,458.

Loan Guaranty staff conducted 7 on-site reviews of VA Regional Loan Centers and an on-site review of the Winston-Salem Eligibility Center. On-site reviews are conducted by VA Quality Control Staff.

In 2008 the reviews by Loan Management/PLOU recovered excessive contractor charges in the amount of \$2,409,187. PLOU also discovered approximately \$17,909 of potentially recoverable amounts from GI lenders in connection with title issues. Additionally, PLOU researched and provided legal descriptions to the Countrywide Home Loans tax unit on 1,338 Real Estate Owned properties.



### **Actions Taken to Improve Quality – Loan Guaranty (Housing)**

The Loan Guaranty Service disseminates the results of statistical quality control (SQC) reviews to field offices on a monthly basis. The Service prepares and releases trend reports that identify negative trends and action items found during surveys. The reports are published to assist field personnel in identifying frequent problems facing loan guaranty management. Additionally, summaries of best practices employed by individual field stations are disseminated to all field stations with loan guaranty activity.

National training is provided to enhance the quality of service provided to veterans and to increase lender compliance with VA policies. Lenders who significantly fail to comply with policies are either required to enter into indemnification agreements with VA or immediately repay the agency for its losses.

The property management services contract with Ocwen terminated on July 24, 2008. In July 2008, VA awarded a new performance-based property management services contract to Countrywide Home Loans (CHL), a wholly-owned subsidiary of Bank of America (BOA). Under this new contract, CHL manages and sells all VA-acquired properties as a result of foreclosure or termination of GI and portfolio loans. The Property Management Oversight Unit (PMOU) monitors the management and marketing of the properties by CHL. These assets are currently worth approximately \$753 million. The PMOU monitors CHL's performance by inspecting properties nationwide to ensure compliance with the contract requirements and performs on-site case reviews at CHL's operations center on a quarterly basis. The PMOU is also responsible for reviewing and certifying all payments made to CHL, including reimbursement of expenses for the management and sale of acquired properties. This requires quality assurance checks to ensure that CHL is entitled to the claimed reimbursement.

### **Summary of Findings and Trends – Insurance**

The Insurance program's principal quality assurance tool is the SQC review. It assesses the ongoing quality and timeliness of work products by reviewing a random sample of completed or pending work products. These work products are generally grouped into two broad categories based on the operating divisions in which they are performed – Policyholders Services or Insurance Claims Divisions.

Policyholders Services, whose work products deal with the maintenance of active insurance policies, had an overall accuracy rate of 95.6 percent for 2008. Work products included correspondence, applications, disbursements, record maintenance, refunds, and telephone inquiries. Insurance Claims Division is responsible for the payment of death and disability awards, the issuance of new life insurance policies, and the processing of beneficiary designations. The accuracy rate for Insurance Claims work products was 99.4 percent. Work products included death claims, awards maintenance, beneficiary designation changes, disability claims, and medical reinstatement applications. In total, the accuracy rate for all 2008 insurance work products was 97.5 percent.

Over 97.1 percent of the work measured in Policyholders Services and 97.4 percent in Insurance Claims was within accepted timeliness standards. The overall timeliness rate for 2008 insurance work products was 97.3 percent.

The insurance quality assurance program also includes internal control reviews and individual employee performance reviews. The internal control staff reviews 100 percent of all employee-prepared disbursements and also reviews insurance operations for fraud through a variety of reports. Reports are generated daily and identify various Insurance transactions based on specific criteria that indicate possible fraud. Primary end products processed by



employees in the operating divisions are evaluated based on the elements identified in the Individual Employee Performance Requirements. As a result of these controls, insurance disbursements are 99 percent accurate.

#### **Actions Taken to Improve Quality – Insurance**

The Insurance Service uses SQC, employee performance review programs, and feedback from Internal Control reviews to measure quality and timeliness on an overall and individual basis. These programs are valuable as training tools because they identify trends and problem areas.

SQC reviews are based on random samples of key work products and evaluate how well these work products are processed in terms of both quality and timeliness. Exceptions are brought to the attention of the insurance operations division chiefs, unit supervisors, and employees who worked the case. VBA's Insurance Service evaluates the SQC programs periodically to determine if they are functioning as intended. Individual performance reviews are conducted monthly. The performance levels – critical and non-critical elements – are identified in the Individual Employee Performance Requirements. These reviews are based on a random sampling of the primary end products produced by employees in the operating divisions. Those items found to have errors are returned to the employee for correction. At the end of the month, supervisors inform employees of their error rates and timeliness percentages as compared to acceptable standards.

The Internal Control Staff monitors, reviews, and approves insurance disbursements and certain other controlled transactions, as well as reviews post-audit reports. Work products with any detected errors are returned for correction.

The results of SQC, employee performance reviews, and Internal Control feedback are used to address any areas where improvement is

needed via corrective training and other steps to improve error rates and timeliness percentages.

The Insurance program has successfully implemented a dozen job aids under the initiative called "Skills, Knowledge and Insurance Practices and Procedures Embedded in Systems." This program captures "best practices" and standardized procedures for processing various work items and makes them available on each employee's desktop. The job aids are an important tool in reducing error rates and improving timeliness.

Part II - Key Measures Data Table



Key Performance Measure Sorted by Strategic Objective	Definition	Measure Validation	Data Source and Frequency
<b>Objective 1.2</b> Compensation: National accuracy rate (core rating work)	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.	This measure assesses the quality of claims processing and assists VBA management in identifying improvement opportunities and training needs.	<b>Source:</b> Findings from Compensation and Pension (C&P) Service Systematic Technical Accuracy Review (STAR) are entered in an Intranet database maintained by the Philadelphia LAN Integration Team and downloaded monthly to the Performance Analysis and Integrity (PA&I) information storage database. <b>Frequency:</b> Case reviews are conducted daily. The review results are tabulated monthly on a 12-month rolling basis.
<b>Objective 1.2</b> Compensation and Pension: Rating-related actions - average days to process	The average elapsed time (in days) it takes to complete compensation and pension claims that require a rating decision is measured from the date the claim is received by VA to the date the decision is 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 (EP180); and Reopened Pension (EP120). The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of cases completed.	This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.	<b>Source:</b> VETSNET Operations Reports (VOR). <b>Frequency:</b> Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.
<b>Objective 1.2</b> Compensation: Rating-related 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. Includes the end products (EPs): EP110, EP010, EP140, EP020, EP310, and EP320.	This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.	<b>Source:</b> VETSNET Operations Reports (VOR). <b>Frequency:</b> The element is a snapshot of the age of the inventory at the end of each processing day.
<b>Objective 1.3</b> 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 primary goal of the VR&E program is to assist service-disabled veterans in becoming employable. The rehabilitation rate is the key indicator of the program's success in meeting this goal, as it represents the number of veterans successfully reentering the workforce following completion of their VR&E program.	<b>Source:</b> VR&E management reports <b>Frequency:</b> Quality Assurance Reviews evaluate the accuracy and reliability of data and are conducted twice a month.
<b>Objective 1.4</b> Compensation: Average days to process - DIC actions	The average length of time 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.	This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.	<b>Source:</b> VETSNET Operations Reports (VOR). <b>Frequency:</b> Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.
<b>Objective 2.2</b> Average days to complete original and supplemental education claims	Elapsed time, in days, from receipt of a claim in the Department of Veterans Affairs 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.	Timeliness is directly related to the volume of work received, the resources available to handle the incoming work, and the efficiency with which the work can be completed, and is thus the best quantifying measure for education processing.	<b>Source:</b> Education claims processing timeliness is measured by using data captured automatically through VBA's BDN. This information is reported through VBA's data warehouse using the Distribution of Operational Resources (DOOR) system. <b>Frequency:</b> Monthly



Part II – Key Measures Data Table

Data Verification/Quality			Data Limitations
Accuracy	Reliability/ Comparability	Consistency	
Data Verification/Quality Rating Scale: 5-Very High; 4-High; 3-Medium; 2-Low; 1-Very Low			
Data accuracy is maintained through the following mechanisms: Data collection staff is skilled and trained in the proper procedures; data entry procedures are documented and followed; data are sampled against source data through quality reviews; and procedures for making changes to previously entered data are documented and followed. <b>Data Accuracy Rating: 5</b>	Data can be used to make decisions such as those regarding training needs; data can be compared between years to assess progress or program effectiveness; and supporting documentation is maintained and readily available. <b>Data Reliability Rating: 4</b>	Collection sampling standards are documented, available and used; source data are well defined and documented; data reporting schedules are documented, distributed and followed. <b>Data Consistency Rating: 5</b>	There is a slight chance of an erroneous entry by the end user.
Data are captured electronically through an automated process; data are reviewed for anomalies; procedures for making changes to previously entered data are documented and followed. <b>Data Accuracy Rating: 5</b>	Data can be used to make decisions such as those regarding realignment of resources; data is released monthly; data can be compared between years to assess progress or program effectiveness; and supporting documentation is maintained and readily available. <b>Data Reliability Rating: 5</b>	Collection standards are documented and programmed electronically; source data are well defined and documented; and data is reported monthly. <b>Data Consistency Rating: 5</b>	No data limitations noted.
Data are captured electronically through an automated process; data are reviewed for anomalies; procedures for making changes to previously entered data are documented and followed. <b>Data Accuracy Rating: 5</b>	Data can be used to make decisions such as those regarding realignment of resources; data is released monthly; data can be compared between years to assess progress or program effectiveness; and supporting documentation is maintained and readily available. <b>Data Reliability Rating: 5</b>	Collection standards are documented and programmed electronically; source data are well defined and documented; and data is reported monthly. <b>Data Consistency Rating: 5</b>	No data limitations noted.
Data collection staff is skilled/trained in proper procedures. Data is verified against source data and sent out to the Regional Offices for validation. <b>Data Accuracy Rating: 4</b>	Data are collected and compiled on a monthly basis. Data collected is used by VR&E Management, VBA Management, and Regional Offices to measure the program's success and to identify areas of concern and progress. Data can be compared between years to assess progress or program effectiveness. <b>Data Reliability Rating: 4</b>	The source data are well defined and documented -- definitions are available and used. Data collection and distribution on a monthly basis are consistent and documented. <b>Data Consistency Rating: 4</b>	There is a slight chance of an erroneous entry by the end user.
Data are captured electronically through an automated process; data are reviewed for anomalies; procedures for making changes to previously entered data are documented and followed. <b>Data Accuracy Rating: 5</b>	Data can be used to make decisions such as those regarding realignment of resources; data is released monthly; data can be compared between years to assess progress or program effectiveness; and supporting documentation is maintained and readily available. <b>Data Reliability Rating: 5</b>	Collection standards are documented and programmed electronically; source data are well defined and documented; and data is reported monthly. <b>Data Consistency Rating: 5</b>	No data limitations noted.
More than half of all claims are received electronically, and date of claim is automatically determined. Imaging clerks and authorization personnel are skilled and trained in determining date of claim for manual input. Procedures for date of claim input, completion, and change are documented and followed. Timeliness data is verified through sampling on a quarterly basis during Quality Assurance reviews. Timeliness error rates of three percent or more on Quality Assurance reviews result in corrective refresher training. No 3 <sup>rd</sup> party evaluations are conducted. <b>Data Accuracy Rating: 5</b>	Timeliness data is received in a timely manner to facilitate program management decisions, and for other critical reporting. It is maintained in easily accessible electronic storage covering more than a decade, and can be extracted in both standard and ad hoc report formats. The stored data includes both detail and summary information to ensure its reliability for decision-making. <b>Data Reliability Rating: 5</b>	Timeliness data is collected according to long-established, well-documented, and consistently used standards. The definitions for source data are clear and documented, and are available and used. Data reporting schedules are documented, distributed, and followed. <b>Data Consistency Rating: 5</b>	The necessity for manual input of date of claim opens the possibility of data entry errors. While basic and refresher training can reduce this possibility, they cannot entirely eliminate it. Although quality reviews identify problems in this area, they are conducted after the fact, and individual errors cannot be detected in time to prevent their inclusion in overall data.



Key Performance Measure Sorted by Strategic Objective	Definition	Measure Validation	Data Source and Frequency
<b>Objective 3.1</b> 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.'	Satisfaction surveys are the most effective way to determine patient expectations and provide a focused critique on areas for improvement.	<b>Source:</b> Survey of Health Experiences of Patients <b>Frequency:</b> Surveys are conducted as follows: Inpatient - Semi-annually Outpatient - Quarterly.
<b>Objective 3.1</b> 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.	Provides a reliable measure of timeliness of access to care as well as responsiveness to the patient's stated needs.	<b>Source:</b> VistA scheduling software <b>Frequency:</b> Monthly
<b>Objective 3.1</b> 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.	Provides a reliable measure of timeliness of access to care as well as responsiveness to the patient's stated needs.	<b>Source:</b> VistA scheduling software <b>Frequency:</b> Monthly
<b>Objective 3.1</b> Percent of new patient appointments completed within 30 days of desired date	This measure tracks the number of days between the appointment request date and the day the appointment was completed for new patients in primary care and specialty clinics. The percent is calculated by dividing all new patient appointments scheduled within 30 days of the desired date (the numerator) into all new appointments posted in the scheduling system (the denominator). Wait times associated with clinic appointment cancellations are included in this calculation (appointments cancelled by patients are not included). (Medical Care)	Provides a reliable measure of timeliness of access to care as well as responsiveness to the patient's stated needs.	<b>Source:</b> VistA scheduling software <b>Frequency:</b> Monthly
<b>Objective 3.1</b> Percent of unique patients waiting more than 30 days beyond the desired appointment date	This measure tracks the number of new and established patients who are waiting to be seen. A patient is classified as "waiting" once the date that they want to be seen has passed. The percent is calculated by dividing all patient appointments scheduled beyond 30 days of the desired date (the numerator) by all appointments posted in the scheduling system (the denominator). When individual patients are waiting for more than one appointment, the calculation counts only the appointment with the longest wait time. (Medical Care)	Provides a reliable measure of timeliness of access to care as well as responsiveness to the patient's stated needs.	<b>Source:</b> VistA scheduling software <b>Frequency:</b> Monthly
<b>Objective 3.1</b> 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.	The CPGI II demonstrates the degree to which VHA provides evidence-based clinical interventions to veterans seeking care in VA. The measure targets elements of care that are known to have a positive impact on the health of our patients who suffer from commonly occurring acute and chronic illnesses.	<b>Source:</b> VHA biostatisticians design and obtain a statistically valid random sample of medical records for review. The findings of the review are used to calculate the index scores. <b>Frequency:</b> Data are reported quarterly with a cumulative average determined annually.



Data Verification/Quality			Data Limitations
Accuracy	Reliability/ Comparability	Consistency	
Data Verification/Quality Rating Scale: 5-Very High; 4-High; 3-Medium; 2-Low; 1-Very Low			
The data collection process is documented and followed when surveys are received. <b>Data Accuracy Rating: 5</b>	Data collected is used by VHA to measure patient satisfaction. The results are used to inform and drive quality improvement. <b>Data Reliability Rating: 5</b>	Collection standards are documented, available, and used. <b>Data Consistency Rating: 5</b>	None
Data collection staff are skilled and trained in proper procedures of the scheduling package. The scheduling package entry procedures are also documented and followed. Edits to previously entered data are documented and followed. <b>Data Accuracy Rating: 5</b>	VA uses the results of this measure to inform and drive quality improvement activities that promote shorter waiting times for primary care appointments by improving efficiencies and addressing missed opportunities. <b>Data Reliability Rating: 5</b>	Source data are well defined and documented; definitions are available and used. <b>Data Consistency Rating: 5</b>	None
Data collection staff are skilled and trained in proper procedures of the scheduling package. The scheduling package entry procedures are also documented and followed. Edits to previously entered data are documented and followed. <b>Data Accuracy Rating: 5</b>	VA uses the results of this measure to inform and drive quality improvement activities that promote shorter waiting times for specialty care appointments by improving efficiencies and addressing missed opportunities. <b>Data Reliability Rating: 5</b>	Source data are well defined and documented; definitions are available and used. <b>Data Consistency Rating: 5</b>	None
Data collection staff are skilled and trained in proper procedures of the scheduling package. The scheduling package entry procedures are also documented and followed. Edits to previously entered data are documented and followed. <b>Data Accuracy Rating: 5</b>	VA uses the results of this measure to inform and drive quality improvement activities that promote shorter waiting times for new patient appointments by improving efficiencies and addressing missed opportunities. <b>Data Reliability Rating: 5</b>	Source data are well defined and documented; definitions are available and used. <b>Data Consistency Rating: 5</b>	None
Data collection staff are skilled and trained in proper procedures of the scheduling package. The scheduling package entry procedures are also documented and followed. Edits to previously entered data are documented and followed. <b>Data Accuracy Rating: 5</b>	VA uses the results of this measure to inform and drive quality improvement activities that promote shorter waiting times for unique patients awaiting appointments and by improving efficiencies and addressing missed opportunities. <b>Data Reliability Rating: 5</b>	Source data are well defined and documented; definitions are available and used. <b>Data Consistency Rating: 5</b>	None
Data collection staff are skilled and trained in gathering statistically valid random samples of medical records for review. <b>Data Accuracy Rating: 4</b>	Data can be used to identify potentially disabling chronic diseases. VA can then provide education, disease management and care access to limit the effects and improve the quality of life for the veteran. <b>Data Reliability Rating: 4</b>	Collection standards are documented/available/used. <b>Data Consistency Rating: 4</b>	None

Part II - Key Measures Data Table



Key Performance Measure Sorted by Strategic Objective	Definition	Measure Validation	Data Source and Frequency
<p><b>Objective 3.1</b> Prevention Index III</p>	<p>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.</p>	<p>The Prevention Index III demonstrates the degree to which VHA provides evidence-based clinical interventions to veterans seeking preventive care in VA. The measure targets elements of preventive care that are known to have a positive impact on the health and well-being of our patients.</p>	<p><b>Source:</b> VHA biostatisticians design and obtain a statistically valid random sample of medical records for review. The findings of the review are used to calculate the index scores.</p> <p><b>Frequency:</b> Data are reported quarterly with a cumulative average determined annually.</p>
<p><b>Objective 3.1</b> Annual percent increase of non-institutional, long term care average daily census using 2006 as the baseline.</p>	<p>The percentage increase is based on the Average Daily Census (ADC) of veterans enrolled in Home and Community-Based Care programs (e.g., Community Residential Care, 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.</p>	<p>The measure captures the expansion of access to non-institutional care within VHA programs and/or contracted services. Non-institutional care is deemed to be more desirable and cost efficient for those veterans that are appropriate for this level of care. The measure drives both expansion of the variety of services and expansion of geographic access.</p>	<p><b>Source:</b> The ADC data are obtained from VHA workload reporting databases designed to capture both VHA-provided care and VHA-paid (fee-based or contracted) care.</p> <p><b>Frequency:</b> Quarterly</p>
<p><b>Objective 3.2</b> Compensation and Pension: Rating-related actions - average days to process</p>	<p>The average elapsed time (in days) it takes to complete compensation and pension claims that require a rating decision is measured from the date the claim is received by VA to the date the decision is 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 (EP180); and Reopened Pension (EP120). The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of cases completed.</p>	<p>This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.</p>	<p><b>Source:</b> VETSNET Operations Reports (VOR).</p> <p><b>Frequency:</b> Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.</p>
<p><b>Objective 3.2</b> Pension: Non-rating actions - average days to process</p>	<p>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. Pension Non-Rating includes: Disability and Death Dependency (EP 130); Income, Estate and Election Issues (EP 150); Income Verification Match Cases - DIC (EP 154); Eligibility Verification Report Referrals (EP 155); and Original Death Pension (EP 190).</p>	<p>This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.</p>	<p><b>Source:</b> VETSNET Operations Reports (VOR).</p> <p><b>Frequency:</b> Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.</p>
<p><b>Objective 3.2</b> Pension: National accuracy rate (authorization work)</p>	<p>The 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, 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.</p>	<p>This measure assesses the quality of claims processing and assists VBA management in identifying improvement opportunities and training needs.</p>	<p><b>Source:</b> Findings from C&amp;P Service STAR are entered in an Intranet database maintained by the Philadelphia LAN Integration Team and downloaded monthly to the PA&amp;I information storage database.</p> <p><b>Frequency:</b> Case reviews are conducted daily. The review results are tabulated monthly and annually.</p>
<p><b>Objective 3.3</b> Average number of days to process TSGLI disbursements</p>	<p>Traumatic Injury Protection Program (TSGLI) is a disability rider to the SGLI program that provides automatic traumatic injury coverage to all servicemembers 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.</p>	<p>The purpose of TSGLI is to provide rapid financial assistance to traumatically injured servicemembers so that their families can be with them during an often extensive recovery and rehabilitation process. The timeliness of disbursements is the primary reflection of this purpose and provides a clear indication of the ability to process the workload in a quality, timely manner.</p>	<p><b>Source:</b> Data on processing time are collected and stored through the Life Claims Management System (LCMS) maintained by the Office of Servicemembers' Group Life Insurance (OSGLI).</p> <p><b>Frequency:</b> Monthly</p>





Part II - Key Measures Data Table

Data Verification/Quality			Data Limitations
Accuracy	Reliability/ Comparability	Consistency	
<b>Data Verification/Quality Rating Scale: 5-Very High; 4-High; 3-Medium; 2-Low; 1-Very Low</b>			
Data collection staff are skilled and trained in gathering statistically valid random samples of medical records for review. <b>Data Accuracy Rating: 4</b>	Data can be used to identify potentially disabling chronic diseases. VA can then provide education, disease management and care access to limit the effects and improve the quality of life for the veteran. <b>Data Reliability Rating: 4</b>	Collection standards are documented/available/used. <b>Data Consistency Rating: 4</b>	None
Data is verified through sampling against source data. The data captured is verified against previously captured data to determine the percent increase of veterans receiving home and Community-Based Care. <b>Data Accuracy Rating: 5</b>	Data can be used to project the need for services, evaluate existing services and promote access to required services in Home and Community-Based Care <b>Data Reliability Rating: 5</b>	Collection standards are documented/available/used. <b>Data Consistency Rating: 5</b>	None
Data are captured electronically through an automated process; data are reviewed for anomalies; procedures for making changes to previously entered data are documented and followed. <b>Data Accuracy Rating: 5</b>	Data can be used to make decisions such as those regarding realignment of resources; data is released monthly; data can be compared between years to assess progress or program effectiveness; and supporting documentation is maintained and readily available. <b>Data Reliability Rating: 5</b>	Narrative Input: Collection standards are documented and programmed electronically; source data are well defined and documented; and data is reported monthly. <b>Data Consistency Rating: 5</b>	No data limitations noted.
Data are captured electronically through an automated process; data are reviewed for anomalies; procedures for making changes to previously entered data are documented and followed. <b>Data Accuracy Rating: 5</b>	Data can be used to make decisions such as those regarding realignment of resources; data is released monthly; data can be compared between years to assess progress or program effectiveness; and supporting documentation is maintained and readily available. <b>Data Reliability Rating: 5</b>	Narrative Input: Collection standards are documented and programmed electronically; source data are well defined and documented; and data is reported monthly. <b>Data Consistency Rating: 5</b>	No data limitations noted.
Data accuracy is maintained because the data collection staff is skilled and trained in the proper procedures; data entry procedures are documented and followed; data entry staff is skilled in the procedures; data are sampled against source data through quality reviews; and procedures for making changes to previously entered data are documented and followed. <b>Data Accuracy Rating: 5</b>	Data can be used to make decisions regarding training needs; data can be compared between years to assess progress or program effectiveness; and supporting documentation is maintained and readily available. <b>Data Reliability: 4</b>	Collection sampling standards are documented, available and used; source data are well defined and documented; data reporting schedules are documented, distributed and followed. <b>Data Consistency Rating: 5</b>	There is a slight chance of an erroneous entry by the end user.
Data are verified through sampling source data. Data are provided monthly. VA reviews and analyzes the data when it is received. <b>Data Accuracy Rating: 5</b>	Data can be compared between years to assess progress or program effectiveness and to make program decisions. <b>Data Reliability Rating: 5</b>	Collection standards are available and source data are well defined and documented. <b>Data Consistency Rating: 5</b>	No data limitations noted.

Part II - Key Measures Data Table



Key Performance Measure Sorted by Strategic Objective	Definition	Measure Validation	Data Source and Frequency
<p><b>Objective 3.4</b> Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence</p>	<p>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.</p>	<p>Reasonable access to a burial option means that a first interment option (whether for casketed remains or cremated remains, either in-ground or in columbaria) in a national or state veterans cemetery is available within 75 miles of the veteran's place of residence. VA established a 75-mile service area standard because NCA data show that more than 80 percent of persons interred in national cemeteries resided within 75 miles of the cemetery at the time of death.</p>	<p><b>Source:</b> For 2004 and 2005, the number of veterans and the number of veterans served were extracted from a revised VetPop2000 model using 2000 census data. For 2006 and 2007, the number of veterans and the number of veterans served were extracted from the VetPop2004 version 1.0 model using 2000 census data. For 2008 and projected data, the number of veterans and the number of veterans served were extracted from the VetPop2007 model using 2000 census data.</p> <p><b>Frequency:</b> Recalculated annually or as required by the availability of updated veteran population census data. Projected openings of new national or state veterans cemeteries and changes in the service delivery status of existing cemeteries also determine the veteran population served.</p>
<p><b>Objective 3.4</b> Percent of respondents who rate the quality of service provided by the national cemeteries as excellent</p>	<p>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.</p>	<p>NCA strives to provide high-quality, courteous, and responsive service in all of its contacts with veterans and their families and friends. These contacts include scheduling the committal service, arranging for and conducting interments, and providing information about the cemetery and the location of specific graves.</p>	<p><b>Source:</b> NCA's Survey of Satisfaction with National Cemeteries. The survey collects data from family members and funeral directors who have recently received services from a national cemetery.</p> <p><b>Frequency:</b> Annually</p>
<p><b>Objective 3.5</b> Percent of graves in national cemeteries marked within 60 days of interment</p>	<p>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.</p>	<p>The headstone or marker is a lasting memorial that serves as a focal point not only for present-day survivors but also for future generations. In addition, it may bring a sense of closure to the grieving process to see the grave marked. The amount of time it takes to mark the grave after an interment is important to veterans and their family members.</p>	<p><b>Source:</b> Burial Operations Support System (BOSS); data input by field station staff.</p> <p><b>Frequency:</b> Monthly</p>
<p><b>Objective 3.6</b> Foreclosure avoidance through servicing (FATS) ratio</p>	<p>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.</p>	<p>The primary goal of Loan Guaranty Service is to assist veterans in obtaining home ownership. The FATS ratio measures VA's ability to assist veterans in maintaining home ownership during periods of personal financial strain.</p>	<p><b>Source:</b> Data are extracted from the Loan Service and Claims (LS&amp;C) System. This system is used to manage defaults and foreclosures of VA-guaranteed loans.</p> <p><b>Frequency:</b> Data are collected on a monthly basis.</p>
<p><b>Objective 4.2</b> Progress towards development of one new treatment for PTSD</p>	<p>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.</p>	<p>The results from the clinical trials will be published in peer-reviewed scientific journals, providing an evidence base for clinical practice generally and for Clinical Practice Guidelines specifically.</p>	<p><b>Source:</b> Data are obtained from (1) the written annual research progress reports, which are submitted electronically through the Office of Research and Development's ePROMISE system; (2) personal communications with the investigator in relation to this performance goal, which will be noted and filed; and (3) submission of an application for VA research funding by the Principal Investigator, which will include a summary of progress.</p> <p><b>Frequency:</b> Annually</p>
<p><b>Objective 4.5</b> Percent of respondents who rate national cemetery appearance as excellent</p>	<p>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.</p>	<p>NCA will continue to maintain the appearance of national cemeteries as national shrines so that bereaved family members are comforted when they come to the cemetery for the interment, or later to visit the grave(s) of their loved one(s). Our Nation's veterans have earned the appreciation and respect not only of their friends and families, but also of the entire country and our allies. National cemeteries are enduring testimonials to that appreciation and should be places to which veterans and their families are drawn for dignified burials and lasting memorials.</p>	<p><b>Source:</b> NCA's Survey of Satisfaction with National Cemeteries. The survey's respondents are family members and funeral directors who have recently received services from a national cemetery.</p> <p><b>Frequency:</b> Annual</p>



Part II - Key Measures Data Table

Data Verification/Quality			
Accuracy	Reliability/ Comparability	Consistency	Data Limitations
<b>Data Verification/Quality Rating Scale:</b> 5-Very High; 4-High; 3-Medium; 2-Low; 1-Very Low			
<p>NCA staff are trained and skilled in proper procedures for calculating the number of veterans that live within the service area of cemeteries that provide a first interment burial option. Changes to this calculation methodology or other changes to the measure are documented and reported through VA's annual Performance and Accountability Report and VA Monthly Performance Reports. Results of a VA Office of the Inspector General audit assessing the accuracy of data used for this measure affirmed the accuracy of calculations made by NCA personnel.</p> <p><b>Data Accuracy Rating: 5</b></p>	<p>Data on this measure are used to determine potential areas of need for future national cemeteries and to guide funding decisions for state veteran cemetery grants. Data are timely, are used in monthly VA performance reports and annual GRPA reports, and enable VA stakeholders to assess VA's progress toward meeting the burial needs of veterans on an annual basis.</p> <p><b>Data Reliability Rating: 5</b></p>	<p>Current data sources and collection standards are well defined. Data sources and collection standards have been documented by independent program studies conducted in 2002 and 2008.</p> <p><b>Data Consistency Rating: 5</b></p>	<p>Provides performance data at specific points in time while at the same time, veteran demographics are constantly changing.</p>
<p>Data are collected by an independent contractor skilled in data collection and analytical techniques. Data are accurate at a 95% confidence interval at the national and MSN levels and for cemeteries having at least 400 interments per year.</p> <p><b>Data Accuracy Rating: 5</b></p>	<p>Data for this measure are used by VA management to inform budget formulation, for VA internal Monthly Performance reports and annual GRPA reports, and to enable stakeholders to assess VA's annual performance on providing quality service to veterans and their families.</p> <p><b>Data Reliability Rating: 5</b></p>	<p>VA's current mail-out survey methodology has been in place since 2001. Data collection standards and reporting schedules are defined by contract.</p> <p><b>Data Consistency Rating: 5</b></p>	<p>The mail-out survey provides statistically valid performance data at the national and MSN levels and at the cemetery level for cemeteries having at least 400 interments per year.</p>
<p>National cemetery employees are trained and skilled at entering data into NCA's BOSS system. Data are collected and verified by NCA Central Office employees who are skilled and trained in data collection and analysis techniques. Data are verified by sampling against source interment data in BOSS.</p> <p><b>Data Accuracy Rating: 5</b></p>	<p>Data are used by NCA managers to identify and correct potential problems in the headstone and marker ordering, delivery, and setting process. Data are available at the beginning of each month and are available for use in GRPA reports and VA internal Monthly Performance Reports. Data are comparable between years, enabling NCA and its stakeholders to assess program progress and effectiveness.</p> <p><b>Data Reliability Rating: 5</b></p>	<p>Data collection standards for this measure are automated at VA's Quantico Regional Processing Center (QRPC). Monthly reports are generated automatically by QRPC on the 25th day of each month. Source data are well defined in NCA's BOSS users guide.</p> <p><b>Data Consistency Rating: 5</b></p>	<p>None</p>
<p>VA personnel are skilled and trained in loan servicing procedures. Prior to input of the staff's completed servicing actions, a supervisory check of the results data is completed to verify the accuracy of the actions taken. If these actions result in the veteran's defaulted loan becoming current, then another supervisory check is done to verify the successful intervention data for accuracy.</p> <p><b>Data Accuracy Rating: 5</b></p>	<p>FATS data can be used to make program decisions and can be compared between years to assess progress or program effectiveness. Supporting documentation is maintained and readily available.</p> <p><b>Data Reliability Rating: 5</b></p>	<p>FATS data are well defined and documented. Definitions of FATS data elements are available and used.</p> <p><b>Data Consistency Rating: 5</b></p>	<p>In order to better assist veterans and capitalize on some of the servicing industry's best practices, VA underwent a complete business process redesign of how it conducts servicing of defaulted loans. This redesign effort included development of the VA Loan Electronic Reporting Interface (VALERI) service. With VALERI, servicing of delinquent VA-guaranteed loans is done in a more effective manner. Full implementation of VALERI will be completed by the end of the 2008 calendar year. At that point, data will no longer be available in the Loan Servicing and Claims (LS&amp;C) system and the FATS measure will be replaced.</p>
<p>Research scientists are skilled and trained in anxiety disorder and the data verification needed to provide accurate data.</p> <p><b>Data Accuracy Rating: 5</b></p>	<p>Results data derived from this measure is rapidly translated into clinical practice. The findings are published and discussed to help meet the needs of veterans and others suffering from Post-Traumatic Stress Disorder.</p> <p><b>Data Reliability Rating: 5</b></p>	<p>Collection standards are documented/available/used. Source data are well defined and documented; definitions are available and used.</p> <p><b>Data Consistency Rating: 5</b></p>	<p>None</p>
<p>Data are collected by an independent contractor skilled in data collection and analytical techniques. Data are accurate at a 95% confidence interval at the national and MSN levels and for cemeteries having at least 400 interments per year.</p> <p><b>Data Accuracy Rating: 5</b></p>	<p>Data for this measure are used by VA management to inform budget formulation, for VA internal Monthly Performance reports and annual GRPA reports, and to enable stakeholders to assess VA's annual performance on maintaining national cemeteries as national shrines.</p> <p><b>Data Reliability Rating: 5</b></p>	<p>VA's current mail-out survey methodology has been in place since 2001. Data collection standards and reporting schedules are clearly defined and incorporated into a contract with the firm that conducts the survey.</p> <p><b>Data Consistency Rating: 5</b></p>	<p>The mail-out survey provides statistically valid performance data at the national and MSN levels and at the cemetery level for cemeteries having at least 400 interments per year.</p>



## Performance Measures Tables

### By Organization and Program

The following table displays our key and supporting measures by organization and program.

For each measure, we show available trend data for 5 years. **This report highlights the actual 2008 result as compared to the 2008 target is designated as follows:**

- **Green or G:** Target was met or exceeded.
- **Yellow or Y:** Target was not met, but the deviation was not significant or material.
- **Red or R:** Target was not met, but the deviation was significant or material.

For measure coded “red”, we provide a brief explanation of why there was a significant deviation between the actual and planned performance level and briefly identify the steps being taken to ensure goal achievement in the future. Please see the Performance Shortfalls tables beginning on page 86 for this information.

For those measures where 2007 results are partial or estimated, we will publish final data in the FY 2009 Congressional Budget and/or the FY 2008 Performance and Accountability Report.

The table showing measures by organization and program includes the total amount of resources (FTE and obligations) for each program. The GPRA program activity structure is somewhat different from the program activity structure shown in the program and financing (P&F) schedules of the President’s budget. However, all of the P&F schedules have been aligned with one or more of our programs to ensure all VA program activities are covered.

The program costs (obligations) represent the estimated total resources available for each of

the programs, regardless of which organizational element has operational control of the resources. The performance measures and associated data for each major program apply to the entire group of schedules listed for that program.

VA uses the balanced measures concept to monitor program and organizational performance. We examine and regularly monitor several different types of measures to provide a more comprehensive and balanced view of how well we are performing. Taken together, the measures demonstrate the balanced view of performance we use to assess how well we are doing in meeting our strategic goals, objectives, and performance targets.

VA continues working to ensure the quality and integrity of our data. The Key Measures Data Table starting on page 228 provides the definition, data source, frequency of collection, any data limitations, and data verification and measure validation for each of VA’s 25 key measures. The Assessment of Data Quality beginning on page 217 provides an overall view of how our programs verify and validate data for all of the measures. Definitions for the key as well as supporting measures are located in Part IV.



**FY 2008 Performance Measures by Organization and Program**

(G = Green; Y = Yellow; R = Red)

Organization/Program/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	

**Veterans Health Administration**

P&F ID Codes:	36-0152-0-1-703	36-0160-0-1-703
	36-0162-0-1-703	36-0181-0-1-703
<i>Medical Care Programs</i>	36-4014-0-3-705	36-8180-0-7-705
		36-5358-0-1-703
		36-0165-0-1-703

Resources							
FTE	194,055	197,650	197,900	207,615	219,535		
Total Program Costs (\$ in millions)	\$30,772	\$31,668	\$33,468	\$36,433	\$42,531		
Performance Measures							
<b>Percent of patients rating VA health care service as very good or excellent:</b>							
<b>Inpatient (through July)</b>	74%	77%	78%	78%	* 79% G	79%	81%
<b>Outpatient (through July)</b>	72%	77%	78%	78%	* 78% Y	79%	81%
<b>Percent of primary care appointments scheduled within 30 days of desired date</b>	94%	96%	96%	97%	98.7% G	97%	97%
<b>Percent of specialty care appointments scheduled within 30 days of desired date</b>	93%	93%	94%	95%	97.5% G	95%	96%
<b>Percent of new patient appointments completed within 30 days of desired date</b>	N/A	N/A	N/A	N/A	Baseline	Baseline	95%
<b>Percent of unique patients waiting more than 30 days beyond the desired appointment date</b>	N/A	N/A	N/A	N/A	Baseline	Baseline	10%
<b>Clinical Practice Guidelines Index II (through July)</b> <small>The 2004 and 2005 results are for CPGI I. The 2006, 2007, and 2008 results are CPGI II. In FY 2009, VHA is transitioning to CPGI III.</small>	77%	87%	83%	83%	* 84% Y	85%	87%
<b>Prevention Index III (through July)</b> <small>The 2004 and 2005 results are for PI II. The 2006, 2007, and 2008 results are PI III. In FY 2009, VHA is transitioning to PI IV.</small>	88%	90%	88%	88%	* 88% G	88%	88%
<b>Number of new enrollees waiting to be scheduled for their first appointment (electronic waiting list) (Estimate)</b> <small>(1) Corrected</small>	N/A	N/A	(1) 3,700	127	* 96 G	<200	<200
<b>Percent of patients who report being seen within 20 minutes of scheduled appointments at VA health care facilities (through July)</b>	69%	73%	74%	74%	* 76% Y	80%	90%
<b>Percent of unclassified electronic DoD health records available electronically to VA clinicians for separated servicemembers (VHA)</b>	N/A	N/A	N/A	100%	100% G	100%	100%

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.



**FY 2008 Performance Measures by Organization and Program**

(G = Green; Y = Yellow; R = Red)

Organization/Program/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	

**Veterans Health Administration**

P&F ID Codes:	36-0152-0-1-703	36-0160-0-1-703
	36-0162-0-1-703	36-0181-0-1-703
	36-4014-0-3-705	36-8180-0-7-705
		36-5358-0-1-703
		36-0165-0-1-703

**Medical Care Programs**

Percent of veterans returning from a combat zone who respond "yes, completely" to survey questions on the following:							
If they believe that their VA provider listened to them (through July)	N/A	N/A	Baseline	64%	* 79% G	70%	76%
If they had trust and confidence in their VA provider (through July)	N/A	N/A	Baseline	59%	* 75% G	70%	76%
Number of outpatient visits at Joint Ventures and significant sites (Facilities providing 500 or more outpatient visits and/or admissions per year) (VHA)	N/A	N/A	121,229	102,595	N/A	126,128	133,845
Gross Days Revenue Outstanding (GDRO) for third party collections (VHA)	N/A	Baseline	54	59	56 G	57	54
Dollar value of 1st party and 3rd party collections (VHA):							
1st Party (\$ in millions)	\$742	\$772	\$863	\$915	\$922 Y	\$950	\$1,159
3rd Party (\$ in millions)	\$960	\$1,056	\$1,096	\$1,261	\$1,497 G	\$1,341	\$1,531
Total annual value of joint VA/DoD procurement contracts for high-cost medical equipment and supplies** (through July) (1) Corrected **Beginning in 2007, medical supplies were added to this measure.	N/A	Baseline	(1) \$236M	(1) \$328M	* \$188M Y	\$190M	\$220M
<b>Common Measures</b>							
Obligations per unique patient user (VHA) (Estimate) (FY 2005 - 2007 results are expressed in constant 2005 dollars based on the Bureau of Labor Statistics Consumer Price Index (CPI). The OMB CPI-U (CPI for All Urban Consumers) was used to project the FY 2008 estimate and target.)	\$5,493	\$5,597	\$5,455	\$5,740	* \$5,891 G	\$5,942	N/A
<b>Special Emphasis Programs</b>							
Annual percent increase of non-institutional, long-term care average daily census using 2006 as the baseline (1) Baseline = 43,325	N/A	N/A	(1) Baseline	-5.3%	31.7% G	7.7%	22.8%

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.



**FY 2008 Performance Measures by Organization and Program**

(G = Green; Y = Yellow; R = Red)

Organization/Program/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	
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 (through July)	N/A	N/A	Baseline	91%	* 89% Y	92%	95%
Percent of appointments for primary care scheduled within 30 days of desired date for veterans and servicemembers returning from a combat zone	N/A	N/A	Baseline	95%	97% G	96%	97%
Percent of Admission notes by surgical residents that have a note from attending physician within one day of hospital admission to a surgery bed service	N/A	75%	86%	89%	89% Y	95%	95%

P&F ID Codes: 36-0161-0-1-703 36-0160-0-1-703  
36-4026-0-3-703

**Medical Research**

<b>Resources</b>							
FTE	3,206	3,206	3,193	3,175	3,142		
Total Program Costs (\$ in Millions)	\$1,067	\$851	\$831	\$867	\$981		
<b>Performance Measures</b>							
<b>Progress towards development of one new treatment for post-traumatic stress disorder (PTSD)</b> (Five milestones to be achieved over 4 years)	33%	40%	47%	67%	80% G	80%	100%
Progress towards development of a standard clinical practice for pressure ulcers (through August) (Six milestones to be achieved over 5 years)	43%	52%	61%	65%	* 68% Y	72%	100%
Progress toward development of robot-assisted treatment/interventions for patients who have suffered neurological injury due to conditions such as spinal cord injury, stroke, multiple sclerosis, and traumatic brain injury (through August) (Twelve milestones to be achieved over 5 years)	11%	21%	43%	54%	* 64% Y	68%	100%
Percentage of study sites that reach 100% of the recruitment target for each year of each clinical study	N/A	29%	40%	35%	38.1% G	38%	50%

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.



**FY 2008 Performance Measures by Organization and Program**  
(G = Green; Y = Yellow; R = Red)

Organization/Program/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	

**Veterans Benefits Administration**

*Compensation*

P&F ID Codes: 36-0102-0-1-701

36-0151-0-1-705

Resources								
FTE	7,568	7,538	7,725	8,410	9,943			
Total Program Costs (\$ in millions)	\$27,261	\$29,626	\$31,802	\$35,306	\$37,589			
<b>Performance Measures</b>								
<b>National accuracy rate (core rating work) % (Compensation) (through July)</b>	87%	84%	88%	88%	* 86% Y	90%	98%	
<b>Compensation &amp; Pension rating-related actions - average days to process</b>	166	167	177	183	179 R	169	125	
<b>Rating-related compensation actions - average days pending (a) Corrected</b>	120	122	130	(a) 132	121 Y	120	100	
<b>Average days to process - DIC actions (Compensation)</b>	125	124	136	132	121 Y	118	90	
Overall satisfaction rate % (Compensation)	59%	58%	(1) N/A	(1) N/A	(1) N/A	65%	90%	
National accuracy rate (compensation authorization work) % (through July)	90%	90%	91%	92%	* 95% G	93%	98%	
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 servicemember's discharge (Compensation)	N/A	55%	46%	53%	59% G	50%	65%	
Percent of veterans in receipt of compensation whose total income exceeds that of like circumstanced veterans	N/A	N/A	N/A	(2)	(2)	(2)	(2)	
Percent of compensation recipients who were kept informed of the full range of available benefits	43%	44%	(1) N/A	(1) N/A	(1) N/A	53%	60%	
Percent of compensation recipients who perceive that VA compensation redresses the effect of service-connected disability in diminishing their quality of life	N/A	N/A	N/A	(2)	(2)	(2)	(2)	
Percent of DIC recipients who are satisfied that VA recognized their sacrifice (Compensation)	80%	N/A	N/A	(2)	(2)	(2)	(2)	
Appeals resolution time (Number of Days) (Joint Compensation and Pension measure with BVA) (a) 2008 and Strategic Targets established by BVA	529	622	657	660	645 G	(a) 700	(a) 675	

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.





**FY 2008 Performance Measures by Organization and Program**

(G = Green; Y = Yellow; R = Red)

Organization/Program/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	
Productivity Index % (Compensation and Pension)	N/A	N/A	90%	88%	79% R	90%	100%
National accuracy rate (Fiduciary work) % (Compensation & Pension) (through July)	81%	85%	83%	84%	* 82% Y	85%	98%
Average number of days to process a claim for reimbursement of burial expenses (Compensation)	48	57	72	91	84 G	84	21
National Accuracy Rate for burial claims processed % (Compensation) (through July)	94%	93%	94%	95%	* 96% G	96%	98%
(1) No customer satisfaction survey was performed for 2006-2008. VBA anticipates that a survey office will be in place in 2009 and that the first survey will be conducted in 2010 for 2009.							
(2) This measure is being removed as it does not reflect the intent of the governing statute of the Compensation program.							

	<i>Pension</i>				36-0151-0-1-705	36-0200-0-1-701	
<b>Resources</b>							
FTE	1,535	1,540	1,561	1,515	1,461		
Total Program Costs (\$ in millions)	\$3,495	\$3,569	\$3,722	\$3,823	\$4,020		
<b>Performance Measures</b>							
<b>Non-rating pension actions - average days to process</b>	58	68	92	104	119 R	84	60
<b>National accuracy rate (authorization pension work) % (through July)</b>	84%	86%	88%	91%	* 92% G	92%	98%
<b>Compensation &amp; Pension rating-related actions - average days to process</b>	166	167	177	183	179 R	169	125
<b>National accuracy rate (core rating-related pension work) % (through July)</b>	93%	90%	90%	91%	* 88% R	93%	98%
<b>Rating-related pension actions - average days pending</b>	77	83	90	89	87 G	90	65
<b>Overall satisfaction rate % (Pension)</b>	66%	65%	(1) N/A	(1) N/A	(1) N/A	71%	90%
<b>Percent of pension recipients who were informed of the full range of available benefits</b>	40%	41%	(1) N/A	(1) N/A	(1) N/A	45%	60%
<b>Percent of pension recipients who said their claim determination was very or somewhat fair</b>	64%	65%	(1) N/A	(1) N/A	(1) N/A	70%	75%

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.



**FY 2008 Performance Measures by Organization and Program**  
(G = Green; Y = Yellow; R = Red)

Organization/Program/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	
Percent of pension recipients who believe that the processing of their claim reflects the courtesy, compassion, and respect due to a veteran	N/A	78%	(1) N/A	(1) N/A	(1) N/A	82%	95%
Appeals resolution time (Number of Days) (Joint Compensation and Pension measure with BVA) (a) 2008 and Strategic Targets established by BVA	529	622	657	660	645 G	(a) 700	(a) 675
Productivity Index % (Compensation and Pension)	N/A	N/A	90%	88%	79% R	90%	100%
National accuracy rate (Fiduciary work) % (Compensation & Pension) (through July)	81%	85%	83%	84%	* 82% Y	85%	98%
(1) No customer satisfaction survey was performed for 2006-2008. VBA anticipates that a survey office will be in place in 2009 and that the first survey will be conducted in 2010 for 2009.							

The indicators below are the component end-products for the measure on average days to complete rating-related actions. We do not establish separate performance goals for these indicators.

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Claims Completed in FY 2008
<b>Average days to process rating-related actions</b>	166	167	177	183	179	899,863
Initial disability compensation	186	185	196	208	198	236,330
Initial death compensation/DIC	125	124	136	132	121	30,438
Reopened compensation	178	179	191	196	195	492,962
Initial disability pension	94	98	113	118	113	39,943
Reopened pension	101	103	120	123	120	53,167
Reviews, future exams	87	95	79	82	74	40,835
Reviews, hospital	54	55	53	56	52	6,188

P&F ID Codes:

36-0137-0-1-702  
36-0151-0-1-705

36-8133-0-7-702

<i>Education</i>						
<b>Resources</b>						
FTE	841	852	889	958	1,002	
Total Program Costs (\$ in millions)	\$2,495	\$2,690	\$2,844	\$3,080	\$3,097	
<b>Performance Measures</b>						
<b>Average days to complete original education claims</b>	26	33	40	32	19 G	24 10
<b>Average days to complete supplemental education claims</b>	13	19	20	13	9 G	11 7

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.



**FY 2008 Performance Measures by Organization and Program**

(G = Green; Y = Yellow; R = Red)

Organization/Program/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	
Montgomery GI Bill usage rate (%): Veterans who have passed their 10-year eligibility period (Estimate)	71%	71%	70%	70%	* 71% G	71%	80%
Customer satisfaction-high rating (Education)	86%	(1) N/A	(1) N/A	(1) N/A	(1) N/A	89%	95%
Telephone Activities - Blocked call rate % (Education)	20%	38%	43%	32%	4% G	20%	10%
Telephone Activities - Abandoned call rate % (Education) (a) Corrected	10%	17%	20%	(a) 14%	5% G	10%	5%
Payment accuracy rate % (Education)	94%	96%	94%	95%	96% G	96%	97%

**Measures Under Development**

Percent of Montgomery GI Bill participants who successfully completed an education or training program	N/A	N/A	N/A	N/A	N/A	TBD	TBD
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	N/A	N/A	N/A	N/A	(1) N/A	TBD	TBD

(1) No customer satisfaction survey was performed for 2005-2008. VBA anticipates that a survey office will be in place in 2009 and that the first survey will be conducted in 2010 for 2009.

**Vocational Rehabilitation and Employment**

P&F ID Codes: 36-0135-0-1-702

36-0151-0-1-705

Resources							
FTE	1,105	1,115	1,110	1,187	1,283		
Total Program Costs (\$ in millions)	\$676	\$706	\$702	\$771	\$775		
Performance Measures							
Rehabilitation rate % (VR&E)	62%	63%	73%	73%	76% G	75%	80%
Speed of entitlement decisions in average days (VR&E)	57	62	54	54	48 G	52	40
Accuracy of decisions (Services) % (VR&E)	86%	87%	82%	77%	82% G	79%	96%
Customer satisfaction (Survey) % (VR&E) (1) No customer satisfaction survey was performed for 2005-2007. (2) 2008 data will be available by the end of CY 2009.	79%	(1) N/A	(1) N/A	(1) N/A	(2) TBD	84%	92%

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.



**FY 2008 Performance Measures by Organization and Program**  
(G = Green; Y = Yellow; R = Red)

Organization/Program/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	
Accuracy of Vocational Rehabilitation program completion decisions % (VR&E)	94%	97%	95%	93%	95% G	94%	99%
Serious Employment Handicap (SEH) Rehabilitation Rate % (VR&E)	N/A	N/A	73%	73%	75%G	75%	80%
<b>Common Measures **</b>							
Percent of participants employed first quarter after program exit (VR&E)	N/A	N/A	N/A	N/A	N/A	N/A	80%
Percent of participants still employed three quarters after program exit (VR&E)	N/A	N/A	N/A	N/A	N/A	N/A	85%
Percent change in earnings from pre-application to post-program employment (VR&E)	N/A	N/A	N/A	N/A	N/A	N/A	TBD
Average cost of placing participant in employment (VR&E)	N/A	N/A	N/A	\$8,856	\$8,000 G	\$8,000	\$6,500
** These are designated as "common measures" because they are also used by other agencies that manage vocational rehabilitation programs. They also support the Performance Improvement Initiative of the President's Management Agenda. Targets shown above are estimates and may change. VBA anticipates receiving the first batch of data from the Department of Labor in December 2008. This information will be used to set a baseline.							

*Housing*

P&F ID Codes: 36-1119-0-1-704 36-4025-0-3-704  
 36-0128-0-1-704 36-4127-0-3-704 36-4129-0-3-704  
 36-4130-0-3-704 36-0151-0-1-705

Resources					
FTE	1,256	1,049	1,042	983	911
Total Program Costs (\$ in millions)	\$389	\$2,072 <sup>(a)</sup>	\$210 <sup>(b)</sup>	\$240	\$978 <sup>(a)</sup>

(a) Includes positive subsidy, administrative expenses, and upward reestimates, which are required to comply with Credit Reform Act guidelines.

(b) The total program costs do not include any subsidy costs due to a negative subsidy of the Loan Guaranty program.

Performance Measures							
<b>Foreclosure avoidance through servicing (FATS) ratio % (Housing)</b>	44.0%	48.0%	54.0%	57.0%	52.4% Y	56.0%	57.0%
Veterans satisfaction level % (Housing) <small>(1) No Housing survey was completed for 2004 or 2005.</small>	(1) N/A	(1) N/A	93.1%	Avail. 12/2008	Avail. 12/2009	95.0%	97.0%
Lender Satisfaction (Percent of lenders who indicate that they are satisfied with the VA Loan Guaranty Program) <small>(1) No Housing survey was completed for 2004 or 2005.</small>	(1) N/A	(1) N/A	93.2%	Avail. 12/2008	Avail. 12/2009	94.0%	95.0%
Statistical quality index % (Housing)	98.0%	98.0%	99.0%	99.2%	99.6% G	98.0%	98.5%

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.



**FY 2008 Performance Measures by Organization and Program**

(G = Green; Y = Yellow; R = Red)

Organization/Program/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	
Specially Adapted Housing Independence (Percent of Specially Adapted Housing (SAH) grant recipients who indicate that grant-funded housing adaptations increased their independence)	N/A	N/A	93.2%	Avail. 12/2008	Avail. 12/2009	98.0%	99.0%
Rate of homeownership for veterans compared to that of the general population %	N/A	N/A	N/A	N/A	115.2% G	108.0%	110.0%
E-FATS (Ratio of dollars saved through successful loan interventions, to dollars spent by VA on Loan Administration FTE who perform intervention work) (Housing)	N/A	N/A	7.0:1	6.8:1	5.8:1 Y	7.0:1	8.0:1
<b>Insurance</b>	P&F ID Codes:		36-0120-0-1-701		36-4012-0-3-701		
	36-4010-0-3-701		36-4009-0-3-701		36-8132-0-7-701		
	36-8150-0-7-701		36-8455-0-8-701		36-0151-0-1-705		
<b>Resources</b>							
FTE	490	488	482	451	365		
Total Program Costs (\$ in millions)	\$2,580	\$2,580	\$3,344	\$3,192	\$3,157		
<b>Performance Measures</b>							
<b>Average number of days to process TSGLI disbursements (Insurance)</b>	N/A	N/A	3.8	3.0	2.5 G	5	5
Percent of servicemembers covered by SGLI (Insurance)	N/A	98%	99%	99%	99% G	98%	98%
Conversion rate of disabled SGLI members to VGLI % (Insurance)	N/A	35%	41%	40%	45% Y	50%	50%
Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average enlisted servicemember (Insurance)	N/A	1.9	1.8	1.8	1.7 G	1.7	1.0
Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average officer (Insurance)	N/A	1.0	0.9	0.9	0.9 G	0.9	1.0
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 (Insurance)	N/A	1.4	1.3	1.2	1.3 G	1.0	1.0
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 (Insurance)	N/A	0.9	0.9	0.9	1.0 G	1.0	1.0

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.



**FY 2008 Performance Measures by Organization and Program**

(G = Green; Y = Yellow; R = Red)

Organization/Program/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	
Rate of high veterans' satisfaction ratings on services delivered % (Insurance)	96%	96%	96%	96%	95% G	95%	95%
Number of disbursements (death claims, loans, and cash surrenders) per FTE (Insurance)	N/A	1,692	1,697	1,724	1,756 G	1,725	1,750

**National Cemetery Administration**

*Burial Program*

P&F Codes: 36-0129-0-1-705  
36-5392-0-1-705

36-0183-0-1-705  
36-0151-0-1-705

Resources							
FTE	1,492	1,523	1,527	1,541	1,512		
Total Program Costs (\$ in millions)	\$406	\$403	\$421	\$465	\$598		
Performance Measures							
<b>Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence</b>	75.3%	77.1%	80.2%	83.4%	84.2% G	83.7%	90.0%
<b>Percent of respondents who rate the quality of service provided by the national cemeteries as excellent</b>	94%	94%	94%	94%	94% Y	97%	100%
<b>Percent of graves in national cemeteries marked within 60 days of interment</b>	87%	94%	95%	94%	93% Y	95%	98%
<b>Percent of respondents who rate national cemetery appearance as excellent</b>	98%	98%	97%	97%	98% Y	99%	100%
Percent of funeral directors who respond that national cemeteries confirm the scheduling of the committal service within 2 hours	73%	73%	74%	72%	72% Y	80%	93%
Percent of headstone and marker applications from private cemeteries and funeral homes received electronically (Internet)	N/A	N/A	N/A	N/A	45%	Baseline	75%
Percent of applications for headstones and markers that are processed within 20 days for the graves of veterans who are not buried in national cemeteries	N/A	13%	62%	38%	95% G	75%	90%
Percent of headstones and markers that are undamaged and correctly inscribed	97%	96%	96%	96%	96% G	96%	98%
Percent of respondents who would recommend the national cemetery to veteran families during their time of need	97%	98%	98%	98%	98% Y	99%	100%

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.



**FY 2008 Performance Measures by Organization and Program**

(G = Green; Y = Yellow; R = Red)

Organization/Program/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	
Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment	64%	70%	67%	69%	65% Y	72%	90%
Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations	76%	72%	77%	75%	84% G	80%	90%
Percent of gravesites that have grades that are level and blend with adjacent grade levels	79%	84%	86%	83%	86% Y	88%	95%

**Board of Veterans' Appeals**

P&F ID Code: 36-0151-0-1-700

Resources							
FTE	440	433	452	444	469		
Administrative costs only (\$ in millions)	\$50	\$50	\$54	\$54	\$60		
Performance Measures							
Deficiency-free decision rate (BVA)	93.0%	89.0%	93.0%	94.0%	95.0% G	92.0%	92.0%
Appeals resolution time (Number of Days) (Joint BVA-VBA Compensation and Pension measure) (a) 2008 and Strategic Targets established by BVA	529	622	657	660	645 G	(a) 700	(a) 675
BVA Cycle Time (Days)	98	104	148	136	155 Y	150	104
Appeals decided per Veterans Law Judge (BVA)	691	621	698	721	754 G	752	800
Cost per case (BVA time only)	\$1,302	\$1,453	\$1,381	\$1,337	\$1,365 G	\$1,648	\$1,619

**Departmental Management**

P&F ID Codes 36-0151-0-1-705 36-0111-0-1-703 36-0110-0-1-703  
 36-4539-0-4-705 36-4537-0-4-705

Total FTE and Program Costs (less BVA and OIG FTE and costs, which are identified separately)							
FTE	2,697	3,167	2,162	3,626	9,428 <sup>(a)</sup>		
Total Program Costs (\$ in millions)	\$718	\$762	\$928	\$1,531	\$3,165		
(a) Increase primarily reflects the centralization of IT personnel under the Department's Chief Information Officer.							
Performance Measures							
Attainment of statutory minimum goals for <u>service-disabled veteran-owned small businesses</u> expressed as a percent of total procurement (OSDBU) (through September; data will not be final until 09/2009)	1.25%	2.15%	3.58%	7.09%	* 12.35% G	3.00%	3.00%

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.



**FY 2008 Performance Measures by Organization and Program**

(G = Green; Y = Yellow; R = Red)

Organization/Program/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	
Percent of total procurement dollars awarded to <b>veteran-owned small businesses</b> (through September; data will not be final until 09/2009) P.L. 109-461 gave VA unique authority to conduct set-aside and sole source procurement with Veteran-Owned Small Businesses. In January 2008, the Secretary established an FY 2008 performance target and instituted PAR reporting requirements. This measure appears in the PAR for the first time.	N/A	4.50%	6.17%	10.37%	* 15.28% G	10.00%	10.00%
Number of pilot, demonstration, and existing programs implemented by VA in which faith-based and community organizations participate (CFBCI)	N/A	4	6	12	12 G	12	14
Percentage of VA employees who are veterans (HR&A)	26%	28%	31%	31%	30% Y	33%	33%
The Alternative Dispute Resolution (ADR) participation rate in the Equal Employment Opportunity (EEO) complaint process (HR&A)	13.0%	17.0%	22.0%	28.0%	45.0% G	30.0%	35.0%
Percent of confirmed Successors to the Secretary who attend orientation and/or the annual update (OS&P)	N/A	N/A	N/A	N/A	100% G	95%	100%
Percent of Under Secretaries, Assistant Secretaries, and other key officials who self-certify their teams "ready to deploy" to their COOP site (OS&P)	N/A	85%	85%	90%	100% G	100%	100%
Cumulative % of FTEs (compared to total planned) included in Management Analysis/Business Process Reengineering studies initiated (OP&P)	N/A	0%	0%	33%	54% G	54%	100%
Percent of tort claims decided accurately at the administrative stage (OGC)	89.0%	88.4%	92.2%	92.6%	93.6% G	91.5%	91.5%
Number of audit qualifications identified in the auditor's opinion on VA's Consolidated Financial Statements (OM)	0	0	0	0	0 G	0	0
Number of material weaknesses identified during the annual independent financial statement audit or separately identified by management (OM) (VA's material weaknesses identified during the annual independent financial statement audit are also considered weaknesses under FMFIA) (1) Corrected	4	4	(1) 4	4	3 G	4	0

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.





**FY 2008 Performance Measures by Organization and Program**

(G = Green; Y = Yellow; R = Red)

Organization/Program/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	
Average number of orders (prosthetics devices and batteries) processed annually per DALC employee (OM) (DALC = Denver Acquisition and Logistics Center)	14,394	16,238	16,794	17,577	18,888 Y	20,000	24,000
Percentage of responses to pre- and post-hearing questions that are submitted to Congress within the required timeframe (OCLA)	N/A	21%	15%	27%	57% G	45%	100%
Percentage of testimony submitted to Congress within the required timeframe (OCLA) (OCLA coordinates requisite clearance for testimony among VA internal organizations and OMB prior to submission to Congress and does not have independent clearance authority.)	N/A	N/A	N/A	75%	58% R	90%	100%
Percentage of title 38 reports that are submitted to Congress within the required timeframe (OCLA)	54% w/i 15 days	21% by due date	13% by due date	40% by due date	59% G	50% by due date	100%
Percent of space utilization as compared to overall space (owned and direct-leased) (OAEM) (Estimate)	80% Baseline	98%	104%	112%	* 113% G	95%	95%
Percent Condition Index (owned buildings) (OAEM) (Estimate)	N/A	82% Baseline	79%	74%	* 64% Y	85%	87%
Ratio of non-mission dependent assets to total assets (OAEM) (Estimate)	N/A	22% Baseline	15%	12%	* 13% G	13%	10%
Ratio of operating costs per gross square foot (GSF) (OAEM) (Estimate) (Targets and results were adjusted to conform with Federal Real Property Council Tier 1 definitions)	\$4.52 Baseline	\$4.85	\$5.59	\$5.80	* \$6.46 Y	\$4.52	\$4.52
Cumulative percentage decrease in facility traditional energy consumption per gross square foot from the 2003 baseline (OAEM) (through August)	N/A	N/A	4%	6%	* 4% Y	9%	30%
Percent of total facility electricity consumption that is renewable (OAEM) (through August)	N/A	N/A	3%	3%	* 3.0% G	3.0%	7.5%
Percent of contract awards (design development, construction documents, construction) that meet operating plan target dates within a 90-day variance (OCFM) (Estimate)	N/A	73.3%	71.4%	73.0%	* 83.0% G	75.0%	90.0%

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.



**FY 2008 Performance Measures by Organization and Program**  
(G = Green; Y = Yellow; R = Red)

Organization/Program/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	
Percent of direct lease acquisitions that meet target dates (OCFM) <small>(1) FY 2007 results are provided only for the last 6 months of the fiscal year.</small>	N/A	N/A	N/A	(1) 70%	100% G	80%	95%
Percent of property acquisitions that meet target dates (OCFM) <small>(1) FY 2007 results are provided only for the last 6 months of the fiscal year.</small>	N/A	N/A	N/A	(1) 75%	100% G	80%	95%
Percent of space criteria departmental updates that are not older than 3 years (OCFM) <small>(1) FY 2007 results are provided only for the last 6 months of the fiscal year.</small>	N/A	N/A	N/A	(1) 100%	100% G	98%	100%

**Office of Inspector General**

P&F ID Code: 36-0170-0-1-705

<b>Resources</b>							
FTE	434	454	510	470	513		
Administrative costs only (\$ in millions)	\$66	\$70	\$74	\$74	\$78		
<b>Performance Measures</b>							
Number of arrests, indictments, convictions, administrative sanctions, and pretrial diversions	N/A	N/A	2,241	2,061	1,884 G	1,848	2,200
Percentage of prosecutions successfully completed	N/A	N/A	96%	95%	94% G	85%	90%
Number of audit, inspection, and evaluation reports issued that identify opportunities for improvement and provide recommendations for corrective action	N/A	N/A	150	217	212 G	120	165
Number of CAP reports issued that include relevant health care delivery pulse points	N/A	N/A	64	45	46 G	30	45
Monetary benefits (dollars in millions) from audits, investigations, contract reviews, inspections, and other evaluations	N/A	N/A	\$900	\$670	\$500 G	\$500	\$1,000
Return on investment (monetary benefits divided by cost of operations in dollars)	N/A	N/A	N/A	N/A	6 to 1 G	6 to 1	10 to 1
Percentage of recommendations implemented within 1 year to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural changes in VA <small>(Measure description changed for clarification purposes only)</small>	N/A	N/A	93%	86%	88% G	80%	90%

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.



**FY 2008 Performance Measures by Organization and Program**

(G = Green; Y = Yellow; R = Red)

Organization/Program/Measure (Key Measures in Bold)	Past Results				FY 2008		Strategic Target
	FY 2004	FY 2005	FY 2006	FY 2007	Results	Targets	
Percentage of preaward recommendations sustained during contract negotiations (1) After OIG makes recommendations, VA contracting officers conduct contract negotiations.	N/A	N/A	70%	66%	(1) 57% Y	63%	65%
Customer satisfaction survey scores (based on a scale of 1 to 5, where 5 is high):							
Investigations	N/A	N/A	4.9	4.9	4.6 G	3.0	5.0
Audit	N/A	N/A	4.3	3.7	4.0 G	3.0	5.0
Healthcare Inspections	N/A	N/A	4.6	4.4	4.7 G	3.0	5.0

**Dropped Measure; No Further Reporting After FY 2007**

<i>Veterans Benefits Administration (Education)</i>	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Final	FY 2007 Target
Montgomery GI Bill usage rate (%): All program participants	58%	65%	66%	67%	67%	68%

**Footnote for why measure was dropped:**

Measure was dropped and replaced with the measure for MGIB usage rate for veterans who have passed their 10-year eligibility period. The revised usage rate provides a more accurate measure of usage.

\* These are partial or estimated data; final data will be published in the FY 2010 Congressional Budget and/or the FY 2009 Performance and Accountability Report.



## Major Management Challenges Identified by the OIG

The Department’s Office of Inspector General (OIG), an independent entity, evaluates VA’s programs and operations. The OIG submitted the following update of the most serious management challenges facing VA.

We reviewed OIG’s report and provided responses, which are integrated within the OIG’s report. Our responses include the following for each challenge area:

- *Estimated resolution timeframe (fiscal year)* to resolve the challenge
- *Responsible Agency Official* for each challenge area
- *Completed 2008 milestones* in response to the challenges identified by the OIG
- *Performance results/impacts* of completed milestones
- *Planned 2009 milestones* along with *estimated completion quarter*
- *Anticipated impacts* of the planned milestones

VA is committed to addressing its major management challenges. Using OIG’s perspective as a catalyst, we will take whatever steps are necessary to help improve services to our Nation’s veterans. We welcome and appreciate OIG’s perspective on how the Department can improve its operations to better serve America’s veterans.

The table below shows the strategic goal to which each challenge is most closely related, as well as its estimated resolution timeframe.

Challenge		Estimated Resolution Timeframe (Fiscal Year)	Page #
No.	Description		
<b>Strategic Goal 3: Honoring, Serving, and Memorializing Veterans</b>			
<b>OIG 1</b>	<b>Health Care Delivery</b>		<b>256</b>
1A	Quality of Care	2009 and beyond	256
1B	New and Significantly-Increased Health Problems Associated with OEF/OIF	2009 and beyond	266
1C	Research	2009 and beyond	272
<b>Strategic Goal 1: Restoration and Improved Quality of Life for Disabled Veterans</b>			
<b>OIG 2</b>	<b>Benefits Processing</b>		<b>274</b>
2A	Workload	2009	274
2B	Quality	2009	276
2C	Staffing	2009	278
<b>Enabling Goal: Applying Sound Business Principles</b>			
<b>OIG 3</b>	<b>Financial Management</b>		<b>279</b>
3A	Financial Management System Functionality	2014	279
3B	Financial Management Oversight	2011	281
3C	Benefits Delivery Network System Records	Completed	287
<b>OIG 4</b>	<b>Procurement Practices</b>		<b>288</b>
4A	Open Market Procurements and Inventory Controls	2009 and beyond	289
4B	Contract Modifications to Use Expired Years Funds	2009 and beyond	291
4C	Contract Award and Administration	2009	293
4D	Electronic Contract Management System	2009	297



Challenge		Estimated Resolution Timeframe (Fiscal Year)	Page #
No.	Description		
<b>OIG 5</b>	<b>Information Management</b>		<b>299</b>
5A	IT Security Controls	2013	300
5B	Information Security Program	2013	301
	<b>Appendix</b>		<b>302</b>



## Department of Veterans Affairs

# Memorandum

Date: July 16, 2008

From: Inspector General (50)

Subj: FY 2008 Performance and Accountability Report

To: Secretary of Veterans Affairs (00)

1. Attached is the Office of Inspector General (OIG) update of the most serious management problems facing VA, for use as part of the FY 2008 Performance and Accountability Report (PAR). Our staff worked with VA staff to arrange publication of the full OIG report on major management challenges in the PAR.
2. Section 3516 of Title 31, United States Code, requires OIG annually to submit this statement to the Department. The law also states the agency may comment on, but may not modify, the OIG statement. Please ensure that all suggested changes made by the Department are provided to OIG for review prior to incorporating the changes in the PAR.
3. In the past year, the work you, the Deputy Secretary, and I have undertaken to resolve difficult and important problems has forged a strong and cooperative working relationship that has helped us in accomplishing our respective missions. I look forward to working with both of you to complete the implementation of key OIG recommendations in the future.

  
GEORGE J. OPFER

Attachment



**Department of Veterans Affairs  
Office of Inspector General  
Washington, DC 20420**

**FOREWORD**

America relies on VA to take care of the men and women who have sacrificed so much to protect this Nation. As younger service members return from war in Afghanistan and Iraq, and veterans from earlier wars and peacetime deal with their service injuries along with the challenges of being senior citizens, they turn to VA for the benefits they have earned. VA health care and benefits delivery must be made as effective and efficient as possible, which requires that VA support services—financial management, procurement practices, and information management—must also be strong and secure.

The Office of Inspector General (OIG) seeks to help VA become the best-managed service delivery organization in Government. OIG audits, inspections, investigations, and Combined Assessment Program (CAP) reviews recommend improvements in VA programs and operations, and act to deter waste, fraud, and abuse. Each year, as required by Section 3516 of Title 31, United States Code, OIG provides VA with an update summarizing the most serious management and performance challenges identified by OIG work and other relevant Government reports, as well as an assessment of the Department's progress in addressing those challenges.

This report contains the updated summation of major management challenges organized by the five OIG strategic goals—health care delivery, benefits processing, financial management, procurement practices, and information management—with assessments of VA's progress on implementing OIG recommendations.

OIG will continue working with VA to address each of these issues. Together we can ensure that the Department will provide the best possible service to the Nation's veterans and their dependents, and that OIG recommendations continue to assist VA in becoming a Government leader in sound management.

  
GEORGE J. OPFER  
Inspector General



## **MAJOR MANAGEMENT CHALLENGES**

The Office of Inspector General (OIG) identified the major management and performance challenges currently facing VA. Left uncorrected, these challenges have the potential to impede VA's ability to fulfill its program responsibilities and ensure the integrity of operations. For the most part, these challenges are not amenable to simple, near-term resolution and can only be addressed by a concerted, persistent effort, resulting in progress over a long period of time.

OIG's strategic planning process is designed to identify and address the key issues facing VA. OIG focused on the key issues of health care delivery, benefits processing, financial management, procurement practices, and information management in its *2005–2010 OIG Strategic Plan*. The flexibility and long-range vision in the OIG Strategic Plan are essential in a period of expanding need for VA programs and services. Although the Nation's newest and oldest veterans both face a growing need for VA health care and benefits programs, many of the specific services they need differ, and all of them must be the best possible.

The following summaries present the most serious management problems facing VA in each area and assess the Department's progress in overcoming them. While these issues guide our oversight efforts, we continually reassess our goals and objectives to ensure that our focus remains timely and responsive to changing priorities. *(On these pages, the words "we" and "our" refer to OIG. OIG comments in this report are up-to-date as of November 1, 2008; VA responses were submitted in September 2008. Years are fiscal years (FY) unless stated otherwise.)*

### **OIG CHALLENGE #1: HEALTH CARE DELIVERY**

#### ***-Strategic Overview-***

The quality of veteran health care is the most critical issue facing the Veterans Health Administration (VHA) today. The effectiveness of clinical care, budgeting, planning, and resource allocation are negatively affected due to the continued yearly uncertainty of the number of patients who will seek care from VA. Over the past 7 years, OIG has invested about 40 percent of its resources in overseeing the health care issues impacting our Nation's veterans and has conducted reviews at all VA Medical Centers (VAMC) as well as national inspections and audits, issue-specific Hotline reviews, and investigations. VHA faces challenges in managing its health care activities, with particular concern noted in the quality of care, mental health needs of Operations Enduring Freedom and Iraqi Freedom (OEF/OIF) veterans, and VHA research activities.

#### **OIG CHALLENGE #1A: Quality of Care**

OIG continues to assess the quality of care at delivery points throughout VA, with significant challenges noted in access to care for rural health, elder care, credentialing and privileging, the Home Respiratory Care Program (HRCP), and systemic problems with outpatient scheduling and patient waiting times.

The OIG Combined Assessment Program (CAP) inspection process highlights that VHA provides quality health care at many facilities. However, medical and supportive care provided to veterans who do not live close to a facility is less consistently available. OIG finds that veterans who live in rural areas may not have readily available access to specialty care, even at a further distance from their local community. This difficulty in the provision of specialty care across the country means that it is challenging, if not impossible, to provide a standard health care benefit to all enrolled veterans.





In addition, VHA has made only limited progress in addressing the longstanding and underlying causes of problems with outpatient scheduling, accuracy of reported waiting times, and completeness of electronic waiting lists (EWLs). Of concern is VHA's delay in implementing appropriate quality assurance procedures necessary to ensure the reliability of waiting times and waiting lists. Audits of outpatient scheduling and patient waiting times completed since 2005 have identified noncompliance with policies and procedures for scheduling, inaccurate reporting of patient waiting times, and errors in EWLs. Although VHA has recognized the need to improve scheduling practices and the accuracy of waiting times data, no meaningful action has been taken to achieve this goal to date. Nine recommendations in prior OIG audit reports issued in 2005 and 2007 that were agreed to by VHA remain unimplemented, as confirmed by our most recent follow-up work in this area in 2008.

The May 2008 OIG report on Veterans Integrated Service Network (VISN) 3 waiting times determined scheduling procedures were not followed, which affected the reliability of reported waiting times and caused inaccuracies in EWLs. OIG recommended that the Under Secretary for Health establish procedures to routinely test the accuracy of reported waiting times and completeness of EWLs, as well as take corrective action when testing shows questionable differences between the desired dates of care shown in medical records and those documented in VHA's scheduling system. This report and prior reports indicate that the problems and causes associated with scheduling, waiting times, and waiting lists are systemic throughout VHA. Moreover, VHA has not ensured compliance with its policy that patients' preferences for desired appointment dates are documented and that veterans receive appointments within the required timeframes. Scheduling roughly 40 million appointments annually, VHA needs to properly document desired appointment dates and ensure patient waiting times are accurate. This is not only a data integrity issue in which VA reports unreliable performance data; it affects quality of care by delaying—and potentially denying—deserving veterans timely care.

A separate, but nevertheless urgent, issue relates to the improvements needed in VHA's credentialing and privileging process. Credentialing refers to the process by which health care organizations screen and evaluate medical providers in terms of licensure, education, training, experience, competence, and health status. OIG identified that providers' previously undisclosed medical licenses create significant problems due to their unmonitored status. OIG also found significant deficiencies in the privileging of physicians, which is the process by which physicians are granted permissions by the medical center to perform specific diagnostic and therapeutic procedures. Providers' privileging for diagnostic and therapeutic interventions is not always appropriate to the capabilities of the medical staff and facilities. Over time, VHA has developed extensive and detailed procedures for credentialing and privileging; however, standardization of these processes and adherence to VHA guidance must be improved to ensure appropriately qualified staff.

Although much appropriate attention has been focused on younger, more recent combat veterans, a large percentage of veterans who are dependent on VA for care are those elderly veterans who are in contract community nursing homes (CNHs). Vulnerabilities in this important program continue to exist, including lack of program oversight, lack of standardized inspection procedures, and inconsistency in local VA medical center review team composition and processes, including the regularity and documentation of visits.

To cite a specific example of quality of care issues identified by OIG oversight work, audits of VHA's HRCF found that VHA facilities had not established home respiratory care teams or completed quarterly program reviews as required. Facility staff did not timely and consistently complete patient reevaluations,



patient home visits, or vendor quality assurance visits. OIG identified a need for facilities to strengthen oversight and contract administration to ensure the delivery of quality care and services, and reduce unsupported or improper payments. OIG projects that VHA had approximately \$3.4 million in unsupported costs and improper payments during the 12-month review period and that an estimated \$16.8 million in unsupported costs and improper payments could occur in the next 5 years if contract administration is not strengthened.

**VA's Program Response to OIG Challenge #1A: Quality of Care**

ESTIMATED RESOLUTION TIMEFRAME: FY 2009 and beyond

**GOAL: Improve Quality of Health Care**

Responsible Agency Official: Principal Deputy Under Secretary for Health

Completed FY 2008 Milestones	Performance Results/Impacts
<p>Reorganized VHA's <b>clinical quality</b> and <b>performance</b> and <b>patient safety</b> programs.</p> <p>Created a <b>new Office of Quality and Safety</b> to provide enhanced coordination and oversight of the Office of Quality and Performance and the National Center for Patient Safety to coordinate and compile multiple sources of clinical quality, performance, and safety data developed within and outside VHA.</p>	<p><b>Formal structures</b> have been established for the work of these program offices to be informed by work of other programs, such as the National Surgical Quality Program.</p>
<p>Reorganized the Under Secretary's Coordinating Committee for Quality and Safety (USCCQS) to <b>engage</b> significant <b>stakeholders</b>, formalize data flows to the Committee, and track follow-up to Committee action items.</p>	<p>The USCCQS provides a clear <b>focal point</b> for information flow to senior leadership, decision making, and follow-through on action items.</p>
<p>Established a formal Advisory Committee, consisting of VHA's leading academic clinicians in the area of clinical <b>quality measurement</b> and improvement and patient safety, to provide consultation, advice, and input.</p>	<p>The Committee was organized in July 2008 and will meet again in September and quarterly thereafter; it will provide consultation, advice, and input to VHA's Office of Quality and Performance.</p>
<p>Published a "<b>Hospital Quality Report Card</b>" in June 2008 that detailed facility performance, including waiting times, staffing, nosocomial infections, satisfaction, quality of care, procedural volume, patient safety, availability of services, and accreditation, across multiple dimensions including age, gender, race/ethnicity, rural vs. urban, and intensive care units.</p>	<p>Report Card resulted in greater accountability and transparency of VA quality and performance, improved the ability to identify potential problems in high-risk groups of veterans, and identified disparities in health that may be amenable to system interventions.</p>



GOAL: Improve Quality of Health Care	
Responsible Agency Official: Principal Deputy Under Secretary for Health	
Completed FY 2008 Milestones	Performance Results/Impacts
<p>For Non-VA Care Services, began a <b>demonstration pilot, Project Healthcare Effectiveness through Resource Optimization (HERO)</b>, to address quality of care for non-VA providers through quality standards included in the Project HERO contracts. Project HERO monitors provider accreditation status, patient safety, access to care, and clinical information exchange for inpatient and outpatient episodes using 79 industry-standard quality metrics.</p>	<p>This is the <b>first large-scale attempt</b> to place high quality standards on a significant portion of services provided to veterans outside of VA facilities. This also assists in improving the level and quality of service provided to veterans.</p>
<p>VHA disagrees with the OIG assessment that appropriate implementation of quality assurance procedures to ensure reliability of wait times and wait lists has been delayed. VHA dramatically improved trend in access, which is independent of the issue of measures for wait times, and has implemented the following initiatives to address quality assurance measures for wait times and wait lists.</p> <ul style="list-style-type: none"> <li>Established formal <b>scheduler national training program</b> requiring successful completion of training for employees to be permitted access to menu options for creating outpatient appointments, making entries to the electronic wait list (EWL) and the Primary Care Management Module (PCMM).</li> <li>Required <b>audit of scheduler performance</b> at the local level by supervisors consistent with VHA Directive 2006-055. In addition, VHA periodically requires review by facilities of <b>patients waiting in excess of 30 days</b>.</li> </ul>	<p>Trained over 48,000 unique employees, and certified all individuals with access to the menu packages were identified and trained in FY 2007 and 2008.</p> <p>On-going training has proactively identified scheduler errors and enhanced veteran satisfaction.</p>
<ul style="list-style-type: none"> <li>Implemented <b>No Veteran Left Behind</b> initiative to reduce primary care wait time and electronic wait lists.</li> </ul>	<p>New Patient Wait Times improved and EWL decreased.</p>
<ul style="list-style-type: none"> <li>Implemented <b>scheduler training module</b> to provide uniform training in scheduling and restricted access to the scheduling package only to schedulers who completed the training.</li> </ul>	<p>Reduced scheduling errors.</p>



GOAL: Improve Quality of Health Care	
Responsible Agency Official: Principal Deputy Under Secretary for Health	
Completed FY 2008 Milestones	Performance Results/Impacts
<ul style="list-style-type: none"> <li>Hired outside consultant to provide recommendations on <b>wait time measurement</b>.</li> <li>Convened expert panel to revise the <b>Scheduling Directive</b>.</li> </ul>	<p>Consultant recommendations and the finalization of new Scheduling Directive will refine identified waiting times measurement issues.</p>
<ul style="list-style-type: none"> <li>Identified multiple <b>software problems</b> related to <b>documentation of desired appointment date</b>. These issues include field limitations for desired date change explanations, lack of a data field to ensure consistent location in <b>Computerized Patient Record System (CPRS)</b> for providers to enter desired date for an appointment or a consult, and lack of consistent display of desired date documentation on the scheduler Veterans Health Information Systems and Technology Architecture (VistA) screen.</li> </ul>	<p>Resolution of these issues will <b>create functionality</b> within CPRS for <b>documentation</b> by providers of desired dates for appointments and consults, to link these entries to the appointment package, and <b>display this information</b> for <b>schedulers</b> to view while creating appointments. In addition, a new multiple choice field was added for schedulers to indicate why changes from provider instructions are made to desired date.</p>
<ul style="list-style-type: none"> <li>Implemented national software that <b>links consults creation date information to scheduled appointments</b>.</li> </ul>	<p>Provides reports on <b>wait times</b> from consult requests to appointment creation, to appointment completion, and in addition, provides wait times from desired date. Because of variation in business practices and in use of the consult package, the <b>clinical meaning</b> of this information is being <b>evaluated</b> at the local level.</p>
<ul style="list-style-type: none"> <li>Reviewed comprehensive lists of consults identified as <b>not properly closed out</b>. Found a multitude of reasons why consults did not result in a scheduled appointment or a listing on the EWL. Also found that the CPRS consult software application has been adopted by providers system-wide for many purposes other than purely the purpose of requesting clinical consultation. Providers have been using this software to request approval for use of non-formulary drugs, purchase of prosthetics, inpatient EKGs, DVA van travel, etc.</li> </ul>	<p>Publishing a <b>new Consult Directive</b> will define clinical consultation and distinguish it from other uses of the consult package.</p>
<ul style="list-style-type: none"> <li>Recognized a nation-wide problem with <b>inconsistent hiring practices</b> including grade variation resulting in high turnover and lack of promotion potential. At some locations, schedulers are hired at the GS-2 &amp; GS-3 level, while they are hired at the GS-6 level at other locations.</li> </ul>	<p>Finalizing a <b>career ladder national scheduler position description</b>, to standardize grades and clearly define the levels of complexity at different grades for schedulers.</p>



GOAL: Improve Quality of Health Care	
Responsible Agency Official: Principal Deputy Under Secretary for Health	
Completed FY 2008 Milestones	Performance Results/Impacts
Improved access to care <b>for new mental health patients</b> .	At the end of FY 2007, a target was set for completing full evaluation and development/initiation of a treatment plan for all new patients within 15 days – as of June 2008, <b>more than 90 percent of new patients</b> now have a completed evaluation and treatment plan within 15 days of first being seen.
Provided teleretinal screening of veterans at 229 locations (includes VAMCs and CBOCs) in VA.	Improved veteran access to a validated technology-based system for the prevention of avoidable blindness due to diabetes while providing diabetic health education with the goal of better self-management of the disease. This is a new system implemented in VA that has screened more than 200,000 veteran patients, principally in primary care. This gives VA the greatest experience worldwide and provides convenient local access to services that help prevent avoidable blindness.
Reviewed Spinal Cord Injury (SCI) Center Clinic access expectations with SCI Leadership.	99 percent of SCI Center appointments between January 2008 and March 2008 were seen within 30 days.
Implemented improvements to the process of medical staff appointments including providing system-wide education on standards and requirements for credentialing and privileging, instituting triggers for automatic review of malpractice actions, and instituting procedures to identify all medical licenses held by a provider.	Improved ability to identify potential problems with licensed providers even if they fail to personally disclose all licenses.



GOAL: Improve Quality of Health Care	
Responsible Agency Official: Principal Deputy Under Secretary for Health	
Completed FY 2008 Milestones	Performance Results/Impacts
<p>Established the Office of Rural Health (ORH) to improve access to quality health care for rural veterans. FY 2008 actions included the following:</p> <ul style="list-style-type: none"> <li>• <b>Implemented Mobile Health Care Pilot Project</b> at four VISNs to operate mobile health care units.</li> <li>• <b>Created Ten New Outreach Clinics</b> to extend access to on-going primary care and mental health services for veterans in rural and highly rural areas.</li> <li>• <b>Established a Veterans Rural Health Advisory Committee</b> to examine ways to improve and enhance VA health care services for rural veterans and to make recommendations to the Secretary.</li> <li>• <b>Initiated a Web-Based Curriculum</b> for a training program on providing geriatric medicine in rural VA clinics.</li> <li>• Expanded <b>Home-Based Primary Care</b> and the <b>Medical Foster Home</b> program into areas serving rural veterans.</li> <li>• <b>Veterans Rural Health Resource Centers:</b> With sites selected in FY 2008, the Resource Centers will serve as full-functioning satellite offices for ORH. The Resource Centers will contribute a highly meaningful perspective to the work of ORH from their locations in three separate areas of the United States – western, central, and eastern – that serve large rural and highly rural veteran populations.</li> </ul>	<p>Through the ORH, VHA’s capacity to provide health care to veterans close to where they live is enhanced through these projects; at the same time, veterans living in rural areas have improved access to health care.</p>
<p>Increased the number of VA facilities equipped with <b>video teleconferencing (VTC)</b> equipment from 349 at the end of FY 2007 to 385 by Quarter 3 of FY 2008.</p>	<p>VTC units in more than 30 specialty areas enabled VA to deliver care to veterans in rural areas or where services were scarce, with the majority of visits occurring for mental health services.</p>
<p><b>Care Coordination Home Telehealth (CCHT)</b> services are currently implemented in more than 148 VA sites nationally. More than 40 percent of the 34,000 patients currently receiving care via CCHT live in rural and remote areas.</p>	<p>CCHT programs allow VA health care providers to care for patients in their homes without geographical or travel barriers.</p>



GOAL: Improve Quality of Health Care	
Responsible Agency Official: Principal Deputy Under Secretary for Health	
Completed FY 2008 Milestones	Performance Results/Impacts
<p><b>Developed Amputation System of Care (ASC)</b> proposal to integrate with existing Polytrauma systems of care. Amputation Regional Centers to provide highest level of <b>specialized expertise</b> to the most complex patients; Amputation Network Sites to provide full range of clinical and ancillary services.</p>	<p>This ASC will provide a system in which veterans will find the amputation state-of-the-art care expertise they require. This model of care was developed in response to the growing demand for amputation services within the VA system. The ASC will use an interdisciplinary team approach; state of the art technology in evaluation, fabrication, and fitting of prosthetic limbs; and expertise in the prescription, provision, and training of the newest technology in prosthetic limbs.</p>
<p>Approved a <b>fifth Poly Trauma Center (PRC)</b> for <b>San Antonio</b>. The architectural and engineering contract has been awarded and design is underway.</p>	<p>The PRC in San Antonio will provide coordinated, comprehensive, and integrated care to veterans who require <b>state-of-the-art rehabilitation</b> services. Construction of the PRC in San Antonio was approved to geographically expand these services for the veterans and military population in the southwest region of the country. Veterans in this region of the country are presently served by the PRCs in Tampa, Florida, or Palo Alto, California.</p>
<p>Assessed the <b>Emerging Consciousness Program (ECP)</b> and developed a proposal for enhancements to the program with regard to new technology, therapeutic interventions, and clinical and research protocols.</p>	<p>The ECP program promotes <b>return to consciousness</b> and will facilitate progress to the next level of rehabilitation care for individuals with ongoing disorders of consciousness secondary to severe traumatic brain injury (TBI).</p>
<p>Developed a code proposal to revise International Classification of Diseases, 9<sup>th</sup> Revision, Clinical Management (ICD-9-CM) coding.</p>	<p>If approved by the World Health Organization, the proposed code will improve uniform symptom codes and diagnostic classification, tracking, reporting, and research related to TBI.</p>
<p>Formalized a policy whereby <b>Spinal Cord Injury and Disorders (SCI/D)</b> Home Care staff will provide outreach to veterans with SCI/D in community nursing homes.</p>	<p>SCI Home Care staff serves as a resource to community nursing homes providing <b>consultative care</b> and education in caring for person with SCI/D, specifically skin and bowel and bladder care issues.</p>
<p>Established <b>Home Respiratory Care Program (HRCP)</b> at all medical facilities and established four national performance measures to measure progress.</p>	<p>Increased oversight of HRCP by improving communication between Home oxygen clinicians, therapists, and prosthetics staff and establishing HRCP monthly/quarterly meetings as an avenue for addressing any identified patient, administrative, or clinical issues.</p>
<p>Provided <b>training</b> to Prosthetic representatives PR and Chief Medical Officers (CMO) on HRCP administrative policies and procedures.</p>	<p>Improved understanding of HRCP policies and procedures and ensures compliance with program requirements.</p>
<p>Established a monitoring mechanism using the Prosthetics Home Oxygen Software to track renewal/expiration dates of patient prescriptions and ensure that all new Home Oxygen patients comply with existing requirements.</p>	<p>Increased compliance with Clinical Practice Recommendations on medical documentation and prescription criteria with an overall average of 97.09 percent in VISN compliance, thus reducing the number of expired prescriptions considerably.</p>



GOAL: Improve Quality of Health Care	
Responsible Agency Official: Principal Deputy Under Secretary for Health	
Completed FY 2008 Milestones	Performance Results/Impacts
Developed a policy to allow those with <b>Power of Attorney (POA)</b> and legal guardians to perform in-person authentication in lieu of the veteran via My HealtheVet (MHV).	This development has improved quality of care by allowing POAs and legal guardians to have access to MHV to order medications online for the veteran, view appointments and reports, and conduct secure messaging.

GOAL: Improve Quality of Health Care	
Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
Refine and reissue <b>Hospital Quality Report Card</b> on an annual basis. (Q4)	Enhance <b>accountability</b> and <b>transparency</b> . Improve ability to identify potential problems in high-risk groups of veterans. Reduce gaps in performance.
Develop and issue national standards for <b>provider privileging</b> to ensure appropriate alignment with medical staff and facility capabilities. (Q4)	Ensure clinical procedures are performed by appropriately qualified staff in facilities capable of fully addressing expected and unexpected needs of patients.
Support the following initiative to provide health care to veterans living in rural areas: <b>Native American/Alaska and Hawaii Natives Initiative</b> – To identify barriers to access to health care services faced by this population of rural and highly rural veterans, with particular attention to the need to accept and incorporate their traditions. ORH will promote care for these veterans. (Q4)	VHA's capacity to provide health care to veterans close to where they live will be enhanced through these partnerships and initiatives.
Revise training for schedulers based on new <b>Scheduling Directive</b> , new <b>Consult Directive</b> , and scheduling process modeling group. (Q4)	The training and the directives will improve accuracy in scheduling appointments for veterans.
Begin work, through the chartered <b>business process modeling</b> group, to recommend standardized processes, perform gap analyses, and develop training tools pertaining to the scheduling process. (Q4)	Anticipate improved standardized scheduling performance.
Continue collaboration with the Office of <b>Geriatrics and Extended Care</b> to expand on various quality management tools for use in the community nursing home program. (Q4)	These tools will improve compliance with VHA policies and provide data that will assist with monitoring policy compliance and improve quality of care by permitting analysis of direct measures of quality in nursing homes (such as staffing levels, scope and severity of deficiencies, improvements in skin care, and bowel & bladder issues).
Implement <b>Amputation System of Care (ASC)</b> program. (Q4)	The ASC will provide specialized expertise in <b>amputation rehabilitation</b> , incorporating the latest practice in medical rehabilitation management, rehabilitation therapies, and technological advances in prosthetic components.





GOAL: Improve Quality of Health Care	
Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
Implement a “ <b>Polytrauma Marker</b> ” in its patient data files, which will be supported by consensus operational and computable definitions of polytrauma and TBI. (Q4)	The marker along with other databases will identify the cohort of veterans with <b>polytrauma</b> and <b>TBI</b> ; will provide information regarding service utilization; will facilitate <b>tracking</b> of patients; and help plan for their long-range care needs.
Develop <b>Clinical Practice Guidelines for TBI</b> care. (Q4)	VHA clinicians will have access to the most current evidence-based recommendations for the <b>diagnosis</b> and <b>management</b> of patients with mild <b>TBI</b> , leading to improved treatment and health care outcomes for veterans.
VA will continue to implement the <b>Blind Rehabilitation Continuum of Care</b> for Visually Impaired Veterans. (Q4)	The Continuum of Care will <b>expand services</b> for visually impaired veterans and provide treatment with the latest technological devices for all veterans and servicemembers <u>with vision-related deficits who need rehabilitation training.</u>
Add two sites, one in San Juan, Puerto Rico, and one in San Antonio, Texas, to the <b>Polytrauma Telehealth Network</b> . (Q4)	These two sites will <b>improve access</b> to specialist services for OEF/OIF combat-wounded veterans.
Establish four Home Respiratory Care Program metrics in the areas of medical documentation and prescription criteria, expired prescriptions, verification of equipment delivery and vendor billing, and quarterly home oxygen visits. (Q4)	Improve monitoring and prompt renewal of <b>prescriptions</b> , increase <b>accountability</b> and management of home oxygen contracts, and reduce improper payments. Will increase home visits to oxygen patients.



**OIG CHALLENGE #1B: New and Significantly-Increased Health Problems Associated with OEF/OIF**

The health and welfare of millions of battle-tested veterans requires world-class care when these veterans seek care from VHA. Significant improvements have been made to better care for these national heroes, but VHA progress has been slow in appropriately dealing with mental health care, suicide prevention, and aid for homeless veterans.

Providing appropriate mental health care for veterans, especially those returning from recent conflicts in OEF/OIF, is a continuing and significant challenge for VHA. Veterans returning from current conflicts experience Traumatic Brain Injury (TBI) and Post-Traumatic Stress Disorder (PTSD) with great frequency. Appropriate, timely, and compassionate care for veterans with PTSD, the physical and psychological effects of TBI, and the impact of these problems on the family will continue to be major issues for VHA.

In 2007, OIG published a national report on VHA’s mental health strategic plan initiatives on suicide prevention, along with a number of single case reviews of the care of patients who committed, or were thought to have committed, suicide. Current education initiatives to train first contact non-clinical personnel about crisis situations involving veterans at risk for suicide have yet to be implemented at all VA facilities. Of the programs implemented, fewer than half include mandatory training on suicide response protocols.

VA has devoted significant resources to homeless veterans, especially by homeless grant and per diem programs. Nevertheless, veterans who are homeless need more than just a home, and OIG continues to review VA programs designed to assist veterans at risk because of their homelessness or other lifestyle characteristics. Homeless veterans need health care, mental health care, and the support and social services to ensure education, jobs, and the permanent housing that can result from a more stable life.

**VA’s Program Response to  
OIG Challenge #1B: New and Significantly-Increased Health Problems Associated with OEF/OIF**  
ESTIMATED RESOLUTION TIMEFRAME: FY 2009 and beyond

**GOAL: Improve Quality of Health Care for OEF/OIF Veterans**

**Responsible Agency Official: Principal Deputy Under Secretary for Health**

Completed FY 2008 Milestones	Performance Results/Impacts
<p>In May 2008, a call center became operational that will reach two distinct populations of OEF/OIF veterans:</p> <ul style="list-style-type: none"> <li>Those veterans who had prior use of military or veteran health care services. This population is approximately 15,500.</li> <li>All OEF/OIF veterans who have been discharged from the military, but have not yet engaged VA for health care services. This population is approximately 550,000.</li> </ul> <p>By the fall of 2008, the call center will have reached all of the above veterans.</p>	<p>OEF/OIF veterans are informed about changes in VA services and benefits to which they are entitled. This outreach activity may prompt new veterans to come to VA for health care before a symptom or non-acute issue becomes a serious health care condition.</p>



GOAL: Improve Quality of Health Care for OEF/OIF Veterans	
Responsible Agency Official: Principal Deputy Under Secretary for Health	
Completed FY 2008 Milestones	Performance Results/Impacts
<p><b>Provided VA Support to Demobilizing Reserve Component (RC) Servicemembers:</b> In May 2008 the VA Outreach Office initiated a demobilization initiative to inform demobilizing RC combat servicemembers of their enhanced VA health care and dental benefits, to offer them assistance in completing the enrollment application form (1010EZ), to collect the completed forms during their mandatory demobilization separation briefings, and match the DD214 with the 1010EZ for registering into the system and to initiate enrollment into VHA care.</p>	<p>This facilitated enrollment helps by getting the administrative details of enrollment into VA healthcare out of the way prior to the veteran's arrival for his/her first appointment. This will improve access and utilization by OEF/OIF combat veterans.</p>
<p><b>Collaborated with DoD on Post Deployment Health Reassessments (PDHRAs):</b> The Department of Defense screens servicemembers 4 to 6 months after returning from duty in the combat zone for indicators of possible mental or physical disorders. Members who screen positive for a possible condition are referred to a definitive medical facility for further evaluation.</p>	<p>Since November 2005, VA has had employees on-site to provide information on VA care and benefits, to enroll interested Reservists and Guard members in the VA healthcare system, and to arrange appointments at VA healthcare facilities for referred servicemembers or veterans.</p> <p>Since inception, over 94,000 Reserve and Guard members have completed the PDHRA on-site screening resulting in over 22,000 referrals to VA facilities and over 11,000 referrals to Vet Centers for further evaluation.</p>
<p>Allocated more than \$360 million for mental health enhancements, specifically for <b>suicide prevention</b> efforts.</p>	<p>Through the Mental Health Enhancement Initiative (2004-2008) and the congressional supplemental funding, over 4,000 new positions have been added for mental health services. Of the new positions, 381 are for suicide coordinators, case managers, and/or support staff to directly support suicide prevention efforts.</p> <p>Another important focus has been promoting access to mental health services. As of July 31, 2008, 151 of 153 medical centers have expanded clinic hours for mental health services. Nationally, we are at 93 percent compliance for conducting more comprehensive evaluations and initiating treatment within 14 days for new referrals to mental health.</p>
<p>Required mandatory <b>training on suicide prevention</b> for all non-professional staff with patient contact.</p>	<p>Developing Project Save as a training tool, which establishes mechanisms for <b>Suicide Prevention Coordinators</b> to track staff training.</p>



GOAL: Improve Quality of Health Care for OEF/OIF Veterans	
Responsible Agency Official: Principal Deputy Under Secretary for Health	
Completed FY 2008 Milestones	Performance Results/Impacts
Expanded the <b>Suicide Prevention Hotline</b> . Current workload is about 250 calls/day.	The Hotline is staffed 24/7 with clinicians who have real-time access to a veteran’s record if the veteran receives or has received care through VA. Hotline staff performed over 1,800 rescues – no doubt saving many lives.
Evaluated <b>suicide rates</b> among veterans, and used this information to plan policy and practice.	<b>Observations</b> from 2002-2006 that suicide rates are as follows: 1) Rates among OEF/OIF veterans are not greater than age-, sex-, and race-matched individuals from the general population. 2) Rates among veterans of all eras receiving VA health care are approximately 1.6 fold greater than individuals from the general population.
Established 23 new Vet Centers and augmented the clinical staff at 64 existing Vet Centers in FY 2008. This program enhancement increased the number of Vet Centers from 209 to 232, and added 150 additional staff members.	Increased capacity to provide <b>outreach</b> and <b>readjustment</b> counseling assures increased access to returning OEF/OIF combat veterans and families, while meeting workload demand from eligible combat veterans from other conflicts.
Hired 100 GWOT <b>outreach specialists</b> that are providing outreach services to OEF/OIF veterans as they return from combat at Active Military, National Guard, and Reserve <b>demobilization sites</b> .	Increased capacity for <b>aggressive outreach</b> to OEF/OIF veterans assures adequate access to care for new combat veterans and family members.
Trained all Vet Center service providers on <b>motivational interviewing</b> techniques to use when working with substance using veterans.	Improved effectiveness of Vet Center staff for delivery of readjustment counseling to substance using veterans, a frequent co-morbid condition to war-related PTSD.
Completed <b>mandatory training in traumatic brain injury (TBI)</b> , for mental health professionals and began using the standard TBI clinical screens as part of Vet Center intake assessments.	Improved <b>capacity</b> among Vet Center service providers to detect possible TBI and make <b>timely referrals</b> to VA medical facilities.
Provided <b>Gatekeeper</b> training for all Vet Center staff; the training was based on a model developed by the U.S. Air Force for early detection of <b>suicide risk</b> , and on means for effective and timely intervention.	Improved effectiveness of Vet Center suicide prevention efforts will enhance crises response outcomes and will ultimately <b>save veterans’ lives</b> .
Developed and piloted a <b>public information campaign</b> for prevention of veteran suicides.	<b>Increased awareness</b> of veteran suicides as a public health problem, improved coordination of care with community providers, and increased calls to the VA Suicide Prevention Hotline.



<b>GOAL: Improve Quality of Health Care for OEF/OIF Veterans</b> <b>Responsible Agency Official: Principal Deputy Under Secretary for Health</b>	
Completed FY 2008 Milestones	Performance Results/Impacts
Implementing two initiatives to disseminate <b>evidence-based psychotherapies</b> for PTSD throughout VA health care system.	These initiatives involve providing clinical training to VA mental health staff in the delivery of Cognitive Processing Therapy (CPT) and Prolonged Exposure Therapy (PE). As a result, as of the end of July 2008, over 1,000 VA mental health clinicians have been trained in CPT or PE.
Established a national <b>PTSD Mentoring Program</b> to provide training and support in PTSD program development and management with the goal of improving PTSD treatment and clinical outcomes.	<p>Each VISN has selected mentors and participants, or mentorees, who will be working together toward improved communication and program development goals in PTSD treatment within their home VISNs.</p> <p>A VA National Mentoring Program Web site has been established to disseminate information to all VA staff working within the field of PTSD treatment.</p> <p>National calls are held monthly with the mentors and with a <b>steering committee for the mentoring program</b>.</p>
Engaged the <b>Institute of Medicine (IOM)</b> to evaluate the long-term health consequences of TBI, with a particular focus on mild and moderate TBI, for veterans of OEF/OIF. Study is part of a National Academy of Sciences' comprehensive review and evaluation of the available scientific and medical information regarding the health status of Gulf War veterans.	Provides a comprehensive review and evaluation of the available scientific and medical information regarding the health status of Gulf War veterans.
Developed a <b>Web-based application</b> to track the number of veterans who have <b>screened positive</b> for possible TBI, the number referred for follow-up evaluation, and the number who have completed follow-up evaluation.	Provides the <b>database</b> necessary to <b>monitor</b> the completion of the <b>TBI screenings</b> and <b>TBI evaluations</b> and provides the framework for addressing problems at the network and facility levels.
In collaboration with <b>DoD</b> , sponsored a State-of-the-Art <b>Conference on Approaches to TBI Screening, Treatment, Management, and Rehabilitation</b> .	Provides the framework to make recommendations for further research, policy, or processes that will address gaps in knowledge and improve <b>quality of outcomes</b> of VA TBI care.
Began work to establish an <b>interagency agreement</b> with the <b>Department of Education</b> to coordinate with National Institute on Disability and Rehabilitation Research on research related to the rehabilitation of individuals with TBI.	This research will translate evidence-based practices into the development of new clinical interventions.
Developed the <b>Family Care Map</b> – a Web-based clinical tool for use by Poly Trauma Center (PRC) multidisciplinary clinical teams and families.	The Family Care Map seeks to <b>standardize and improve support</b> for family members while their veteran is undergoing inpatient rehabilitation at a PRC.



<b>GOAL: Improve Quality of Health Care for OEF/OIF Veterans</b> <b>Responsible Agency Official: Principal Deputy Under Secretary for Health</b>	
Completed FY 2008 Milestones	Performance Results/Impacts
<p>Implemented the Blind Rehabilitation Service Continuum of Care for <b>visually impaired veterans</b> across VA to serve approximately 12,075 patients with low vision annually. Fifty-five new outpatient low vision and blind rehabilitation clinics have been planned and are being implemented nationally.</p>	<p>The Continuum of Care will <b>expand services for visually impaired veterans</b> and provide treatment with the latest technological devices for all veterans and servicemembers with vision-related deficits who need rehabilitation training.</p>
<p>Established the <b>Federal Recovery Coordinator (FRC) Program</b> as a joint VA/DoD program with a Federal Recovery Coordinator assigned to oversee and coordinate services for <b>catastrophically wounded</b> OEF/OIF servicemembers. Nine FRCs are in place and serving 88 servicemembers.</p>	<p>Improved access to all clinical and non-clinical care for catastrophically wounded OEF/OIF servicemembers/veterans/families.</p>
<p>Began OEF/OIF <b>Care Management Program</b> at the facilities to coordinate care provided to veterans and family members with a nurse or social worker case manager. 100 Transition Patient Advocates also support severely injured or ill OEF/OIF veterans by acting as an advocate for the patient and family as they move through VA's system of care. As of July 2008, 1,698 severely injured OEF/OIF veterans and active duty servicemembers receive care management services.</p>	<p>Care of all severely ill and injured OEF/OIF servicemembers and veterans is well-coordinated by a designated healthcare facility OEF/OIF Care Management team. Improved communication with family members.</p>
<p>Increased <b>VA Liaison</b> staffing at nine <b>Military Treatment facilities</b>.</p>	<p>Meets increased workload and facilitates transfer of OEF/OIF servicemembers from VA to DoD.</p>
<p>Developed, together with DoD, a proposal to add new ICD-9-CM codes to better describe mild, moderate, and severe traumatic brain injury (TBI), as well as codes to represent the effect of TBI that are not immediately known (late effects). Proposal has been endorsed by the National Center for Health Care Statistics for presentation to the ICD-9-CM Coordinating and Maintenance Committee in September 2008.</p>	<p>The adoption of these codes will improve patient safety, quality of care, and public health. It will also be a positive impact on the value of health care data for patients suffering from TBI with medical decisions made based on accurate and precise data.</p>
<p>Provided training opportunities for Homeless Grant and Per Diem Program Liaisons on grant recipient oversight, program monitoring, case management, and development of performance measures focused on providing access for those veterans with substance use disorders and/or diagnosed with a mental illness.</p>	<p>As noted in congressional testimony, there has been a dramatic decline in the homeless population.</p>



<b>GOAL: Improve Quality of Health Care for OEF/OIF Veterans</b>	
Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
The Readjustment Counseling Service (RCS) will establish an additional <b>39 new Vet Centers</b> by the end of FY 2009. This program enhancement will increase the number of Vet Centers from <b>232 to 271</b> , and increase Vet Center staffing by 174 positions. <b>(Q4)</b>	Increased Vet Center capacity will ensure that combat veterans and family members seeking readjustment counseling will receive adequate care.
On a pilot program basis, RCS will implement a <b>24/7 informational call center</b> to be manned by <b>combat veterans</b> to extend further outreach to OEF/OIF veterans. <b>(Q4)</b>	Distinct from a clinical crisis line, the call center will promote <b>rapport</b> with fellow combat veterans and provide them with information needed to access VA services.
Implement components of the Uniform Mental Health Services Handbook related to PTSD care as well as other mental health problems. <b>(Q4)</b>	Multiple metrics are being developed and will be applied to evaluate the impact of this implementation. As one example, full implementation should result in all women veterans having access to a woman therapist for care of PTSD related to Military Sexual Trauma if that is their preference.
Further expand training in <b>Cognitive Processing Therapy (CPT)</b> and <b>Prolonged Exposure (PE)</b> therapy for PTSD. <b>(Q4)</b>	<b>Doubles the number of VA mental health staff</b> trained in CPT and PE therapies to 2,000 by the end of FY 2009, and promotes greater veteran access to evidence-based treatment.
Provide for CPT or PE in every medical facility for every eligible veteran with PTSD who requests or agrees to one of these therapy approaches as mandated in the Uniform Mental Health Services Handbook. <b>(Q4)</b>	Metrics will be developed to ensure full availability of these two therapies.
Identify in Care Management Record Tracking Application active duty, enrolled, and not enrolled veteran specialty users (amputees, burns, blind). <b>(Q1)</b>	Improves and ensures knowledge of VA healthcare and care management services as needed through an active listing of specialized OEF/OIF population.
Expand Care Coordination Services (CCS) Telemental health care for OEF/OIF Veterans: Based on current estimates, about 50,000 unique veterans will receive <b>mental health care</b> via <b>clinical video teleconferencing</b> in FY 2009. <b>(Q4)</b>	The expansion in <b>telemental</b> health programs will increase access to delivery of care to OEF/OIF veterans needing mental health services.
Implement <b>telehealth technology</b> to support care/case management of combat wounded veterans through development and implementation of a telerehabilitation <b>disease management protocol</b> . <b>(Q2)</b>	Care/case management of veterans needing rehabilitative services using telehealth technologies in their homes will result in the <b>proactive recognition and treatment</b> of clinical care issues.



<b>GOAL: Improve Quality of Health Care for OEF/OIF Veterans</b>	
Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
Continue to refine plan for <b>facilitating transition</b> from institutional care to the home, and for ensuring long-term care needs of severely injured OEF/OIF veterans. <b>(Q4)</b>	Several initiatives address the continuum of long-term services for veterans with polytrauma and TBI. These include: medical foster home care, assisted living pilot program, implementation of the rehabilitation and reintegration plan of care for every veteran with TBI, and in-home monitoring using telehealth.

**OIG CHALLENGE #1C: Research**

Congressional interest over reported problems in VHA research programs underscores the need for continued OIG oversight of this high priority issue. OIG issued several reports in 2007 and 2008 that highlight VHA deficiencies in human subjects protection and research funds administration. It is imperative that VA researchers comply with policies and procedures that protect patients, ensure sound scientific results, and provide transparent fiscal accountability.

Throughout 2007 and into 2008, OIG has continued to highlight problems with human subjects protection in VHA research. Both Federal and VHA policies require that all research involving human subjects be approved by an Institutional Review Board (IRB), that research subjects give informed consent, and that institutions provide assurances of regulatory compliance. VHA Handbook 1200.5, *Requirements for the Protection of Human Subjects in Research*, adopted July 15, 2003, outlines VHA policy for the ethical conduct of research involving human subjects. A number of reports have focused on systemic problems with IRB oversight of human subjects protection; others have focused on individual Principal Investigators who did not properly adhere to VHA research policy in the area of human subjects protection. Many of these deficiencies revolve around informed consent, verification that subjects recruited met inclusion or exclusion criteria, and the reporting of adverse events to the IRB.

The 2008 audit of VHA controls over the administration of funds for research and education activities at VA's Nonprofit Corporations (NPCs) revealed significant vulnerabilities. The audit found that the NPCs did not implement adequate controls to properly manage funds, safeguard equipment, and guard against conflicts of interest. VHA did not establish clear lines of authority, provide effective oversight, or require minimum control requirements. As a result, VHA does not have reasonable assurance that NPCs fully comply with applicable laws and regulations or that they effectively manage research and education funds.





**VA's Program Response to OIG Challenge #1C: Research**

ESTIMATED RESOLUTION TIMEFRAME: FY 2009 and beyond

**GOAL: Improve Protection of Human Subjects and Administration of Research Funds**

**Responsible Agency Official: Principal Deputy Under Secretary for Health**

Completed FY 2008 Milestones	Performance Results/Impacts
<p>The Office of Research and Development (ORD) carried out formal education program to ensure compliance with necessary law and VA policies. Held six local accountability meetings.</p> <p>The Office of Research Oversight (ORO) sponsored a major review project to ensure that Institutional Review Board (IRB) informed consent concerns are evaluated and corrected in one facility in VA.</p>	<p>ORO increased emphasis on its VA evaluations to ascertain if audits are being done to ensure informed consent adequacy.</p>
<p>Created a requirement that Privacy Officers and Information Security Officers be non-voting members of VA IRBs.</p>	<p>Revised policy will emphasize the necessity and appropriateness of adverse event reports to IRBs and ORO.</p>
<p>Increasing emphasis on VA evaluations to ascertain if audits are being done to ensure informed consent adequacy.</p>	<p>Revision of Handbook 1058.1 will emphasize the necessity of adverse event reports to IRBs and to ORO.</p>

**GOAL: Improve Protection of Human Subjects and Administration of Research Funds**

Planned FY 2009 Milestones  
(Estimated Completion Quarter)

Anticipated Impacts

<p>Will develop an <b>education program</b> to assist Research Compliance Officers in developing and improving authorized audits and frequent evaluations of informed consent in VA research compliance. Planned actions emphasize critical topics such as informed consent and auditing requirements in current policy. <b>(Q4)</b></p>	<p>The education program will assist Research Compliance Officers to fulfill their increased duties.</p>
<p>Will <b>revise policies and procedures</b> requiring additional detail in VA research auditing by October 2009. ORD also plans completion of edition of VHA Handbook 1200.5 by December 31, 2009. <b>(Q4)</b></p>	<p>The revised policies and procedures will specify requirements for research auditing compliance in each facility.</p>
<p>With the expansion of the auditing done in VA research, the appropriateness of the informed consent will be systematically noted.</p>	<p>The expansion of auditing will ensure increased protection of human subjects and give the subjects a greater awareness of the benefits and risks of research.</p>
<p>Will <b>expand emphasis on auditing</b> requirements in current Directives. <b>(Q4)</b></p>	



<b>GOAL: Improve Protection of Human Subjects and Administration of Research Funds</b>	
Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
Will sponsor a major program for more than 600 VHA research staff that will emphasize critical topics such as informed consent. <b>(Q2)</b>	The education program will promote a culture of awareness of requirements and compliance. The program will involve Medical Center Directors, Chiefs of Staff, Associate Chief Officers for Research and Development, Research Compliance Officers, and Administrative Officers.

**OIG CHALLENGE #2: BENEFITS PROCESSING**

*-Strategic Overview-*

Large inventories of pending claims for compensation and pension benefits have been a problem for many years. Making headway has proven difficult because VA faces an increasing disability claims workload from returning OEF/OIF veterans, reopened claims from veterans with chronic progressive conditions, and additional claims from an aging veteran population. The complexity of benefits laws, court decisions interpreting those laws, technology issues, workload, and staffing issues contribute to VA’s benefit processing challenges. Increases in VA funding levels have enabled VA to hire additional claims examiners to help reduce the backlog of pending claims, but VA now faces a challenge to train and incorporate them effectively into a productive workforce. With the significant expansion of its claims workforce through current recruitment efforts, the loss of seasoned claims processing staff, and increasing receipt of claims from veterans, VA will face additional significant challenges in the accuracy and consistency of benefit decisions. OIG oversight in the form of audits and investigations provides recommendations for improvement in timeliness, quality, internal controls, and work to reduce the volume of improper payments.

**OIG Challenge #2A: Workload**

The Veterans Benefits Administration (VBA) anticipates receiving 872,000 rating-related claims in 2009, which represents a 51 percent increase from 2000. Through May 2008, however, VBA has reversed the trend of receiving more claims than they have completed, with completed rating-related claims exceeding receipts by over 5,000. They also reduced pending non-rating-related claims over the previous year. This indicates some progress in reducing claims backlog. VBA will be challenged to maintain and improve on this performance while aggressively recruiting in order to complete its planned expansion of claims processing staffing by about 25 percent and training the newly hired staff.

At the same time, May 2008 data shows pending appeals increased from a year earlier, which may reflect not only increases in claims filed and completed, but also the continuing complex environment of claims processing in VA compensation and pension monetary benefit programs. According to testimony of Secretary Peake in February 2008, the number of original compensation cases with eight or more disabilities claimed has increased by 168 percent since 2000.



**VA's Program Response to OIG Challenge #2A: Workload**

ESTIMATED RESOLUTION TIMEFRAME: FY 2009

**GOAL: Reduce Claims Backlog and Pending Appeals Backlog**

**Responsible Agency Officials: Under Secretary for Benefits;  
Chairman, Board of Veterans' Appeals**

Completed FY 2008 Milestones	Performance Results/Impacts
Modified the Veterans Service Representative (VSR) training protocols to <b>focus new hires</b> on processing burial and dependency claims to allow them to become productive quickly.	Allowed newly hired VSRs to <b>become productive quickly</b> in the areas of burial and dependency claims processing. Freed other more experienced regional office staff for assignment to disability claims processing.
<b>Consolidated original pension benefits</b> (live and death) to the Pension Management Centers (PMCs), formerly the Pension Maintenance Centers.	Allowed regional offices to focus on processing other disability claims.
Began a joint VA and Department of Defense (DoD) <b>Disability Evaluation System pilot</b> .	Provides one examination to separating servicemembers, streamlining the disability process for both VA and DoD.
Began <b>consolidation</b> of general inquiry phone calls to <b>nine National Call Centers</b> .	Allowed regional office personnel to focus on processing disability claims.
Proposed a regulation to implement the <b>Expedited Claims Adjudication (ECA) initiative</b> to streamline the claims adjudication and appeal process. Regulation allows represented claimants to voluntarily waive certain response timelines, agree to respond quickly to VA requests for evidence, and file any desired appeals in an expedited manner.	Proposed regulation remains under development. The regulation aims to reduce Appeals Resolution Time (ART) for ECA appeals in this 2-year pilot project.
Continued to emphasize <b>reducing avoidable remands</b> .	The Board reduced the remand rate from 56.8 percent in FY 2004 to 36.8 percent in FY 2008.
Used <b>overtime</b> for writing and dispatching decisions.	In FY 2007 and FY 2008, the Board prepared approximately 2,000 decisions using overtime.
Used <b>mentoring</b> and <b>training</b> tools to promote efficient case review and decision writing with an emphasis on writing clear, concise, coherent, and correct decisions.	In FY 2008, the Board <b>retained 95.7 percent</b> of its 70 new attorneys due to the excellent 1-on-1 mentoring program by senior attorneys and the Board's MCLE accredited classroom training. Retaining attorneys reduces the in-house resources needed to hire, train, and mentor new attorneys and increases productivity at the Board.
Expanded the flex-place program from 88 to 100 for <b>high-achieving attorneys</b> who have committed to increasing production.	On average, full-time attorneys in the flex-place program produced 13 more decisions in FY 2008 than full-time attorneys in the office.
Used aggressive hiring practices to <b>add additional FTE</b> to address appellate workload.	Increased the number of appeals decided from 40,401 in FY 2007 to 43,757 in FY 2008.



<b>GOAL: Reduce Claims Backlog and Pending Appeals Backlog</b>	
Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
Begin the <b>consolidation</b> of certain parts of appeals work, such as Notices of Disagreement ready for decision, to <b>two Appeals Resource Centers. (Q1)</b>	Will allow regional office personnel to focus on the appeals workload at their station.
Complete the <b>consolidation</b> of general inquiry phone calls to <b>nine National Call Centers. (Q3)</b>	Will allow regional office personnel to focus on claims processing.
<b>Consolidation of survivor benefit claims processing</b> to the Pension Management Centers. <b>(Q4)</b>	
Full <b>implementation</b> of ECA. Final rule expected. <b>(Q1)</b>	Claimants participating in the 2-year pilot program should experience a 25 percent reduction in the length of time they have to wait for a decision on their claim.
Continue emphasis on <b>reducing avoidable remands</b> . Reducing the remand rate will <b>reduce</b> the <b>backlog</b> of appeals since approximately 75 percent of remanded cases eventually return to the Board, slowing the appeal process. <b>(FY 2009 and beyond)</b>	The Board's goal is to reduce the remand rate below 35 percent in FY 2009. In FY 2008 the remand rate was 36.8 percent.

**OIG Challenge #2B: Quality**

Long-term efforts to improve the quality—the accuracy and consistency—of claims decisions continue to present a significant challenge. Recent OIG audit findings indicate accuracy and processing delays have not improved over the past 2 years. May 2008 data shows the accuracy of rating benefit entitlement decisions dropped two percentage points during the preceding 12 months, from 89 to 87 percent. While VBA reports a 2-point improvement in accuracy of non-rating decisions over the same period, the error rates—13 percent in rating decisions—remain unacceptably high. In addition, VBA has not completed all planned actions to address the continuing variance in disability payments among the various states that is within the control of VBA to correct. These quality challenges are especially significant given the size of the benefits program, which exceeds \$40 billion annually.

Data retrieval issues also impact the quality of benefits processing. VBA is in the middle of transition of Compensation and Pension benefit claims processing and payment from the legacy Benefits Delivery Network (BDN), which has captured all benefit information for over three decades, to the replacement Veterans Service Network (VETSNET) system, which resides in the corporate database. While full conversion to VETSNET is anticipated by mid-calendar year 2009, currently benefit payments are being made from both BDN and VETSNET, with the vast majority of Compensation payments being made via VETSNET. VBA is still working on transition issues of correctly reporting information that combines BDN and VETSNET information. At least for the next several years, there will be challenges with the mix of veterans in the corporate database—those paid in BDN, and those paid in VETSNET. Because the data available through the corporate database are more detailed than BDN, a one-for-one match of all data elements is not possible, and therefore in some cases, the data must be merged to provide a complete picture. VBA must continue working to accurately represent information across all data types, but until



these issues are resolved, OIG oversight of benefits processing is hampered by lack of a single comprehensive data set.

**VA's Program Response to OIG Challenge #2B: Quality**

ESTIMATED RESOLUTION TIMEFRAME: FY 2009

**GOAL: Improve Quality of Claims Decisions and Benefits Processing**

**Responsible Agency Official: Director, Compensation and Pension Service**

Completed FY 2008 Milestones	Performance Results/Impacts
<p>Completed a <b>consistency review</b> focused on individual unemployability (IU) decisions from the Jackson, Mississippi Regional Office.</p> <p>Completed a <b>focused review</b> of radiation rating decisions following consolidation of radiation cases to the Jackson Regional Office.</p> <p>Established a <b>recurring special review</b> of cases/awards with an effective date retroactive 8 or more years or that result in a lump-sum payment of \$250,000 or greater.</p>	<p>Identified unusual patterns of variance in decisions and allowed for better management of the compensation and pension programs' accuracy, timeliness, and consistency of decision-making for rating-related claims.</p>
<p><b>Increased</b> the quality assurance rating review <b>sample size</b> for each of the 57 regional offices to 246 annually and <b>increased</b> Systematic Technical Accuracy Review (STAR) <b>staff capacity</b> through additional hiring.</p>	

**GOAL: Improve Quality of Claims Decisions and Benefits Processing**

Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
<p>Modify the rating review sample size to include <b>increased sampling</b> for initial and reopened pension claims upon completion of Phase I of pension consolidation. <b>(Q1)</b></p>	<p>Allow for improved quality assurance and better management of the compensation and pension programs' accuracy, timeliness, and consistency of decision-making for rating-related claims.</p>
<p>Monitor and review the <b>quality</b> of rating decisions completed at a <b>brokered workstation</b> including the Resource Centers/Tiger Team. <b>(Q1)</b></p>	<p>Allow for better management of the compensation and pension programs' accuracy, timeliness, and consistency of decision-making for rating-related claims and incorporate routine quality oversight of brokered cases by STAR.</p>
<p>Complete initial <b>quality reviews</b> of Disability Evaluation System (DES) pilot cases and develop a plan for future ongoing reviews. <b>(Q2)</b></p>	<p>Use the results from the pilot project to identify any unusual patterns of variance in decisions and incorporate DES case reviews into routine quality oversight by STAR.</p>



**OIG Challenge #2C: Staffing**

Congress passed legislation in 2007 and 2008 to provide VBA \$185 million to hire additional claims processing staff. By the beginning of 2009, VBA expects to complete a 2-year nationwide recruiting effort to hire approximately 3,100 new staff. VBA allocated about 91 percent of the new hires to the Compensation and Pension business line and has hired over 2,400 new staff through May 2008. While such an increase in staff should eventually pay dividends, VBA faces a major challenge in training, reviewing the work of employees at developmental stages, and in controlling the quality of work to improve consistency and reduce controllable variance in disability compensation monetary benefit payments. VBA also must overcome the short-term decline in productivity in claims processing that has resulted from adding this large contingent of staff. OIG plans to monitor the effect of the recruiting through its oversight work.

**VA's Program Response to OIG Challenge #2C: Staffing**

ESTIMATED RESOLUTION TIMEFRAME: FY 2009

**GOAL: Effectively Train and Integrate Newly Hired Staff**

**Responsible Agency Official: Under Secretary for Benefits**

Completed FY 2008 Milestones	Performance Results/Impacts
Hired and initiated <b>training</b> for 3,456 new employees since January 2007 of which 2,980 were allocated to C&P claims processing in the field.	Improved performance in burial and dependency claims, as well as improvements in production and timeliness of rating-related claims. For example, rating productivity is up 8.7 percent from FY 2007.
Used <b>rehired annuitants</b> to assist the <b>Tiger Team</b> with processing VBA's claims from those veterans over age 70, as well as VBA's older claims.	Reduced the number of claims pending over 1 year by 33.3 percent.

**GOAL: Effectively Train and Integrate Newly Hired Staff**

Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
Maintain FY 2008 staffing levels. <b>(FY 2009)</b>	The maintenance of staffing levels will allow VBA to <b>solidify gains</b> in performance improvement both in claims inventory and claims processing timeliness.
Continue the use of <b>centralized training</b> for new employees and the <b>annual 80-hour training requirement</b> for claims processors.	Improvement in accuracy and continued <b>increases in productivity and timeliness</b> .
Finish <b>training</b> Pension Management Center employees in preparation for completion of the consolidation of survivor benefit claims processing to the PMCs. <b>(Q3)</b>	Allow regional offices to focus on processing other disability claims.



### OIG CHALLENGE #3: FINANCIAL MANAGEMENT

#### *-Strategic Overview-*

Sound financial management is not only the stewardship that makes the best use of limited public resources, but also the ability to collect, analyze, and report reliable data on which resource use and allocation decisions depend. OIG oversight assists VA in providing its program managers with timely, accurate, and reliable information for sound oversight and decision-making while identifying opportunities to improve the quality, management, and efficiency of VA's financial management systems.

OIG audit work shows no significant improvements in VA's consolidated financial statements (CFS) over the past 12 months. Although the most recent audit covering 2006–2007 again provided an unqualified or "clean" opinion, the report on internal controls identified three material weaknesses of longstanding duration and one new material weakness. VA is also not in compliance with the *Federal Financial Management Improvement Act of 1996 (FFMIA)*. This report discusses the material weakness in information technology (IT) security controls in the Information Management section (OIG Challenge #5).

#### **OIG CHALLENGE #3A: Financial Management System Functionality**

The 2007 CFS audit identified a recurring material weakness in financial system management functionality. Deficiencies in VA's legacy financial systems adversely impacted the preparation of the CFS. The large number of manual adjustment entries required at year-end to prepare the financial statements showed that the legacy systems did not adequately support reliable, timely, and consistent preparation, processing, and analysis of financial information. System limitations were identified in VA's legacy payroll and property systems, which did not readily provide information to support various financial accounts. Manual adjustments to the financial statements increase the risk of processing errors and misstatements. VA's remediation program to address this material weakness is the Financial and Logistics Integrated Technology Enterprise (FLITE), which is being developed to correct financial and logistics deficiencies throughout the Department. However, FLITE is not scheduled to be fully implemented until 2014.



**VA's Program Response to  
OIG Challenge #3A: Financial Management System Functionality**

ESTIMATED RESOLUTION TIMEFRAME: FY 2014

**GOAL: Improve Financial Management System Functionality**

**Responsible Agency Official: Assistant Secretary for Management**

Completed FY 2008 Milestones	Performance Results/Impacts
<p>As part of the Financial Reporting Data Warehouse System (FRDWS) project, VA brought the following into production:</p> <ul style="list-style-type: none"> <li>• Data warehouse for the <b>Loan Guarantee Program Interface Centralized Property Tracking System (CPTS)</b>.</li> <li>• Data warehouse for the <b>Loan Guarantee Program Interface Countrywide Home Loans (CHL)</b>.</li> <li>• Data warehouse for the <b>Loan Guarantee Program Interface Funding Fee Payment System (FFPS)</b>.</li> <li>• Data warehouse for the <b>VistA Account Receivable (AR) interface</b>.</li> <li>• Data warehouse for the <b>VistA FEE interface</b>.</li> </ul>	<p>The FRDWS and the Business Intelligence analytical tool <b>simplified reconciliations</b> of seven program interfaces with VA's core accounting system (FMS) and provided an automated process for single view of detailed data comparison with summary FMS data.</p> <p>This enhanced reconciliation capability helps to mitigate the Financial Management System Functionality material weakness.</p>
<p>As part of the FLITE project, VA did the following:</p> <ul style="list-style-type: none"> <li>• Awarded a contract to complete the <b>Integrated Financial Accounting System (IFAS)</b> financial requirements and business processes.</li> <li>• Released the request for proposal (RFP) for the <b>Strategic Asset Management (SAM)</b> Pilot implementation.</li> <li>• Released the RFP for the <b>FLITE Program Management Office Support (PMOS)</b>.</li> <li>• Continued <b>change management</b> and <b>communication</b> activities targeted to VA stakeholders.</li> </ul>	<p>Completion of FLITE major milestones continued to move VA toward achieving implementation of a fully integrated, enterprise-wide financial and asset management system.</p>
<p>Modified Personnel and Accounting Integrated Data (PAID) to <b>correct programming errors</b> related to the Accrued Annual Leave Report.</p>	<p>Modifications corrected the report, which now accurately reflects annual leave hours accrued. The report is provided to the auditors and is used by VA in preparation of the consolidated financial statements.</p>
<p>Changed the legacy core financial system to <b>improve compliance</b> with <b>reporting of Taxpayer Identification Numbers (TIN)</b> on payments sent through the Department of the Treasury (Treasury).</p>	<p>Improved <b>accuracy</b> and <b>quality</b> of TIN information in payment data so that Treasury can improve identification of payments for offset.</p>
<p>Implemented quarterly <b>user access reviews</b>.</p>	<p>Enhanced <b>security</b> of system by ensuring that all users of the system and access levels have been reviewed for accuracy on a quarterly basis.</p>





<b>GOAL: Improve Financial Management System Functionality</b>	
Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
FLITE-related work will consist of the following: <ul style="list-style-type: none"> <li>• Release the draft of the <b>RFP for the IFAS component</b> of FLITE following OMB financial management line of business (FMLoB) guidance. <b>(Q1)</b></li> <li>• Award the <b>Program Management Support Service Contract</b>. <b>(Q2)</b></li> <li>• Award the <b>SAM Pilot implementation Contract</b>. <b>(Q2)</b></li> <li>• <b>Initiate SAM pilot</b> at Milwaukee VA Medical Center to attain initial operating capability of the SAM system. <b>(Q2)</b></li> <li>• Award <b>IFAS Implementation Contract</b> for Pilot Phase. <b>(Q4)</b></li> </ul>	The FLITE Program is continuing to address the Financial Management System Functionality material weakness by implementing an enterprise level, integrated financial and asset management system.
Begin a quarterly review of <b>Accrued Annual Leave Reports</b> . <b>(FY 2009 and beyond)</b>	Ensure accuracy of reports (including payroll adjustments) prior to request from auditors.
Begin <b>integration</b> of <b>legacy core financial system</b> with the <b>Central Contractor Registration System</b> . <b>(Q3)</b>	<b>Vendor information</b> in financial system is accurate and the number of payments rejected due to inaccurate bank information is reduced.

**OIG CHALLENGE #3B: Financial Management Oversight**

The CFS audit also identified a material weakness in financial management oversight, which is another recurring problem in VA. Significant deficiencies in financial operations show the need for enhanced management oversight. Most of these same deficiencies have been identified in prior years, but remain uncorrected. Past approaches to correct these problems, which have included training and more management involvement, have not proven effective. Our auditors concluded that management should review the root causes and the reasons why these remedial efforts have had limited success. We found that the operational causes of the conditions included lack of resources, particularly staff with appropriate skills, and significant workload volume. The effect of recording financial data without sufficient review and monitoring by management is an increased likelihood that errors in the financial statements will occur but will not be detected.



**VA's Program Response to  
OIG Challenge #3B: Financial Management Oversight**

ESTIMATED RESOLUTION TIMEFRAME: FY 2011

**GOAL: Improve Financial Management Oversight**

**Responsible Agency Official: Assistant Secretary for Management**

**Veterans Benefits Administration Chief Financial Officer**

**Veterans Health Administration Chief Financial Officer**

Completed FY 2008 Milestones	Performance Results/Impacts
<p><b>Provided oversight of field compliance</b> with financial policies and procedures during Office of Business Oversight reviews.</p>	<p>Identified and reported <b>774</b> instances of <b>non-compliance</b> with policies and procedures, including root causes of conditions, and issued <b>552 recommendations</b> to correct deficiencies noted.</p> <p>The recommendations are tracked until implemented, thus eliminating the non-compliance issues identified at the sites visited. Additionally, summary reporting is completed at the VA Central Office level to address systemic issues identified during site reviews.</p>
<p><b>Completed OMB Circular A-123, Appendix A, review</b> of key business processes and developed <b>remediation processes and plans</b> to correct findings.</p>	<p>Assessed and tested key business processes of <b>internal controls</b> over financial reporting to identify internal control weaknesses. Process owners developed remediation plans to address each newly identified weakness. Remediation plans are subject to continuous monitoring and status reporting until resolution.</p>
<p>Completed development and testing and will commence implementation of the <b>Intragovernmental Reporting System (IGRS)</b>. This reporting system will enhance form reporting and analysis.</p>	<p>Improved quality of VA data reported in the Governmentwide Financial Report.</p>



**GOAL: Improve Financial Management Oversight**

**Responsible Agency Official: Assistant Secretary for Management**

**Veterans Benefits Administration Chief Financial Officer**

**Veterans Health Administration Chief Financial Officer**

Completed FY 2008 Milestones	Performance Results/Impacts
<p>Awarded contract to assist in the development and update of the multi-year <b>Financial Policy Improvement Initiative (FPII)</b>.</p> <p>Established VA's <b>Financial Policy Steering Committee</b>, chaired by VA's Deputy CFO, and comprised of the chief financial officers of VA's three Administrations and selected staff offices. Issued the associated Steering Committee Charter.</p> <p>Established a <b>Financial Policy Work Group</b>, with members designated by the Financial Policy Steering Committee, to conduct detailed updates and reviews of all financial policies and procedures.</p> <p>Issued drafts of financial policies and procedures on <b>General Accounting</b> for review.</p>	<p><b>Standardization</b> of financial management policies and procedures will improve uniformity, consistency, and accuracy, as well as compliance with all financial management laws and regulations.</p> <p><b>New financial policies</b> and procedures will be drafted where none exist or are outdated, ensuring <b>compliance</b> with Federal Accounting Standards Advisory Board (FASAB) standards, OMB circulars, and U.S. Treasury financial management guidance.</p>
<p>Issued request for proposal for the <b>Audit Readiness contract</b> designed to assist in eliminating financial management weaknesses and deficiencies identified during the annual audits.</p>	<p>The multi-year <b>Audit Readiness</b> project will provide oversight and technical advice in the implementation of remediation plans designed to correct the Department's material weaknesses.</p>
<p>Issued a letter to all VBA stations emphasizing the need to follow the <b>VBA directive on reconciliations</b>.</p>	<p>VBA improved reconciliations with a proper level of review and follow-up to clear outstanding items more timely – particularly for critical accounts.</p>
<p>Implemented <b>second-level management review</b> of VBA financial statements using checklists and a formal review process.</p>	<p>VBA improved the quality and timeliness of all financial statements and reports. The second-level management review ensures financial reports are submitted on time and has reduced the number of errors in the reports prior to being released to the Department Finance staff for their review and comments.</p>
<p>Disseminated a <b>monthly reconciliation package</b> to be used by VHA facilities providing a uniform tool for completion of monthly reconciliations.</p>	<p>The package ensures that facilities are reviewing and <b>reconciling</b> their monthly <b>financial reports</b>, as well as provides VHA's CFO with a tool to monitor compliance.</p>
<p>Reviewed facilities' <b>environmental liability estimates</b> for propriety and necessary corrections.</p>	<p>Better oversight resulted in increased compliance with the Department's policies and procedures.</p>
<p>Provided facilities with monthly <b>abnormal balance reports</b> to enable field correction.</p>	<p>This process allows for timely review of the corrective actions and performance of necessary follow-up with facilities as needed.</p>
<p>Reviewed medical facility monthly property, plant, and equipment <b>reconciliation reports</b>.</p>	<p>The monthly reviews helped ensure timely capitalization.</p>



**GOAL: Improve Financial Management Oversight**

**Responsible Agency Official: Assistant Secretary for Management  
Veterans Benefits Administration Chief Financial Officer  
Veterans Health Administration Chief Financial Officer**

Completed FY 2008 Milestones	Performance Results/Impacts
<p>VHA's CFO provided facilities with monthly reports of <b>federal advances</b> for prior fiscal years so that facilities can offset these advances to the appropriate obligations.</p>	<p>This process assists in <b>closing out aging obligations</b>.</p>
<p>Issued a <b>desk guide</b> to serve as a quick reference on matters pertaining to the management and processing of overpayments, refunds, offsets, underpayments, and associated third party payer practices and policies that impact the VHA revenue management cycle.</p>	<p>This desk guide improved <b>accuracy</b> and <b>timeliness</b> in collections, reconciliations, and follow-up of health care debt.</p>
<p>Issued several VHA <b>accounting policies/procedures</b> dealing with: reconciliation requirements, proper capitalization of work-in-process projects, removing property that no longer belongs to VA from VA's general ledger, proper accounting for environmental liabilities (this guidance includes requirements and methodologies for estimating and recording environmental liabilities) and deferred maintenance, and accurate recording of accrued service payables.</p> <p>Released a comprehensive 141 page <b>non-healthcare debt</b> desk guide to the VHA field offices.</p> <p>Held a national non-healthcare debt conference to review and discuss the contents of the desk guide and emphasize the importance of proper management of non-healthcare debt as it relates to financial requirements and operational oversight.</p>	<p>Dissemination of these policies has provided field staff with a better understanding of requirements and will also support a more consistent application of accounting polices/procedures across VHA.</p>



<b>GOAL: Improve Financial Management Oversight</b>	
Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
<p>Continue <b>aggressive oversight</b> of field compliance with financial policies and procedures through regular recurring reviews. <b>(Q4)</b></p> <p>Regular review means the same audit program is executed for the same category of review for the entire fiscal year. For example, for the eight VBA Compensation and Pension reviews completed in FY 2008, the same audit program was executed. For VBA regional offices, the review cycle is approximately once every six years. For VHA Revenue and Expense reviews, a risk assessment is completed to select stations with the highest potential for non-compliance. During FY 2007 and FY 2008, a total of 35 VHA financial reviews were completed each year.</p>	<p>Identifying and reporting on non-compliance with policies and procedures on a regular basis will assist field managers and VA Central Office in addressing problems.</p>
<p>Implement OMB Circular A-123, Appendix A review program to <b>assess risk and test key internal controls</b> over financial reporting.</p> <ul style="list-style-type: none"> <li>• Complete risk assessment and annual review plan. <b>(Q1)</b></li> <li>• Complete entity-level evaluation of key controls and complete update process narratives. <b>(Q2)</b></li> <li>• Complete testing of key controls over financial reporting. <b>(Q3)</b></li> <li>• Complete reporting of findings to SAT and incorporate into PAR. <b>(Q4)</b></li> </ul> <p><b>Monitor and report</b> remediation plan status and independent verification. <b>(FY 2009)</b></p>	<p>VA's risk-based approach to testing internal controls over financial reporting will improve VA's assessment of high and medium risk controls. Additionally, this will improve VA's capability to effectively assess these controls and develop root cause remediation plans where deficiencies are identified.</p> <p>Management will have improved tools and information to make resource decisions, allocating resources towards monitoring riskier activities and deficiencies.</p> <p>Oversight is improved by focused attention on riskier processes and continuous monitoring of remediation actions.</p>
<p>Complete <b>implementation</b> of an IGRS. <b>(Q1)</b></p>	<p>VA will improve the quality of its data reported in the Governmentwide Financial Report, and the ability to more accurately reconcile this information.</p>



<b>GOAL: Improve Financial Management Oversight</b>	
Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
<p>Continue with the multi-year <b>FPII. (FY 2009 and beyond)</b></p> <p><b>Publish financial policies and procedures</b> on General Accounting; Appropriations, Funds &amp; Related Information; Assets; Financial Reporting; and Committee on Waivers &amp; Compromises. <b>(Q4)</b></p> <p><b>Issue draft financial policies and procedures</b> on Miscellaneous Accounting Topics, Liabilities, Cash Management, Debt Management, and Cost Accounting. <b>(Q4)</b></p>	<p><b>Standardization</b> of financial management policies and procedures will improve uniformity, consistency, and accuracy, as well as compliance with all financial management laws and regulations.</p> <p>New VA financial policies and procedures will be drafted where none exist or are outdated, ensuring compliance with FASAB standards, OMB circulars, and U.S. Treasury financial management guidance.</p>
<p>Continue with the multi-year <b>Audit Readiness initiative. (FY 2009 and beyond)</b></p>	<p>VA will have better technical assistance and oversight in implementing corrective action plans designed to remediate the Department's material weaknesses.</p>
<p>VBA will actively participate in the Department initiative to <b>update VA finance and accounting policy and procedures. (FY 2009)</b></p>	<p>The update will improve overall financial operations by providing <b>consistent guidance</b> that is in compliance with financial management laws and regulations.</p>
<p>VHA's CFO will work with the VA Office of Finance to develop new policy for undelivered orders/accrued services payables follow-up, first party medical-care debts and non-medical care debts follow-up, and quarterly reviews of work-in-process items.</p> <p>Plan a national finance conference to address the operational oversight weakness areas from a tactical standpoint for the staff performing the functions, and a strategic standpoint for management overseeing the processes.</p>	<p>This new policy will help ensure that projects that have been completed and placed in service are removed from work-in-process and capitalized.</p>
<p>Will create an <b>engineering</b> and <b>fiscal</b> workgroup to address roles and responsibilities as they relate to the financial statement audit process.</p>	<p>The workgroup will address policies and procedures for timely capitalization. It will also address the requirements for estimating, reviewing, and recording estimates for <b>environmental liabilities</b> and deferred maintenance to ensure they are <b>properly documented</b> and supportable.</p>
<p>Create a <b>logistic</b> and <b>fiscal</b> workgroup to address roles and responsibilities as they relate to the financial statement audit process.</p>	<p>The workgroup will address procedures for ensuring that relevant documentation is properly maintained in order to provide an appropriate <b>audit trail</b> for procurement activities. The workgroup will also establish coordination of contract changes between the two offices to ensure that appropriate and timely updates are made in the financial management system.</p>



**OIG CHALLENGE #3C: Benefits Delivery Network System Records**

The CFS audit identified a new material weakness involving the retention of computer-generated records kept in VBA’s BDN system. Because transaction detail records are kept in BDN for only 60 to 90 days, management was unable to support certain dollar amounts recorded in the CFS. The audit also found large disparities between the amounts shown in the BDN subsidiary ledger and the Financial Management System general ledger for the compensation, pension, and education programs. The differences were attributed to BDN system limitations and the high volume of transactions processed daily. VA needs to develop and implement policies and procedures to ensure that computer generated transaction details are retained for appropriate time periods to adequately support an audit trail for the balances recorded in the CFS.

**VA’s Program Response to OIG Challenge #3C: Benefits Delivery Network System Records**

ESTIMATED RESOLUTION TIMEFRAME: COMPLETED

The FY 2008 financial audit, performed by Deloitte and Touche, concluded that this challenge was resolved/remediated. The FY 2008 milestones shown below reflect the actions VA took to resolve this challenge.

**GOAL: Retain BDN Records for Appropriate Time Periods to Adequately Support an Audit Trail For Balances Recorded in the CFS**

**Responsible Agency Official: Veterans Benefits Administration Chief Financial Officer  
Assistant Secretary for Information and Technology**

Completed FY 2008 Milestones	Performance Results/Impacts
<p>Validated the existence of <b>reconcilable</b> Compensation and Pension (C&amp;P) <b>transaction data</b> in BDN.</p> <p>Identified nine BDN-generated files with FY 2008 C&amp;P <b>transaction details</b> and retained the files until they could be transmitted to the <b>VBA data warehouse</b>.</p> <p><b>Built business rules</b> that would enable the reconciliation and reports generation.</p>	<p>VA began the process of capturing and providing reconcilable <b>transaction details</b> to support an <b>audit trail</b> for balances recorded in the consolidated financial statements.</p>



**GOAL: Retain BDN Records for Appropriate Time Periods to Adequately Support an Audit Trail For Balances Recorded in the CFS**

**Responsible Agency Official: Veterans Benefits Administration Chief Financial Officer  
Assistant Secretary for Information and Technology**

Completed FY 2008 Milestones	Performance Results/Impacts
<p>Analyzed and determined the <b>capacity required</b> to support the Audit Trail solution in the data warehouse.</p> <p><b>Identified</b> Education and VR&amp;E BDN <b>data files</b> to support the Audit Trail solution.</p> <p>Developed a <b>two-phased project schedule</b>—an interim, short-term manual solution, and a long-term automated solution.</p> <p>Analyzed and validated <b>Corporate database</b> to validate existence of reconcilable transaction data.</p> <p>Delivered <b>monthly reconcilable detail transaction C&amp;P data</b> for the months of March through September to OIG auditors.</p>	<p>The Audit Trail solution is being implemented in two phases. Phase I is being implemented and is scoped to meet FY 2008 audit requirements. Phase I pulls detailed transaction extracts from the BDN and the VBA Corporate Database and loads them into the VBA Data Warehouse. The transaction data are then reconciled against the General Ledger. Phase II will provide additional reporting capability for VA.</p>
<p>Began same process as above for <b>Education Chapter 30</b> detail data.</p>	<p>VA began the process of capturing reconcilable detailed Education data to support an audit trail for balances recorded in the 2009 consolidated financial statements.</p>

**OIG CHALLENGE #4: PROCUREMENT PRACTICES**

**-Strategic Overview-**

OIG continues to identify significant and persistent deficiencies in VA procurement practices. VA, one of the largest procurement and supply agencies in the Federal government, expends about \$10 billion annually on supplies and services. Our audits, investigations, and reviews have identified consistent deficiencies in the planning, solicitation, award and administration of contracts, and purchasing practices. Because procurement activities are decentralized and VA does not have adequate information systems that accurately capture contracting and purchasing data, VA has little oversight of its procurement and purchasing activities. VA does not know what it buys, who it buys it from, whether the price paid was fair and reasonable, or whether contracting entities complied with procurement laws and regulations. Although VA mandated in June 2007 the use of a new electronic contract management system to track all contract actions, this system currently is unreliable and incomplete. In summary, we have seen little progress in improving procurement practices over the past 12 months.





**OIG CHALLENGE #4A: Open Market Procurements and Inventory Controls**

Our audit of the acquisition and management of selected surgical device implants (SDI) found that VA needs to reduce procurement costs and strengthen management controls over inventory, patient privacy, and device recalls. Costs could be reduced by as much as \$21.7 million over 5 years by using national contracts and blanket purchase orders instead of open market purchases. OIG’s review of procurement practices also revealed that VHA needs to improve inventory controls and strengthen patient safeguards. Facilities lacked reliable inventory controls and records, staff routinely provided manufacturers more medical and personal information than needed, and the staff needed to ensure that patients affected by SDI recalls received timely follow-up care.

**VA’s Program Response to  
OIG Challenge #4A: Open Market Procurements and Inventory Controls**  
ESTIMATED RESOLUTION TIMEFRAME: FY 2009 AND BEYOND

**GOAL: Reduce Procurement Costs and Strengthen Management Controls**

**Responsible Agency Official: Principal Deputy Under Secretary for Health**

Completed FY 2008 Milestones	Performance Results/Impacts
<p>VA’s Office of Business Oversight conducted a Veterans Integrated Service Network (VISN)-wide <b>contract inspection</b> to continue <b>oversight of field compliance</b> with Federal and VA acquisition policies and to strengthen VISN management controls over the <b>acquisition</b> function.</p> <p>Conducted a contract inspection and comprehensive internal control review of the acquisition function for the VA Boston HealthCare System.</p>	<p>The inspection identified areas of non-compliance with rules and regulations and provided local management with recommendations for <b>corrective actions</b> to improve their <b>acquisition</b> activities.</p> <p>Managers at both the field station and VISN level are correcting deficiencies in acquisition internal controls and will be able to prevent future recurrence of non-compliance.</p>
<p>Conducted <b>logistics business reviews</b> at 14 individual stations and reviewed non-expendable inventory management at 37 individual stations across 4 VISNs.</p>	<p>The reviews identified areas of non-compliance with rules and regulations and provided local management with recommendations for <b>corrective actions</b> to improve their <b>logistics</b> activities.</p> <p>Managers at both the field station and VISN level are correcting deficiencies in acquisition internal controls and will be able to prevent future recurrence of non-compliance.</p>
<p>Established workgroup to review and create <b>contract specifications</b> for the bare metal and drug-eluting coronary stents.</p>	<p>Establishment of national contracts increases <b>cost savings</b>.</p>
<p>Began the process of <b>standardizing surgical devices</b> such as Pacemakers, ICDs, Leads. Monitored the procurement, serial number tracking, and utilization on a quarterly basis via the National Prosthetic Patient Database (NPPD).</p>	<p>Standardization has increased <b>compliance</b> with documentation and tracking of serial numbers for recall purposes.</p>



<b>GOAL: Reduce Procurement Costs and Strengthen Management Controls</b>	
<b>Responsible Agency Official: Principal Deputy Under Secretary for Health</b>	
<b>Completed FY 2008 Milestones</b>	<b>Performance Results/Impacts</b>
Developed policy for tracking of <b>inventory</b> and monitoring of <b>stock levels</b> and reminded staff of their responsibilities in relation to the surgical implant inventory.	VA has increased staff awareness of the importance of proper inventory control.
Established a task force to create a directive with standardized procedures on how inventory of implants will be accomplished.	The directive, which is in concurrence, will provide guidance to the field on the proper procedures for managing SDI in an inventory account, as well as the proper medical and personal information to be released to the vendor for ordering purposes.
Developing a database of surgical implants that will help track when a recall is issued so that correct action can be taken to recall the product.	The SDI tracking database will enable timely notification of individuals affected by recalls.
Through Project HERO, utilized competitive health care market contracts priced on a Medicare scale. Project HERO pricing is, on average, at or below Medicare rates. Project HERO pricing is also continuously monitored by the Contracting Officers.	Monitoring ensures that the pricing for services remains competitive and appropriate.

<b>GOAL: Reduce Procurement Costs and Strengthen Management Controls</b>	
<b>Planned FY 2009 Milestones (Estimated Completion Quarter)</b>	<b>Anticipated Impacts</b>
Continue <b>aggressive oversight</b> of field compliance with acquisition and logistics policies and procedures as part of FY 2009 Annual Review Plan. <b>(Q4)</b>	Oversight programs in areas such as contract inspections and logistics business reviews to identify areas of non-compliance with rules and regulations provide field and Central Office managers with information to correct deficiencies in internal controls and prevent future recurrence of non-compliance.
Continue working on policy for tracking of inventory and monitoring of stock levels. <b>(Q2)</b>	VA will improve inventory management and tracking of implants for budget and recall purposes.
Begin Rewrite of VA Directive 1663, Health Care Resources Contracting - Buying. <b>(Q2)</b>	The directive will be revised to provide better direction.
Will process all selling and buying enhanced-sharing agreements through the electronic contract management system (eCMS). <b>(Q3)</b>	eCMS will significantly improve the standardization of sharing agreement contract format and will enable more accurate data record keeping.
Continue to develop contract specifications for surgical implants such as bare metal and drug-eluting coronary stents. <b>(Q4)</b>	The specifications will reduce lost savings from open market purchases.
Reengineer the Standardization Program to provide better operational efficiencies. <b>(Q4)</b>	Reengineering will increase utilization of resources and improve overall quality of the medical supply chain system.



**OIG CHALLENGE #4B: Contract Modifications to Use Expired Years Funds**

OIG has identified impermissible use of contract modifications to expend expired prior-year funds. A 2007 OIG audit found that improper contract modifications resulted in the unlawful use of expired prior-year funds by the VA Boston Healthcare System. The modifications valued at approximately \$5.4 million were not within the scope of the original contracts, not funded in accordance with appropriations law, and not in compliance with actions outlined in the Federal Acquisition Regulation (FAR).

In 2008, we conducted a national audit to review the effectiveness of VHA controls over the use of prior-year funds for maintenance. Consistent with the findings in the VA Boston Healthcare System, we found out-of-scope modifications to contracts that resulted in the unlawful use of prior-year appropriations. Controls need strengthening to ensure that: (1) contract changes are within the scope of the original contracts, (2) facilities obtain proper approval to use prior-year funds, and (3) funding for contract changes is in accordance with appropriations law and the FAR. For example, there are no controls above the contracting officer level to review contract modifications to ensure they are within the scope of the original contract. Oversight over contracting officials' activities needs to be increased to improve the accountability of their actions.

**VA's Program Response to  
OIG Challenge #4B: Contract Modifications to Use Expired Years Funds**  
ESTIMATED RESOLUTION TIMEFRAME: FY 2009 AND BEYOND

<b>GOAL: Strengthen Controls Over Contract Modifications</b>	
<b>Responsible Agency Official: Veterans Health Administration Chief Prosthetics, Procurement and Logistics Officer</b>	
Completed FY 2008 Milestones	Performance Results/Impacts
<p>Conducted a <b>review of expired fund obligations</b> for compliance with federal appropriations law for VISN 1, VA New England Healthcare System.</p>	<p>VA identified reasons for using expired funds and determined whether the increases complied with federal appropriations law. The review also determined whether contract changes were within the scope of the original contracts. The report recommended VISN management make accounting adjustments by moving obligations and expenses to the correct appropriation year. In addition, the review verified that accounting adjustments were in fact made when non-compliance with appropriations law was identified.</p>
<p>Conducted a VISN-wide <b>contract inspection</b> to continue <b>oversight of field compliance</b> with federal and Departmental acquisition policies and to strengthen VISN management controls over the acquisition function.</p> <p>In addition, conducted a contract inspection and comprehensive internal control review of the acquisition function for the VA Boston HealthCare System.</p>	<p>The inspection identified areas of non-compliance with rules and regulations and provided local management with recommendations for corrective actions to improve their acquisition activities.</p> <p>Managers at both the field station and VISN level are in a better position to correct deficiencies in acquisition internal controls and prevent future recurrence of non-compliance.</p>



GOAL: Strengthen Controls Over Contract Modifications	
Responsible Agency Official: Veterans Health Administration Chief Prosthetics, Procurement and Logistics Officer	
Completed FY 2008 Milestones	Performance Results/Impacts
Conducted VHA <b>Contract Readiness Exercise</b> for procurements \$500,000 and greater.	Areas needing training were identified.
Developed an <b>expired funding</b> reporting mechanism.	VHA identified and corrected the use of expired funding.
Implemented VA Directive 4533 on <b>Miscellaneous Obligation</b> (VA Form 1358), which prohibits using this category for obligating construction funds.	This will benefit VA by requiring supplies/services to be procured using a purchase request, which must be reviewed by contracting staff. This additional review will improve the integrity of the procurement system as purchase requests are monitored and tracked by acquisition staff, as well as reviewed by fiscal staff.
Revised and issued VHA Directive 2008-019, to provide and <b>clarify requirements</b> pertaining to use of <b>prior-year (PY) funds</b> for non-recurring maintenance (NRM) projects.	Requests for use of PY funds have increased, indicating that <b>facilities</b> have a <b>better understanding</b> of approval requirements and compliance has improved.  Approved requests for use of PY funds are compared to PY increases in NRM obligations and reconciled quarterly. Reconciliation results are assessed and variances resolved.

GOAL: Strengthen Controls Over Contract Modifications	
Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
Provide <b>oversight on VA's compliance</b> with federal appropriations law through a Department-wide review of expired fund obligations. <b>(Q2)</b>	VA will identify whether non-compliance is systemic across the Department and whether scope modifications to contracts resulted in the unlawful use of prior-year appropriations.  If necessary, the review will include recommendations to improve internal controls over expired fund obligations and contract scope modifications.
Continue <b>aggressive oversight</b> of field compliance with <b>acquisition</b> policies and procedures as part of FY 2009 Annual Review Plan. <b>(Q4)</b>	Identifying and reporting on non-compliance with policies and procedures will assist field managers and VA Central Office to correct any deficiencies in internal controls and prevent future recurrence of non-compliance.
Revise the NRM Projects Handbook. <b>(Q1)</b>  Continue to provide capital asset training for the Engineers and Capital Asset Managers on appropriate scope changes for NRM projects. <b>(FY 2009 and beyond)</b>	The Handbook will further clarify the scope changes, requirements, and funding processes for NRMs.



<b>GOAL: Strengthen Controls Over Contract Modifications</b>	
Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
Continue on-going reconciliation of approved requests to use PY funds compared to obligation increases recorded in the financial system for NRM projects. <b>(FY 2009 and beyond)</b>	VA will continue to improve compliance with the use of PY funds approval requirements.
VHA's Office of Finance will consult with the Assistant Secretary for Management to develop plans to implement broader controls and requirements for use of prior-year funds for contract changes.	Compliance with 38 USC 1552.

**OIG CHALLENGE #4C: Contract Award and Administration**

OIG review of Federal Supply Schedule contracts that VA awarded to resellers without significant commercial sales revealed that contracting officers were not taking appropriate action to determine price reasonableness at the time of award or when allowing price increases. Contracting officers also did not identify appropriate tracking customers to ensure that the Government's prices remained fair and reasonable after award.

Our review of a contract awarded by the Office of Information and Technology to standardize VA's desktop computers showed deficiencies in the planning, award, and administration of the contract. The contract specifications were overly restrictive and, when bundled with installation services, limited competition. In addition, the price evaluation was not done properly, which resulted in the more expensive decision to lease rather than purchase the computers. Although the first order against the contract was placed in September 2007, by February 2008, the vast majority of computers had not been delivered because VA had not developed the standard image that was required to be installed by the vendor prior to delivery.

An audit of VHA's non-competitively awarded contracts for health care services identified the need to improve contract administration and monitoring. For example, the lack of contract monitoring at VAMC Miami was a contributing factor in the VAMC paying about \$2.2 million for 2007 services it did not receive. Because the contract did not provide for adjustments of payments without contract modifications, the payments are not recoverable. We also found that the database used to analyze the number of current clinical service contracts is unreliable because the VISNs have not been submitting information on all of their contracts. Therefore, VA does not know how many contracts are in place, what services are being provided, by whom, or what VA is paying for those services.

Our review of a contract awarded in 2003 for rating examinations revealed that VA had not reviewed the procedural codes submitted by the vendor to ensure that the codes were proper Medicare Current Procedural Terminology (CPT) codes as required under the contract. In addition, VA did not request or calculate the agreed upon prices for each CPT code. As a result, VA overpaid \$6.2 million.



**VA's Program Response to OIG Challenge #4C: Contract Award and Administration**

ESTIMATED RESOLUTION TIMEFRAME: FY 2009

**GOAL: Improve Contract Award and Administration Processes**

**Responsible Agency Official: Deputy Assistant Secretary for Acquisition and Logistics (OA&L);  
Assistant Secretary for Information and Technology**

**Veterans Health Administration Chief Prosthetics, Procurement and Logistics Officer**

Completed FY 2008 Milestones	Performance Results/Impacts
<p>In response to the OIG's report on resellers, established a workgroup to develop a course of action for each recommendation. The General Services Administration may issue new policies based on the workgroup's findings.</p>	<p>Clearer procedures, processes, and training have been provided to contracting staff.</p>
<p>Implemented the following process improvements and actions:</p> <ul style="list-style-type: none"> <li>• Implemented <b>Contract Review Boards (CRBs)</b> within OA&amp;L. Plans are in place to implement CRBs throughout VA starting in November of 2008. An <b>Integrated Product Team (IPT)</b> policy has been implemented agency-wide.</li> <li>• Finalized the <b>VA Acquisition Regulation (VAAR) rewrite</b>.</li> <li>• Supported the funding for <b>additional contract attorneys</b> to oversee field contracts.</li> </ul>	<p>Use of CRBs and IPTs has resulted in the successful award of major contracts.</p>
<p>Conducted a VISN-wide <b>contract inspection</b> to continue <b>oversight of field compliance</b> with federal and Departmental acquisition policies and to strengthen VISN management controls over the acquisition function.</p> <p>In addition, conducted a contract inspection and comprehensive internal control review of the acquisition function for the VA Boston HealthCare System.</p>	<p>The inspection identified areas of non-compliance with rules and regulations and provided local management with recommendations for corrective actions to improve their acquisition activities.</p> <p>Managers at both the field station and VISN level are in a better position to correct deficiencies in acquisition internal controls and prevent future recurrence of non-compliance.</p>
<p>Worked with Austin Information Technology Acquisition Center to develop plan that improves the quality of procurement packages.</p>	<p>Procurement packages submitted to VA's IT contracting office have required significantly fewer modifications, resulting in shorter turnaround times and ultimately faster award of contracts.</p>
<p>Trained staff using internal resources and the Defense Acquisition University to help individuals understand the latest Federal Acquisition Regulation and changes to VA Acquisition Regulation.</p>	<p>Staff performance has markedly improved as a result of the training and has enabled those trained to mentor others. This increased knowledge reduces acquisition timelines.</p>



**GOAL: Improve Contract Award and Administration Processes**

**Responsible Agency Official: Deputy Assistant Secretary for Acquisition and Logistics (OA&L);  
Assistant Secretary for Information and Technology**

**Veterans Health Administration Chief Prosthetics, Procurement and Logistics Officer**

Completed FY 2008 Milestones	Performance Results/Impacts
Developed the VHA <b>Contracting Officer Technical Representative (COTR) training plan</b> and program.	The training plan has improved contract administration and monitoring of performance, and ensured that Networks have guidelines to follow to meet the COTR certification requirements mandated by the Office of Management and Budget.
VHA developed the <b>Purchase Card Program Directive and Handbook</b> .	New policies and procedures have improved the effectiveness/efficiency of the purchase card program in VHA and improved oversight functions. Each Network has hired or is hiring a purchase card manager who is responsible for ensuring compliance with the role, responsibilities, and oversight functions identified by the VHA Directive and Handbook.
Conducted oversight of the VHA <b>contract readiness</b> Phase II of the oversight work – assessed action plans to address weaknesses identified in the review.	Oversight has improved contract administration and identified training needs. The readiness exercise allowed Networks to identify deficiencies and develop action plans to resolve them.
Published procurement and contracting <b>Standard Operating Procedures (SOPs)</b> .	SOPs have improved the award and administration process. Networks are able to use SOPs to support VA efforts to standardize contracting processes and procedures.
Developed the <b>Federal Procurement Data System (FPDS) Verification/Validation Process</b> .	The new process has improved FPDS reporting and annual certification process. Standardized certification language was developed that details what is excluded from the FPDS reporting requirement. This is a significant improvement because previously the certification did not expressly state what was excluded, which is the reason some Networks did not certify the data.
Develop a standardized process and statement of work (SOW) for <b>Interior Design</b> projects.	VA has improved the Interior Design award and administration process. Communication between the acquisition and the interior design staff has improved. Acquisition staff attended an interior design conference to discuss how acquisition regulations impact interior design procurements.
Through <b>Project HERO</b> , VA administered a well-organized and planned Request for Proposal process, including the use of an active Integrated Product Team for Project HERO contracts.	Evaluation of competitive proposals resulted in awarding contracts to the most deserving bidders.  The process ensures that contractors continue to comply with contract requirements or are appropriately disciplined in instances of non-compliance.



GOAL: Improve Contract Award and Administration Processes	
Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
Implement any GSA policy changes related to the multiple award schedules (MAS) program, particularly related to <b>resellers, pricing, and tracking customers.</b> (Q1)	If GSA issues no new policies as a result of VA's workgroup findings, the impacts will be minimal. Should GSA issue major policy changes as the result of the above, VA expects significant impact as more than 1,800 current contracts will require modification/renegotiation.
Bring <b>contract attorneys on board</b> in all VISNs. (Q1)  Put in place a new process for <b>disseminating acquisition policy.</b> (Q1)	With the addition of contract attorneys in all VISNs, VA will be able to <b>fully implement</b> CRBs and IPTs and be represented if there is a protest of a claim filed. VA acquisition policy will be developed and communicated to the field more efficiently and effectively.
Continue <b>aggressive oversight</b> of field compliance with <b>acquisition</b> policies and procedures as part of FY 2009 Annual Review Plan. (Q4)	Identifying and reporting on non-compliance with policies and procedures will assist field managers and VA Central Office to correct any deficiencies in internal controls and prevent future recurrence of non-compliance.
Continue staff training initiatives, focusing not only on mandatory certifications, but on classes that share best practices.	Better understanding of acquisition regulations should improve overall performance and success rate of meeting customer expectations in the shortest timeframe possible.
Work to obtain specific customer needs in a timelier manner, particularly identifying source and timing of funds to accomplish procurements.	Having projects in hand backed up with earmarked funds will allow procurements to start earlier, which should result in earlier completions.





GOAL: Improve Contract Award and Administration Processes	
Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
<p>VA will accomplish the following:</p> <ul style="list-style-type: none"> <li>• Conduct oversight of VHA <b>contract readiness</b> Phase III. <b>(Q1)</b></li> <li>• Develop <b>Lease Training Program</b>. <b>(Q1)</b></li> <li>• Develop the <b>Construction Multiple Award</b> Task Order Contract for VHA. <b>(Q1)</b></li> <li>• Develop the Construction and A&amp;E standard operating procedures. <b>(Q1)</b></li> <li>• Develop training program for non-procurement personnel. <b>(Q1)</b></li> <li>• Develop <b>Purchase Card Training</b> Program. <b>(Q2)</b></li> <li>• <b>Contracting Officer Technical Representative (COTR) training</b> is available online using the VA Learning Management System (LMS). COTRs are required to meet the certification requirements established by VA Information Letter, 049-08-02. Training in specific specialties is not addressed, as these courses are taken by the individual based on their specialty, for example, construction. Additionally, acquisition staff select specialty training to complete the continuing education courses. The reason that specialty “lease training” is addressed is to ensure the recent GSA lease requirement training is available.</li> </ul>	<p>These actions will improve contract administration and identify training needs.</p>

**OIG CHALLENGE #4D: Electronic Contract Management System**

In June 2007, VA instituted the Electronic Contract Management System as VA's standard procurement system to track contracting actions. The system cost VA \$18 million. An audit conducted in 2008 determined that the system is unreliable because contracting entities were not recording procurement actions and/or not recording actions accurately in the system as required by VA policy. VA procurement staff told us that they circumvented the system because it was slow and cumbersome to use. We also found that VA management was not using reports generated by the system for decision-making and/or to improve procurement processes. Although the system is a start toward compiling comprehensive information and properly controlling procurement actions at Central Office and field activities, until and unless the information entered into the system is accurate and complete, the system will be of little value to VA in managing its procurements.



**VA's Program Response to OIG Challenge #4D: Electronic Contract Management System**

ESTIMATED RESOLUTION TIMEFRAME: FY 2009

**GOAL: Improve Reliability and Increase Utility of the Electronic Contract Management System (eCMS)**

**Responsible Agency Official: Deputy Assistant Secretary for Acquisition and Logistics (OA&L)**

**Assistant Secretary for Information and Technology**

**Veterans Health Administration Chief Prosthetics, Procurement and Logistics Officer**

Completed FY 2008 Milestones	Performance Results/Impacts
The proposed audit report referenced in the synopsis above is pending release. Until the report is released, VA is not able to establish any corrective action plan or milestones.	Unable to address in the absence of a published report.
VA's Office of Business Oversight conducted a contract inspection and internal control review of the acquisition function for the VA Boston HealthCare System.	The review identified areas of non-compliance with rules and regulations including whether procurement actions were recorded in eCMS. The report provided local management and VISN management with recommendations for corrective actions to improve their acquisition activities including the establishment of policies and procedures for entering procurement actions in eCMS and monitoring procedures to ensure procurement documents are populated in the eCMS briefcase. This assisted managers at both the field station and VISN levels to correct deficiencies in acquisition internal controls and prevent future recurrence of non-compliance.
Conducted VHA Contract Readiness Exercise for procurements valued at \$500,000 and greater.	Identified contract file weaknesses and focused training requirements.
Implemented a data warehouse report that is automatically forwarded via e-mail to the eCMS Application Coordinators on a weekly basis. <b>(Q4)</b>	Provides visibility on an ongoing basis to the data being entered by the users.

**GOAL: Improve Reliability and Increase Utility of the Electronic Contract Management System**

**Planned FY 2009 Milestones**

**(Estimated Completion Quarter)**

**Anticipated Impacts**

Establish a single point of <b>management responsibility</b> for eCMS with the Director for Acquisition Policy. <b>(Q4)</b>	Enterprise-wide responsibility for configuration control and compliance will rest with a senior manager at the Central Office level.
Hire a GS-14 <b>program manager</b> to report to Director for Acquisition Policy. <b>(Q4)</b>	The manager will provide <b>day-to-day responsibility</b> for all aspects of eCMS operations and compliance.



<b>GOAL: Improve Reliability and Increase Utility of the Electronic Contract Management System</b>	
<b>Planned FY 2009 Milestones</b> (Estimated Completion Quarter)	<b>Anticipated Impacts</b>
Purchase modules within eCMS to enhance the following two features: <ol style="list-style-type: none"> <li><b>Reporting capability (Q4)</b></li> <li><b>Decision logic</b> to ensure that contracting officers enter key data before moving to the next screen within the system. <b>(Q4)</b></li> </ol>	<ol style="list-style-type: none"> <li>Will allow for a deeper analysis of data and the production of more informative reports. The current reporting module is rudimentary and somewhat cumbersome. Coupled with enhanced oversight at the Central Office level, better reporting capability will help to identify which offices are not complying with policy.</li> <li>This change will force contracting officers to comply with data entry policies which, in turn, will improve the <b>quality</b> and <b>completeness</b> of contract-related information.</li> </ol>
Establish <b>compliance metrics</b> in the <b>performance plans of all senior procurement managers. (Q4)</b>	This change will hold local managers <b>accountable</b> for complying with data entry policies.
Continue <b>aggressive oversight</b> of field compliance with <b>acquisition</b> policies and procedures as part of FY 2009 Annual Review Plan. <b>(Q4)</b>	Identifying and reporting on non-compliance with policies and procedures will assist field managers and VA Central Office in correcting any deficiencies in internal controls and prevent future recurrence of non-compliance.
Conduct oversight of VHA contract readiness Phase III. <b>(Q1)</b>	Improves contract administration and identifies training needs.
In coordination with the stakeholders, identify the data fields that are deemed mandatory and enforce edit checks on the values entered into those fields. <b>(Q1)</b> Pursue implementation of a Business Intelligence tool to enable in-depth reporting and analysis of the data entered into the mandatory fields. <b>(Q4)</b>	These enhancements will force user entry of the information deemed essential by the stakeholders for reporting and oversight purposes.

**OIG CHALLENGE #5: INFORMATION MANAGEMENT**

**-Strategic Overview-**

VA has consolidated the vast majority of its IT resources under the Chief Information Officer (CIO), including a reorganization of functions from the VA Administrations to the Office of Information and Technology (OI&T). In 2007, the CIO issued policy and procedural guidance to assist VA in implementing an effective information security program. In addition, VA data centers and selected program offices have taken actions to remediate security control weaknesses reported in OIG audits. While improvements have been made in information governance, annual CFS and information security program audits continue to report IT security control deficiencies, which place sensitive information at risk of unauthorized use and disclosure. OIG reports show that additional actions need to be taken to safeguard and effectively manage VA's information resources and data. VA also needs to better plan and manage its IT capital investments. For these reasons, OIG must report that VA has made no progress toward eliminating the material weakness in IT security controls and little progress in remediating the major deficiencies in IT security. The Assistant Secretary for Information and Technology has acknowledged in recent testimony that the work is far from complete and much work remains, especially in the area of data security and privacy and infrastructure improvements.



**OIG CHALLENGE #5A: IT Security Controls**

For several years, OIG’s CFS audits have identified IT security controls as a material weakness. Legacy IT infrastructure and longstanding control weaknesses continue to place financial information and veterans’ medical and benefits information at risk of unauthorized use and disclosure. VA needs to improve the Department-wide security program, access control, segregation of duties, service continuity, and change control. We recommended that Department senior leadership take a VA-wide approach to implement information security programs in accordance with the standards established by the National Institute of Standards (NIST) and Office of Management and Budget (OMB), and take additional actions to better manage information security and implement effective controls over systems and applications.

**VA’s Program Response to OIG Challenge #5A: IT Security Controls**

ESTIMATED RESOLUTION TIMEFRAME: FY 2013

**GOAL: Improve IT Security Controls**

**Responsible Agency Official: Assistant Secretary for Information and Technology**

Completed FY 2008 Milestones	Performance Results/Impacts
Established the <b>Data Security &amp; Assessment &amp; Strengthening of Controls Program</b> to facilitate the implementation of VA program security control program and procedures.	Facilitates the <b>tracking</b> and <b>resolution</b> of longstanding GAO and OIG deficiencies.
Conducted independent assessments of IT controls at VA facilities nationwide to facilitate centralized enforcement of IT security controls.	The assessments improved ways to monitor and enforce <b>compliance</b> with existing <b>laws</b> and <b>regulations</b> regarding IT security.

**GOAL: Improve IT Security Controls**

Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
Implement remote access two factor authentication. Two factor authentication uses two forms of authentication to validate the identity of the user. At VA, users will enter their first form of authentication, their user ID and password, and then enter a second form of authentication, usually a token or SMART card, to validate their identity. <b>(Q1/2013)</b>	This authentication will improve controls over access to VA information and systems by helping ensure that personnel who access the VA network remotely are authorized users.
Implement Enterprise Wide Configuration Management. <b>(Q1/2011)</b>	Ensure changes to VA systems are adequately controlled to prevent the unauthorized compromise of VA information and systems.



**OIG CHALLENGE #5B: Information Security Program**

OIG continues to identify major IT security deficiencies in the annual information security program audits. The 2007 audit found that VA has made limited progress in complying with the Federal Information Security Management Act (FISMA) and other IT requirements imposed by NIST and OMB. Although the consolidation of IT functions and activities under the CIO has addressed some security issues, VA does not fully comply with FISMA. To achieve FISMA compliance, VA needs to: (1) complete the IT reorganization by establishing clear lines of authority; (2) develop comprehensive policies and procedures for consistent implementation of information security controls; (3) closely monitor the implementation of controls; (4) address roles and responsibilities for monitoring and enforcing controls; (5) address security control weaknesses identified in prior OIG reports; and (6) implement a rigorous certification and accreditation program.

**VA's Program Response to OIG Challenge #5B: Information Security Program**

ESTIMATED RESOLUTION TIMEFRAME: FY 2013

**GOAL: Strengthen the Information Security Program Including Compliance with FISMA**

**Responsible Agency Official: Assistant Secretary for Information and Technology**

Completed FY 2008 Milestones	Performance Results/Impacts
Developed <b>security control</b> policies and procedures for the Department-wide information security program.	The policies and procedures improve the protection of VA IT assets by establishing and/or strengthening controls associated with access to and accountability for VA information and systems.
Certified and accredited more than 600 Department information systems.	Reduced the <b>risk of compromise</b> to VA information and systems and allowed senior officials to better understand and manage the risks associated with the operation of VA information systems.

**GOAL: Strengthen the Information Security Program Including Compliance with FISMA**

Planned FY 2009 Milestones

(Estimated Completion Quarter)

Anticipated Impacts

Establish a task force to enforce proper <b>segregation of duties</b> associated with access to financial information systems. <b>(Q1/2013)</b>	Will strengthen <b>access controls</b> to VA information and systems by limiting access to only authorized personnel with a valid need.
Install <b>Intrusion Prevention</b> devices. <b>(Q1/2009)</b>	The devices will strengthen access controls by <b>detecting</b> and <b>blocking</b> unauthorized attempts to access VA information and systems.



## APPENDIX

The Appendix lists selected reports pertinent to the five key challenges discussed. However, the Appendix is not intended to encompass all OIG work in an area. For further information, please see the OIG home page: <http://www.va.gov/oig/>

### **HEALTH CARE DELIVERY**

*Audit of Alleged Manipulation of Waiting Times in Veterans Integrated Service Network 3*, Report No. 07-03505-129, May 19, 2008.

*Healthcare Inspection, Quality of Care Issues VA Medical Center, Marion, Illinois*, Report No. 07-03386-65, January 28, 2008.

*Healthcare Inspection, Additional Quality of Care Issues Marion VA Medical Center Marion, Illinois*, Report No. 08-00869-102, March 26, 2008.

*Healthcare Inspection, Alleged Mismanagement and Patient Care Issues Martinsburg VA Medical Center Martinsburg, West Virginia*, Report No. 07-02388-68, January 31, 2008.

*Healthcare Inspection, Alleged Quality of Care Issues Martinsburg VA Medical Center Martinsburg, West Virginia*, Report No. 07-03087-75, February 14, 2008.

*Statement of Dr. John D. Daigh Jr., M.D., Assistant Inspector General for Healthcare Inspections, Office of Inspector General, Department of Veterans Affairs, Before the Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, United States House of Representatives, on Quality of Care Issues at W.G. (Bill) Hefner VA Medical Center in Salisbury, North Carolina*, April 19, 2007.

*Healthcare Inspection, Follow-Up Evaluation of the W.G. (Bill) Hefner VA Medical Center Salisbury, North Carolina*, Report No. 07-01796-181, August 2, 2007.

*Audit of the Veterans Health Administration's Home Respiratory Care Program*, Report No. 06-00801-30, November 28, 2007.

*Healthcare Inspection, Evaluation of the Veterans Health Administration's Contract Community Nursing Home Program*, Report No. 05-00266-39, December 13, 2007.

*Statement of Michael Shepherd, M.D., Physician, Office of Healthcare Inspections, Office of Inspector General, Department of Veterans Affairs, Before the Committee on Veterans' Affairs, United States House of Representatives, Hearing on Stopping Suicides: Mental Health Challenges within the Department of Veterans Affairs*, December 12, 2007.

*Statement of Jon A. Wooditch, Deputy Inspector General, Office of Inspector General, Department of Veterans Affairs, Before the Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, United States House of Representatives, Hearing on the FY 2009 Budget for the Office of Inspector General*, February 13, 2008.



*Follow-Up Healthcare Inspection, VA's Role in Ensuring Services for Operation Enduring Freedom/Operation Iraqi Freedom Veterans after Traumatic Brain Injury Rehabilitation; Report No. 08-01023-119, May 1, 2008.*

*Healthcare Inspection, Implementing VHA's Mental Health Strategic Plan Initiatives for Suicide Prevention, Report No. 06-03706-126, May 10, 2007.*

*Healthcare Inspection, Review of the Care and Death of a Veteran Patient VA Medical Centers St. Cloud and Minneapolis, Minnesota, Report No. 07-01349-127, May 10, 2007.*

*Healthcare Inspection, Quality of Polytrauma Care, Environmental, and Safety Issues Minneapolis VA Medical Center Minneapolis, Minnesota, Report No. 06-03671-120, April 25, 2007.*

*Healthcare Inspection, Alleged Premature Discharge of a Veteran VA Pittsburgh Healthcare System Pittsburgh, Pennsylvania, Report No. 07-01622-62, January 27, 2008.*

*Healthcare Inspection, Patient Suicide VA Medical Center Augusta, Georgia, Report No. 07-00561-167, July 11, 2007.*

*Statement of the Honorable George J. Opfer, Inspector General, Office of Inspector General, Department of Veterans Affairs, Before the Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, United States House of Representatives, Hearing on the Oversight Efforts of the VA Office of Inspector General: Issues, Problems, and Best Practices at the Department of Veterans Affairs, February 15, 2007.*

*Statement of John D. Daigh, Jr., M.D., CPA, Assistant Inspector General for Healthcare Inspections, Office of Inspector General, Department of Veterans Affairs before Committee on Veterans' Affairs, United States House of Representatives Hearing on "Why does the VA continue to give suicide-inducing drug to veterans with PTSD," July 9, 2008.*

*Healthcare Inspection, Comparison of VA and University Affiliated IRB Compliance with VHA Handbook 1200.5, Report No. 06-00980-217, September 28, 2007.*

*Administrative Investigation Loss of VA Information VA Medical Center Birmingham, AL, Report No. 07-01083-157, June 29, 2007.*

*Healthcare Inspection, Research Practices at Carl T. Hayden VA Medical Center Phoenix, Arizona, Report No. 07-00589-118, April 20, 2007.*

*Healthcare Inspection, Alleged Practice of Medicine by Unlicensed Research Assistants South Texas Veterans Health Care System, San Antonio, Texas, Report No. 07-01219-194, August 29, 2007.*

*Healthcare Inspection, Importation of Blood Products for Research Purposes New Mexico VA Health Care System Albuquerque, New Mexico, Report No. 07-03025-32, November 30, 2007.*

*Healthcare Inspection, Scopes of Practice for Unlicensed Physicians Engaged in Veterans Health Administration Research, Report No. 07-01202-124, May 7, 2008.*



*Healthcare Inspection, Human Subjects Protection Violations at the Central Arkansas Veterans Healthcare System, Little Rock, Arkansas, Report No. 07-03042-182, August 6, 2008.*

*Healthcare Inspection, Human Subjects Protection in One Research Protocol, VA Medical Center, Washington, District of Columbia, Report No. 08-02346-191, August 28, 2008.*

*Audit of Veterans Health Administration's Oversight of Nonprofit Research and Education Corporations, Report No. 07-00564-121, May 5, 2008.*

### **BENEFITS PROCESSING**

*Statement of the Honorable James B. Peake, M.D., Secretary of Veterans Affairs, Before the Senate Committee on Veterans' Affairs, February 12, 2008.*

*Audit of the Effectiveness of Veterans Benefits Administration Compensation Writeouts, Report No. 06-01791-45, December 19, 2007.*

*Audit of Veterans Benefits Administration Non-Rating Claims Processing, Report No. 06-03537-69, February 7, 2008.*

*Statement of Mr. Jon A. Wooditch, Deputy Inspector General, Department of Veterans Affairs before the Subcommittee on Oversight and Investigations Committee on Veterans' Affairs, United States House of Representatives Hearing on Disability Claims Ratings and Benefits Disparities within the Veterans Benefits Administration, October 16, 2007.*

*Audit of the Impact of the Veterans Benefits Administration's Hiring Initiative, Report No. 08-01559-193, September 5, 2008.*

### **FINANCIAL MANAGEMENT**

*Report of the Audit of the Department of Veterans Affairs Consolidated Financial Statements for Fiscal Years 2007 and 2006, Report No. 07-01016-21, November 15, 2007.*

### **PROCUREMENT PRACTICES**

*Audit of the Acquisition and Management of Selected Surgical Device Implants, Report No. 06-03677-221, September 28, 2007.*

*Audit of Procurements Using Prior-Year Funds to Maintain VA Healthcare Facilities, Report No. 08-00244-213, September 30, 2008.*

*Audit of VHA Noncompetitive Clinical Sharing Agreements, Report No. 08-00477-211, September 29, 2008.*

*Final Report, Special Review of Federal Supply Schedule Medical Equipment and Supply Contracts Awarded to Resellers, Report No. 05-01670-04, October 15, 2007.*





*Audit of QTC Medical Services, Inc. 's Settlement Offer for Overcharges under Contract V101(93)P-2009, Report No. 07-02280-104, March 27, 2008.*

*Audit of Electronic Contract Management System, Release anticipated in 2009.*

*Audit of Veterans Health Administration 's Government Purchase Card Practices, Report No. 07-02796-203, September 11, 2008.*

### **INFORMATION MANAGEMENT**

*Report of the Audit of the Department of Veterans Affairs Consolidated Financial Statements for Fiscal Years 2007 and 2006, Report No. 07-01016-21, November 15, 2007.*

*Fiscal Year 2007 Federal Information Security Management Act Assessment, Report No. 07-00608-162, July 9, 2008.*

*Audit of the Veterans Health Administration Blood Bank Modernization Project, Report No. 06-03424-70, February 8, 2008.*

*Statement of the Honorable Robert T. Howard, Assistant Secretary for Information and Technology, Department of Veterans Affairs, Before the House Committee on Appropriations, Subcommittee on Military Construction, Veterans Affairs, and Related Agencies, April 3, 2008.*



## High-Risk Areas Identified by GAO

The U.S. Government Accountability Office (GAO) evaluates VA's programs and operations. In January 2007, GAO issued an update to its High-Risk Series (GAO-07-310). The GAO-identified High-Risk Areas (specific to VA as well as governmentwide) and other selected reports pertaining to VA are summarized below. In response to each of the High-Risk Areas, the Department has provided the following:

- *Estimated resolution timeframe (fiscal year)* for VA to eliminate the high-risk area (HRA) for the Department
- *Responsible Agency Official* for each HRA
- *Completed 2008 milestones* in response to the HRA
- *Performance results/impacts* of completed milestones
- *Planned 2009 milestones* along with *estimated completion quarter*
- *Anticipated impacts* of the planned milestones

The table below shows the strategic goal to which each high-risk area is most closely related, as well as its estimated resolution timeframe.

High-Risk Area		Estimated Resolution Timeframe (Fiscal Year)	Page #
No.	Description		
<b>Strategic Goal 1: Restoration and Improved Quality of Life for Disabled Veterans</b>			
GAO 1	Modernizing Federal Disability Programs	2009	307
<b>Enabling Goal: Applying Sound Business Principles</b>			
GAO 2	Strategic Human Capital Management: A Governmentwide High-Risk Area	2014	311
GAO 3	Managing Federal Real Property: A Governmentwide High-Risk Area	2009	314
GAO 4	Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures: A Governmentwide High-Risk Area	2011	317
GAO 5	Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security: A Governmentwide High-Risk Area	Ongoing	319
GAO 6	Management of Interagency Contracting: A Governmentwide High-Risk Area	2009	320
	Appendix		322



## GAO High-Risk Area #1: Modernizing Federal Disability Programs

(Recommendations based on GAO-07-310, GAO-07-906R, GAO-08-75, and GAO-08-561)

### Background

In January 2003, GAO designated modernizing federal disability programs as a high-risk area because of challenges that continue today. For example, despite opportunities afforded by medical and technological advances and the growing expectations that people with disabilities can and want to work, federal disability programs remain grounded in outmoded concepts that equate medical conditions with work incapacity. Moreover, just as the disability programs are positioned to grow rapidly with current demographics, the Social Security Administration (SSA) and the Department of Veterans Affairs (VA) face difficult challenges in providing timely and consistent disability decisions. Modernizing federal disability programs remains a high-risk area as solutions are likely to require fundamental changes, including regulatory and legislative action.

### GAO Recommendations

While SSA and VA have taken some actions in response to prior GAO recommendations, GAO continues to believe that SSA and VA should take the following actions:

- Examine the fundamental causes of program problems.
- Seek the regulatory and legislative solutions needed to transform their programs so that they are aligned with the current state of science, medicine, technology, and labor market conditions.
- Continue to develop and implement strategies to better manage the programs' accuracy, timeliness, and consistency of decision making.
- Specific GAO recommendations are as follows:
  - Obtain complete and accurate military service records in a timely manner needed to adjudicate disability claims, particularly PTSD claims.
  - Ensure the quality of records research done on behalf of regional offices.
  - Prepare medical exam reports that include information needed to adjudicate claims of joint and spine disabilities.
  - Develop a performance measure to assess the quality of exam requests that regional offices send to medical centers.
  - Prepare an explanation of the expected impact on productivity and requested staffing levels of specific initiatives, as well as changes in incoming claims workload and claims complexity.
  - Prepare an explanation of how VA plans to improve claims processing productivity.
  - Update the *VA Schedule for Rating Disabilities*.
  - Review the claims processing field structure.
  - Develop improved operational controls and management data to enhance the overall disability reevaluation process.
  - Modify the electronic diary date system ensuring appropriate disability reevaluations are scheduled to occur.
  - Develop additional methods to ensure accuracy of completed and cancelled reevaluations.
  - Clarify guidance so that all regional offices use the same criteria for measuring timeliness of disability reevaluations.
  - Develop a plan to collect and analyze data on the results of the disability reevaluations.



- Evaluate training provided by regional offices to improve training design and hold staff accountable for meeting training requirements.
- Assess and, if necessary, adjust its process for placing staff in performance categories to enhance performance management for claims processors.

**VA's Program Response to GAO High-Risk Area #1:  
Modernizing Federal Disability Programs**

ESTIMATED RESOLUTION TIMEFRAME: FY 2009

**GOAL: Modernize Federal Disability Programs**

**Responsible Agency Official: Director, Compensation and Pension Service  
Chairman, Board of Veterans' Appeals (BVA)**

Completed FY 2008 Milestones	Performance Results/Impacts
<p>Began routine quarterly monitoring of compensation and pension rating decisions by diagnostic code.</p> <p>Expanded the Systematic Technical Accuracy Review (STAR) staff to accomplish additional reviews.</p> <p>Continued efforts to improve the quality and timely receipt of military service records.</p> <p>Completed an <b>inter-rater reliability study</b> focused on evaluation of a back condition.</p> <p>Began a Disability Evaluation System (DES) pilot in the national capital region in cooperation with DoD for active duty persons entering the Physical Evaluation Board process.</p> <p>Began processing all Benefits Delivery at Discharge cases in a <b>paperless environment</b>.</p> <p>Began the contracting process with MES Solutions to conduct certain disability examinations.</p>	<p>Allows for <b>better management</b> of the compensation and pension programs' accuracy, timeliness, and consistency of decision-making for rating-related claims.</p>
<p>Completed a <b>consistency review</b> pilot project focused on individual unemployability (IU) claims decisions from a regional office identified as a statistical outlier.</p>	<p>Results of the pilot project were used to identify <b>unusual patterns</b> of variance in IU claims decisions and the incorporation of focused case reviews into routine quality oversight by STAR.</p>
<p>Improved <b>exam worksheets</b>, templates, and template-generated exam reports based on technical enhancements and field input.</p> <p>Conducted a <b>satellite training</b> broadcast on Improving Quality of Exam Requests.</p>	<p>Will improve the quality and consistency of medical exam information used in the claims process.</p>



**GOAL: Modernize Federal Disability Programs**

**Responsible Agency Official: Director, Compensation and Pension Service  
Chairman, Board of Veterans' Appeals (BVA)**

Completed FY 2008 Milestones	Performance Results/Impacts
<p>Drafted regulations to <b>update</b> the following portions of the <b>VA Schedule for Rating Disabilities</b>:</p> <ul style="list-style-type: none"> <li>• Organs of Special Sense (the eye)</li> <li>• Neurological Conditions and Convulsive Disorders</li> <li>• Mental Disorders (Traumatic Brain Injury)</li> <li>• Evaluation of Scars</li> </ul>	<p>Provides the mechanism for ensuring that disabled veterans are <b>properly compensated</b> as required by statute.</p>
<p>Contracted with Economic Systems, Inc., to conduct studies and provide <b>recommendations</b> regarding Long-Term Transition Payments, Quality of Life Benefit Payments, and Earnings Loss Payments in the <b>VA compensation structure</b>.</p>	<p>Studies will provide options for <b>regulatory</b> and <b>legislative solutions</b> needed to transform the compensation program so that it is aligned with the current state of science, medicine, technology, and labor market conditions.</p>
<p>Began the consolidation of customer service calls to nine <b>National Call Centers</b>.</p> <p>Established a <b>fiduciary hub pilot</b>, consolidating fiduciary activities to one site.</p> <p>Consolidated original pension and reopened pension work to the three <b>Pension Management Centers</b>.</p> <p>Developed a plan for the consolidation of survivor benefit claim processing to <b>Survivor Benefit Centers</b> under the Pension Management Centers.</p> <p>Convened a workgroup to evaluate consolidation of appeals work.</p>	<p>These initiatives streamlined work processes providing for increased efficiency and effectiveness of the claims process and improved service to veterans.</p>
<p>Proposed a regulation to implement the <b>Expedited Claims Adjudication (ECA) initiative</b> to streamline the claims adjudication and appeal process. Regulation would allow represented claimants to voluntarily waive certain response timelines, agree to respond quickly to VA requests for evidence, and file any desired appeals in an expedited manner.</p>	<p>Proposed regulation remains under development. The regulation aims to reduce Appeals Resolution Time (ART) for ECA appeals in this 2-year pilot project.</p>
<p>Continued to emphasize <b>reducing avoidable remands</b>.</p>	<p>The Board reduced the remand rate from 56.8 percent in FY 2004 to 36.8 percent in FY 2008.</p>
<p>Continued effective <b>quality review</b> of a random sample of appellate decisions to ensure quality.</p>	<p>Deficiency-free rate of 94.8 percent in FY 2008.</p>



<b>GOAL: Modernize Federal Disability Programs</b>	
Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
<p>Complete first phase of Disability Evaluation System (DES) pilot expansion beyond the national capital region. <b>(Q1)</b></p> <p>MES Solutions will conduct certain disability exams under contract. <b>(Q1)</b></p> <p>Complete pilots of “<b>paperless claims processing</b>” for DES claims, Original Compensation claims, Quick Start claims, and Original Pension claims. <b>(Q2)</b></p>	<p>DES will allow for better management of the compensation and pension programs’ accuracy, timeliness, and consistency of decision-making for rating-related claims.</p>
<p>Publish a regulation to provide <b>special adapted housing</b> benefits to burn victims. <b>(Q1)</b></p> <p>Complete rulemaking to update the following portions of the VA Schedule for Rating Disabilities:</p> <ul style="list-style-type: none"> <li>• Organs of Special Sense (the eye)</li> <li>• Neurological Conditions and Convulsive Disorders</li> <li>• Mental Disorders (Traumatic Brain Injury)</li> <li>• Evaluation of Scars</li> </ul> <p><b>(Q2)</b></p>	<p>The regulation will provide the mechanism for ensuring that disabled veterans are properly compensated as required by statute.</p>
<p>Evaluate the results and recommendations from Economic Systems, Inc., regarding Long-Term Transition Payments, Quality of Life Benefit Payments, and Earnings Loss Payments in the VA compensation structure. <b>(Q1)</b></p> <p>Complete a charter and plans for an advisory committee for the VA Schedule for Rating Disabilities. <b>(Q1)</b></p>	<p>Studies will provide options for regulatory and legislative solutions to transform the compensation program so that it is aligned with the current state of science, medicine, technology, and labor market conditions.</p>
<p>Consolidate <b>survivor benefit claims</b> to the three Pension Management Centers. <b>(Q4)</b></p>	<p>Will streamline work processes and lead to increased efficiency and effectiveness of the claims process and improved service to veterans.</p>
<p>Complete the annual monitoring of compensation and pension rating decisions for IU claims. <b>(Q4)</b></p>	<p>Will identify and address any unusual patterns of variance in claims decisions.</p>
<p>Full <b>implementation</b> of ECA pilot. Final rule expected. <b>(Q1)</b></p>	<p>Claimants participating in the 2-year pilot program should experience a 25 percent reduction in the length of time they have to wait for a decision on their claim.</p>
<p>Continue emphasis on <b>reducing avoidable remands</b>. Reducing the remand rate will <b>reduce</b> the <b>backlog</b> of appeals since approximately 75 percent of remanded cases eventually return to the Board, slowing the appeal process. <b>(FY 2009 and beyond)</b></p>	<p>The Board’s goal is to reduce the remand rate below 35 percent in FY 2009. In FY 2008 the remand rate was 36.8 percent.</p>



<b>GOAL: Modernize Federal Disability Programs</b>	
Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
Continue effective quality review of a random sample of appellate decisions to ensure quality.	The Board's goal for the deficiency-free decision rate is 92 percent in FY 2009.

**GAO High-Risk Area #2: Strategic Human Capital Management**  
(Recommendations based on GAO-07-310)

**Background**

GAO first added strategic human capital management as a governmentwide high-risk area in 2001 because federal agencies lacked a strategic approach to human capital management that integrates human capital efforts with agency mission and program goals. The area remains high risk because the federal government now faces one of the most significant transformations to the civil service in half a century, as momentum grows toward making governmentwide changes to agency pay, classification, and performance management systems.

Moving forward, there is still a need for a governmentwide framework to advance human capital reform in order to avoid further fragmentation within the civil service, ensure management flexibility as appropriate, allow a reasonable degree of consistency, provide adequate safeguards, and maintain a level playing field among federal agencies competing for talent.

**GAO Recommendations**

Agencies should do the following:

- Continue to assess their workforce needs and make use of available authorities.
- Demonstrate they have developed an institutional infrastructure that can support reform. This infrastructure should include:
  - A modern, credible performance management system that provides clear linkage between institutional, unit, and individual performance-oriented outcomes.
  - Adequate safeguards to ensure the fair, effective, credible, and nondiscriminatory implementation of the system.

**VA's Program Response to GAO High-Risk Area #2: Strategic Human Capital Management**  
ESTIMATED RESOLUTION TIMEFRAME: FY 2014

<b>GOAL: Establish a Strategic Approach to Human Capital Management</b>	
<b>Responsible Agency Official: Assistant Secretary for Human Resources and Administration</b>	
Completed FY 2008 Milestones	Performance Results/Impacts
Under the direction of the VA Chief Human Capital Officer, revised VA's Strategic Human Capital Plan to reflect current workforce challenges and opportunities.	Plan describes critical human capital challenges and proposes key initiatives designed to address these challenges including recruitment, development, and retention of VA's workforce.



<b>GOAL: Establish a Strategic Approach to Human Capital Management</b> <b>Responsible Agency Official: Assistant Secretary for Human Resources and Administration</b>	
Completed FY 2008 Milestones	Performance Results/Impacts
<p>Began implementation of the <b>Excellence in Performance Management Pilot</b> within the framework of the current 5-level appraisal system. Specific improvements addressed in the pilot program include:</p> <ul style="list-style-type: none"> <li>• Revisions of the performance appraisal form to clearly link organizational goals and objectives to individual performance plans.</li> <li>• Additional levels of initial achievement and the use of a weighted scoring process to further differentiate levels of performance within the current 5-level rating program and identify and recognize top performers.</li> <li>• Development of job aids for employees and raters, which will nurture a culture of meaningful two-way communication about performance results.</li> </ul>	<p>This pilot program will assess ways in which to better link individual performance to organizational performance, goals, and objectives and create a greater results-oriented performance culture. These milestones will contribute to efforts to create a performance management system that better distinguishes levels of employee performance and identifies and rewards top performers.</p>
<p>Developed a second performance management video to provide training to supervisors and employees on monitoring, communicating, appraising, and rewarding performance in addition to effectively dealing with poor performance.</p>	<p>Improve the agency's performance management process via distribution of this comprehensive two-part training and education tool. Benefits include an enhanced understanding of effective performance management and communication of employee and supervisory roles and responsibilities.</p>
<p>Took steps to initiate a <b>limited scope pay-for-performance model</b> in the Veterans Health Administration for Associate/Assistant Medical Center Directors and Deputy Network Directors.</p> <ul style="list-style-type: none"> <li>• Published the initial Federal Register Notice.</li> <li>• Communicated with affected VA employees.</li> <li>• Conducted a public hearing to solicit comments from stakeholders.</li> </ul>	<p>Model is being used to determine effectiveness of using pay-for-performance to attract, motivate, and retain the talent necessary to achieve organizational objectives.</p>





**GOAL: Establish a Strategic Approach to Human Capital Management**

**Responsible Agency Official: Assistant Secretary for Human Resources and Administration**

Completed FY 2008 Milestones	Performance Results/Impacts
<p>In November 2007, VA created the Veterans Employment Coordination Service to attract, recruit, and hire veterans into VA, particularly severely injured veterans from Iraq and Afghanistan.</p> <ul style="list-style-type: none"> <li>• The office consists of nine Regional Veterans Employment Coordinators (VECs) located throughout the country to focus these efforts within VA and to work with veterans interested in employment at VA locations nationwide.</li> <li>• Regional VECs are working closely with over 160 previously-established collateral duty VECs at local Human Resources offices nationwide to identify potential employment opportunities.</li> <li>• The Service developed an informational video and brochures and posters highlighting the benefits of hiring veterans.</li> </ul>	<p>VA Human Resources specialists and hiring managers at all levels are aware of special appointing authorities for veterans.</p> <p>Veterans, particularly severely injured veterans from Iraq and Afghanistan, are aware of VA employment opportunities.</p>

**GOAL: Establish a Strategic Approach to Human Capital Management**

**Planned FY 2009 Milestones**  
(Estimated Completion Quarter)

**Anticipated Impacts**

<p>Implement a pay-for-performance model in the Veterans Health Administration for Associate/Assistant Medical Center Directors and Deputy Network Directors. Key actions for implementation include:</p> <ul style="list-style-type: none"> <li>• Publication of notice of final regulations in the Federal Register. <b>(Q4)</b></li> <li>• Issuance of new VA Pay for Performance Demonstration Project Handbook. <b>(Q4)</b></li> <li>• Provide extensive communication and training for covered participants, supervisors, and VHA Human Resources Specialists to facilitate a greater understanding of modifications to existing compensation regulations. <b>(Q4)</b></li> </ul>	<p>Will increase VA's ability to attract top performers in critical occupations such as Associate/Assistant Medical Center Director and Deputy Network Director; will enhance retention for entry into health care executive positions within the Senior Executive Service; and provide ability to further distinguish high performers with commensurate rewards for outstanding contributions to the Department's mission.</p>
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<b>GOAL: Establish a Strategic Approach to Human Capital Management</b>	
<b>Planned FY 2009 Milestones</b> (Estimated Completion Quarter)	<b>Anticipated Impacts</b>
<p>The Veterans Employment Coordination Service, an organization within VA dedicated to promoting the hiring of veterans, will do the following:</p> <ul style="list-style-type: none"> <li>• Contact all severely injured veterans from Iraq and Afghanistan to determine their employment goals. <b>(FY 2009 and beyond)</b></li> <li>• Provide information to the different military Services and key veterans service organizations. <b>(Q4)</b></li> </ul>	<p>VA will continue to be the gold standard for veteran hiring in the federal workforce.</p>

**GAO High-Risk Area #3: Managing Federal Real Property**

*(Recommendations based on GAO-07-310, GAO-07-349, GAO-07-895T, GAO-08-60)*

**Background**

In January 2003, GAO designated federal real property as a high-risk area because of long-standing problems with excess and underutilized property, deteriorating facilities, unreliable real property data, and costly space challenges. Federal agencies were also facing many challenges in protecting their facilities due to the threat of terrorism. Progress has been made. Agencies have established asset management plans, standardized data reporting, and adopted performance measures. The Administration has created a Federal Real Property Council (FRPC). However, deep-rooted obstacles, including competing stakeholder interests and legal and budgetary limitations, could significantly hamper a governmentwide transformation. Agencies, including VA, report repair and maintenance backlogs for buildings and structures. There is an increased reliance on leasing. Agencies lack a standard framework for data validation.

**GAO Recommendations**

Agencies should do the following:

- Reduce inventories of facilities.
- Make headway in addressing the repair backlog.
- Work with the Federal Real Property Council to develop strategies to address obstacles to a successful transformation, such as competing stakeholder interests.
- Specifically, VA should do the following:
  - Obtain real-time property maintenance and repair information, including expense data, so that it can take corrective action on a timely basis to correct deficiencies.
  - When designing a new property management contract, include the authority for the agency to impose penalties for unsatisfactory performance.



**VA's Program Response to GAO High-Risk Area #3: Managing Federal Real Property**

ESTIMATED RESOLUTION TIMEFRAME: FY 2009

**GOAL: Improve Management of Federal Real Property**

Responsible Agency Official: Deputy Director, Office of Asset Enterprise Management

Completed FY 2008 Milestones	Performance Results/Impacts
VA successfully completed its <b>Federal Real Property Inventory</b> submission to the General Services Administration in December 2007. In FY 2007, VA reported an inventory of 5,242 buildings and 32,643 acres of land (or 546 parcels of land). In FY 2008 (as of September 9), VA reported an inventory of 5,425 buildings and 32,922 acres of land (or 537 parcels of land).	VA's annual submission of real property data into the Federal Real Property Profile promotes sharing and the efficient and economical use of real property resources across the federal government.
VA focused its efforts on further <b>reducing</b> the amount of <b>underutilized</b> and <b>vacant buildings</b> and land parcels in its real property inventory.	Through July 2008, VA disposed of <b>39 percent</b> of its FY 2008 planned underutilized space disposals. This savings can be used to enhance services to veterans.
VA completed a comprehensive <b>Site Review Initiative (SRI)</b> to decrease the amount of underutilized property and maximize its use by developing transitional housing projects for homeless veterans.	Forty-nine SRI sites have been identified for the development of transitional housing for homeless veterans through VA's enhanced-use leasing (EUL) authority.
VA's Office of Business Oversight conducted a review of the <b>Capital Asset Inventory (CAI)</b> related to the GAO finding that VA possesses unreliable real property data. During the review, 28 sites were reviewed representing 13 Veterans Integrated Service Networks (VISNs).	<p>The review resulted in a memorandum report for each reviewed VISN. Each report included a list of unsupported, inaccurate, or incomplete data in the CAI database. The memoranda report also included recommendations to correct noted deficiencies.</p> <p>The reviews resulted in an increased awareness of both the importance and the need for an accurate capital asset inventory. Moreover, the reviews resulted in increased oversight at the Capital Asset Manager level over data entries discussed in each of the reports.</p>

**GOAL: Improve Management of Federal Real Property**

Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
VA plans to initiate the EUL process on the 49 SRI sites. <b>(Q1)</b>	<b>Decrease</b> the amount of <b>underutilized real property</b> and maximize its value through EUL. Reinvest proceeds to enhance services to veterans. Provide safe, affordable housing for homeless veterans.



<b>GOAL: Improve Management of Federal Real Property</b>	
Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
<p>VA developed plans to ensure that all new VA buildings will be constructed in a manner that meets national sustainability requirements.</p> <p>In accordance with the plan, VA is working toward meeting the nationally mandated existing building sustainable goals, which require that at least 15 percent of existing VA buildings meet sustainability requirements by year 2015.</p>	<p>By incorporating sustainable features into new VA buildings, facility <b>operating costs</b> are significantly <b>reduced</b>, freeing up resources to devote to veteran care.</p> <p>Surrounding communities benefit as well from the reduced environmental impacts of such facilities.</p>
<p>VA will apply its Sustainability Design Manual nationwide. <b>(Q4)</b></p>	<p>This manual significantly impacts the way VA designs new construction and major renovations as well as its Minor Program construction projects.</p>
<p>In FY 2009, reduce underutilized space by 15 percent of the planned FY 2008-2012 disposals. <b>(Q4)</b></p>	<p>By employing best business practices and maximizing the functional and financial value of our capital assets through well thought-out acquisitions, allocations, operations, and dispositions, VA will continue to ensure that all capital investments are based on sound business principals and – most importantly – meet our veterans’ health care, benefits, and burial needs.</p>
<p>VA will increase its monitoring and tracking of planned disposals of underutilized and vacant space.</p>	<p>Improved reporting will provide increased focus and attention on reducing underutilized space.</p>
<p>VA plans to track and report quarterly on planned and completed disposals by modality to VA leadership. <b>(Q1)</b></p>	<p>Provide VA leadership with a better understanding of the overall effect of various efforts on its underutilized and vacant property, as well as identify properties for disposal.</p>
<p>Identify and develop major areas of VA’s <b>Facility Condition Assessment (FCA)</b> responsibility and accountability, and develop a monthly report that will track FCA progress. <b>(Q3)</b></p>	<p>Improve VA <b>accountability</b>, showing both deficiencies and projects funded as a result of identified deficiencies, as well as percent of deficiencies corrected.</p>
<p>Complete a summary report of CAI database findings with recommendations addressed at the VA Central Office level. <b>(Q4)</b></p>	<p>Reporting summary level data and providing recommendations for VA Central Office action will increase control over CAI database accuracy, resulting in more reliable real property data.</p>



## **GAO High-Risk Area #4: Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures**

*(Recommendations based on GAO-07-310, GAO-07-532T, GAO-07-505, GAO 07-844, GAO-07-1264T, GAO-07-1019, and GAO-08-449T)*

### **Background**

Federal agencies and our nation's critical infrastructures—such as power distribution, water supply, telecommunications, national defense, and emergency services—rely extensively on computerized information systems and electronic data to carry out their missions. The security of these systems and data is essential to preventing disruptions in critical operations, fraud, and inappropriate disclosure of sensitive information. Protecting federal computer systems and the systems that support critical infrastructures—referred to as cyber critical infrastructure protection or cyber CIP—is a continuing concern. Federal information security has been on GAO's list of high-risk areas since 1997. In 2003, GAO expanded this high-risk area to include cyber CIP. The continued risks to information systems include escalating and emerging threats such as phishing, spyware, and spam; the ease of obtaining and using hacking tools; the steady advance in the sophistication of attack technology; and the emergence of new and more destructive attacks. In 2002, the Federal Information Security Management Act (FISMA) was enacted. Many agencies have not complied consistently with FISMA's overall requirement to develop, document, and implement agencywide information security programs.

### **GAO Recommendations**

Agencies should take the following actions:

- Develop and maintain current security plans.
- Create and test contingency plans.
- Evaluate and monitor the effectiveness of security controls managed by contractors.

GAO has raised significant concerns about VA's information technology (IT) security and controls over IT equipment.

IT Security: VA needs to establish a comprehensive information security program. As part of such a program, VA needs to continue to take the following actions:

- Develop and document processes to ensure the effective coordination and implementation of security policies and procedures within the Department.
- Limit, prevent, and detect electronic access to sensitive computerized information.
- Restrict physical access to computer and network equipment to authorized individuals.
- Segregate incompatible duties among separate groups or individuals.
- Ensure that changes to computer software are authorized and timely.
- Provide continuity of computerized systems and operations.
- Strengthen critical infrastructure planning.
- Improve incident management capability.
- Implement prior security recommendations made by GAO and VA's Inspector General.
- Ensure consistent use of information security performance standards for appraising senior VA executives.
- Expedite development of IT performance metrics.



IT Controls: VA needs to take the following actions:

- Improve policies and procedures with respect to controls over IT equipment, including recordkeeping requirements, physical inventories, user-level accountability, and physical security.
- Develop a standard methodology and establish criteria to ensure that examination of internal controls is consistent across VA facilities.
- Continue developing management processes that are critical to centralizing its control over the IT budget.

**VA's Program Response to GAO High-Risk Area #4: Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures**

ESTIMATED RESOLUTION TIMEFRAME: FY 2011

**GOAL: Protect the Federal Government's Information Systems and the Nation's Critical Infrastructures**

**Responsible Agency Official: Assistant Secretary for Information and Technology**

Completed FY 2008 Milestones	Performance Results/Impacts
Developed the <b>security control policies</b> and procedures for the Department-wide information security program.	Ensured the protection of VA IT assets by establishing and/or strengthening controls associated with access to and accountability for VA information and systems.
Certified and accredited more than 600 Department information systems.	Reduced the <b>risk of compromise</b> to VA information and systems and allowed senior officials to better understand and manage the risks associated with the operation of VA information systems.

**GOAL: Protect the Federal Government's Information Systems and the Nation's Critical Infrastructures**

Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
Establish a task force to enforce proper segregation of duties. <b>(Q3)</b>	Will result in better and stronger <b>controls</b> on <b>access</b> to VA information and systems.
Implement <b>Enterprise Wide Configuration Management</b> . <b>(Q1/2011)</b>	Will ensure that <b>unauthorized changes</b> are not made to VA information systems, which would compromise the confidentiality, integrity, and availability of VA data.



**GAO High-Risk Area #5: Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security**

*(Recommendations based on GAO-07-310)*

**Background**

In January 2005, GAO designated information sharing for homeland security a high-risk area because the federal government still faces formidable challenges in analyzing and disseminating key information among federal, state, local, and private partners in a timely, accurate, and useful manner. Since 9/11, multiple federal agencies have been assigned key roles for improving the sharing of information critical to homeland protection to address a major vulnerability exposed by the attacks, and this important function has received increasing attention. However, the underlying conditions that led to the designation continue and more needs to be done to address these problems and the obstacles that hinder information sharing. As a result, this area remains high risk.

**GAO Recommendations**

Agencies should take the following actions:

- Assess progress made on the key steps and milestones implementing the information-sharing environment and remove barriers to implementation.
- Consolidate and consistently apply restrictions on sensitive information so they do not hinder sharing.
- Define what information agencies need from the private sector for homeland security, how they will use it, and how they will protect it.
- Provide incentives and build trusted relationships to promote sharing with these critical security partners.

**VA's Program Response to GAO High-Risk Area #5: Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security**

ESTIMATED RESOLUTION TIMEFRAME: ONGOING

**GOAL: Establish Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security**

**Responsible Agency Official: Deputy Assistant Secretary for Emergency Management**

Completed FY 2008 Milestones	Performance Results/Impacts
Completed construction of a <b>Sensitive Compartmented Information Facility (SCIF)</b> at VA Central Office in April 2008.	Brings the Department into compliance with National Communications System regulations.  Enables the Department to conduct Top Secret level-I briefings and video-teleconferencing with other Departments/agencies at the highest levels.
Completed renovation of VA's <b>Continuity of Operations Plan (COOP)</b> space in Martinsburg, West Virginia for power, communications, and COOP support.	The facility now provides a fully <b>operational capability</b> to support VA's alternate site for an 80-person COOP team.
Approved design and construction schedule for a new building at the Primary alternate facility (Capitol Region Readiness Center).	Improves COOP site operations.



**GOAL: Establish Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security**

**Responsible Agency Official: Deputy Assistant Secretary for Emergency Management**

Completed FY 2008 Milestones	Performance Results/Impacts
Purchased 8 additional <b>Very Small Aperture Terminals (VSATs)</b> .	Improves communication capabilities.
Installed a Joint Warfare Information Communication System.	Enables Top Secret level computer communications with other Departments/Agencies.

**GOAL: Establish Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security**

Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
Purchase additional VSATs for deployment at each VA Medical Center. <b>(All quarters)</b>	Will improve communications capabilities during emergencies.
Complete construction for command and control trailer at reconstitution site. <b>(Q1)</b>	Will enhance Department's communications capabilities at reconstitution site.
Complete design for permanent reconstitution site operations center. <b>(Q3)</b>	Will provide the Department a formal reconstitution site, enabling the day-to-day operations of the Department to get back to normal more quickly.
Renovate/relocate Primary VA Operations Center. <b>(Q4)</b>	Will improve 24/7 operations and coordination with other Departments/Agencies in emergencies.
Develop construction milestones for Capitol Region Readiness Center. <b>(FY 2010)</b>	Will enable us to monitor the progress of the project. This facility will be a huge improvement to current COOP site operations upon its completion.

**GAO High-Risk Area #6: Management of Interagency Contracting**

*(Recommendations based on GAO-07-310)*

**Background**

Federal agencies have increasingly turned to interagency contracting—a process by which one agency uses other agencies' contracts and contracting services—as a way to streamline the procurement process. This contracting method can offer benefits of improved efficiency and convenience, but it needs to be effectively managed. Due to continued growth in the use of these contracts, the limited expertise of some customers and service providers in using these contracts, and unclear lines of responsibility, GAO designated interagency contracting as a high-risk area in 2005. Proper use of this contracting method requires strong internal controls, clear definition of roles and responsibilities, and training for both customers and servicing agencies.

GAO's work and that of agency inspectors general have continued to find cases in which agencies have not adequately met these challenges. While agencies have taken some actions in response to GAO recommendations, specific and targeted approaches are still needed to address interagency contracting management risks.





**GAO Recommendations**

Agencies should take the following actions:

- Clearly define roles and responsibilities of both customers and servicing agencies.
- Continue to adopt and implement policies and processes that ensure that customer service demands do not override sound contracting practices.
- Track the use of this contracting method to assess whether it provides good outcomes.

**VA’s Program Response to GAO High-Risk Area #6: Management of Interagency Contracting**  
 ESTIMATED RESOLUTION TIMEFRAME: FY 2009

<b>GOAL: Improve Management of Interagency Contracting</b>	
<b>Responsible Agency Official: Deputy Assistant Secretary for Acquisition and Logistics</b>	
Completed FY 2008 Milestones	Performance Results/Impacts
<p>The Center for Acquisition Innovation developed a VA-wide Information Letter (IL) that prescribes uniform policies for Interagency Agreements (IAAs), including formats, approval levels, and signatory authorities.</p> <p>The IL incorporates the guidance provided by the Office of Federal Procurement Policy on June 6, 2008 and addresses the IAA issues identified by GAO in their May 2008 Report to Congress, “Interagency Contracting--Need for Improved Information and Policy Implementation at the Department of State.”</p>	<p>Given the continued growth in the use of Interagency contracts and the limited expertise of some customers and service providers, having a formal IL that provides a standard format and process to be used for IAAs will make it easier for VA to make use of these agreements.</p>

<b>GOAL: Improve Management of Interagency Contracting</b>	
Planned FY 2009 Milestones (Estimated Completion Quarter)	Anticipated Impacts
<p>The proposed IL is in the formal concurrence process and is expected to be published at the beginning of FY 2009. <b>(Q1)</b></p>	<p>The IL will provide a standard format and process to be used in employing IAAs VA-wide.</p>



## APPENDIX

The Appendix lists selected reports pertinent to the high-risk areas discussed. However, the Appendix is not intended to encompass all GAO work in an area.

### **Modernizing Federal Disability Programs**

*High-Risk Series: An Update*, GAO-07-310, January 31, 2007.

*GAO Findings and Recommendations Regarding DOD and VA Disability Systems*, GAO-07-906R, May 25, 2007.

*Veterans' Benefits: Improved Operational Controls and Management Data Would Enhance VBA's Disability Reevaluation Process*, GAO-08-75, December 6, 2007.

*Veterans' Benefits: Increased Focus on Evaluation and Accountability Would Enhance Training and Performance Management for Claims Processors*, GAO-08-561, May 27, 2008.

### **Strategic Human Capital Management**

*High-Risk Series: An Update*, GAO-07-310, January 31, 2007.

### **Managing Federal Real Property**

*High-Risk Series: An Update*, GAO-07-310, January 31, 2007.

*Federal Real Property: Progress Made Toward Addressing Problems, but Underlying Obstacles Continue to Hamper Reform*, GAO-07-349, April 13, 2007.

*Federal Real Property: An Update on High-Risk Issues*, GAO-07-895T, May 24, 2007.

*Department of Veterans Affairs: Actions Needed to Strengthen VA's Foreclosed Property Management Contractor Oversight*, GAO-08-60, November 15, 2007.

### **Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures**

*High-Risk Series: An Update*, GAO-07-310, January 31, 2007.

*Information Security: Veterans Affairs Needs to Address Long-Standing Weaknesses*, GAO-07-532T, February 28, 2007.

*Veterans Affairs: Inadequate Controls over IT Equipment at Selected VA Locations Pose Continuing Risk of Theft, Loss, and Misappropriation*, GAO-07-505, July 16, 2007.

*Veterans Affairs: Continued Focus on Critical Success Factors Is Essential to Achieving Information Technology Realignment*, GAO-07-844, June 15, 2007.



*Veterans Affairs: Sustained Management Commitment and Oversight Are Essential to Completing Information Technology Realignment and Strengthening Information Security*, GAO-07-1264T, September 26, 2007.

*Information Security: Sustained Management Commitment and Oversight Are Vital to Resolving Long-standing Weaknesses at the Department of Veterans Affairs*, GAO-07-1019, September 7, 2007.

*Information Technology: VA Has Taken Important Steps to Centralize Control of Its Resources, but Effectiveness Depends on Additional Planned Actions*, GAO-08-449T, February 13, 2008.

**Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security**

*High-Risk Series: An Update*, GAO-07-310, January 31, 2007.

**Management of Interagency Contracting**

*High-Risk Series: An Update*, GAO-07-310, January 31, 2007



## Snapshot

### Waco Regional Office Reaches out to Native American Veterans



After attending an American Indian conference in Albuquerque, New Mexico, Carl Lowe, Waco, Texas, VA Regional Office (VARO) Director, asked "what could VA do" to reach American Indian veterans. VA staff developed a plan to approach a local Native American tribe to determine the best way to gain access to Native American veterans on their reservations. After meeting with leaders of the Ysleta del Sur Pueblo (Tigua) Tribe, approval was obtained to conduct outreach on the Tigua Reservation near El Paso, Texas. The VARO staff discovered that there were 91 veterans who were members of the Tigua Tribe and only two were receiving VA benefits at that time. Today, more than 60 Tigua veterans receive VA benefits. In recognition of the initiative, the National Congress of American Indians (NCAI) presented the Waco VARO with a Native American Warrior Certificate of Recognition, citing employees of the Waco VARO for working together with the Tigua Tribe to form one of the most effective American Indian outreach relationships in the Nation.



## Snapshot

### Dr. Paula Schnurr Wins the "Health Breakthrough Award"



Dr. Paula Schnurr, deputy executive director for VA's National Center for Post Traumatic Stress Disorder (PTSD), received the 3rd annual Ladies Home Journal "Health Breakthrough Award" for her work with PTSD and women veterans.

"Dr. Schnurr's contribution to veterans is an exceptional example of the Department's commitment to healing those who have borne the battle," said Secretary of Veterans Affairs Dr. James B. Peake. "Her research was recognized for finding the best therapy among current treatment approaches for PTSD in women."

The study led by Schnurr for the Department of Veterans Affairs (VA) was the largest clinical trial of individual psychotherapy for PTSD ever conducted. The findings led to VA supporting a national training program in "prolonged-exposure therapy," which had not previously been widely used. VA is a world leader in the research, diagnosis, and treatment of PTSD, providing specialized PTSD programs at its medical centers and clinics. More about the National Center for PTSD can be found at [Web www.ncptsd.va.gov](http://www.ncptsd.va.gov)



## Letter from the Chief Financial Officer

November 17, 2008

The Department of Veterans Affairs (VA) completed another successful year by receiving an unqualified audit opinion for the 10<sup>th</sup> consecutive year from our external auditors, Deloitte & Touche. We are extremely proud of this continued accomplishment.

VA continued to implement corrective actions to address the material weaknesses identified in the FY 2007 audit (Financial Management System Functionality, Information Technology Security Controls, Financial Management Oversight, and Retention of Computer Generated Detail Records in the Benefits Delivery Network (BDN) System). During this year, we successfully remediated and removed the Retention of Computer Generated Detail Records in the Benefits Delivery Network (BDN) System material weakness, reducing the total number of VA material weaknesses from four to three.

VA also made progress on the Financial Management System Functionality material weakness through our Financial & Logistics Integrated Technology Enterprise (FLITE) program. This important VA initiative is being developed to integrate disparate VA systems, standardize functional processes, and modernize the information technology environment across the entire VA. The FLITE program is following a multiple-year phased approach comprised of two major components: the logistics and asset management system component, referred to as Strategic Asset Management (SAM), and the financial management component, referred to as the Integrated Financial Accounting System (IFAS).

In 2008 VA completed initial planning and documentation of business requirements for SAM and IFAS. Key program management activities were also implemented, including establishment of a Risk Management Control Board, base lining the life cycle cost estimate,



schedule and milestones, initiating organizational change management communications targeted toward stakeholders, and continued engagement of the FLITE Governance Structure to provide senior level oversight and guidance. Major program accomplishments included awarding the contract for SAM hardware, issuing the request for proposals for the SAM Pilot implementation and program management office support services, and conducting a site selection survey to determine pilot sites for IFAS and beta sites for SAM and IFAS.

In 2008, the FLITE program also implemented the final planned interfaces into the Financial Reporting Data Warehouse (FRDW) production environment. These include the Loan Guarantee Program interfaces for the Centralized Property Tracking System (CPTS), Countrywide Home Loans (CHL), Funding Fee Payment System (FFPS), VistA Account Receivable (AR), and VistA FEE. This will substantially improve VA's ability to capture transaction details from targeted interface systems and reconcile data interfacing to the VA legacy Financial Management System (FMS) resulting in an enhanced reconciliation process between FMS and legacy subsidiary systems.

VA also made improvements to the intragovernmental accounting and reporting



process. A review of the intragovernmental vendor list was conducted and obsolete and redundant vendor IDs were removed. In addition, a Hyperion-based intragovernmental reporting tool was developed and tested. This reporting enhancement tool will be in production in the first quarter of FY 2009 and will significantly improve the accuracy of reporting VA's reciprocal intragovernmental accounts.

Progress has also been made in addressing the Information Technology (IT) Security Controls material weakness. The Department's overall information security posture has been improved with the establishment of the Information Protection and Risk Management (IPRM) organization to centralize security and privacy staff and business functions, increase accountability, and standardize security processes. With IPRM, VA has established the organizational foundation to ensure VA has a stronger security program well into the future. VA continues to implement the comprehensive Data Security - Assessment and Strengthening of Controls Program to govern the multiple, concurrent security activities already underway to remediate this material weakness. Other achievements include the certification and accreditation of over 600 VA operational systems including the testing of over 9,000 system security controls. As of September 2008, all of these systems have received full authorization to operate. Innovative technical solutions like portable device encryption, enterprise network monitoring, secure remote access, and port security and device control were implemented to enhance the protection of access to sensitive information and improve VA's overall information security posture.

During 2008, initiatives related to remediating the Financial Management Oversight material weakness were also implemented. VA procured contractor support to provide financial process improvement, audit readiness, and audit remediation services. VA also started the 3-year Financial Policy Improvement Initiative to ensure that financial policy and procedural

information is standardized, accurate, clear, and readily available across the Department.

Corrective action plans for each of the three material weaknesses guide VA's efforts as we continue to work diligently and proactively to address and remove them. However, these weaknesses are complex and involve corrective actions over several years. OMB recognized VA's improvements by upgrading our "progress" score on the President's Management Agenda Financial Performance scorecard from red to yellow.

We also continued efforts to ensure VA's compliance with OMB Circular A-123, Appendix A, Internal Control over Financial Reporting. Based on the approved implementation plan, VA completed the first full cycle of all actions identified for its 3-year plan. As a result of the completion of the assessment of VA's eleven key business processes, no material weaknesses were identified. Remediation actions were identified and implemented to address all findings.

VA continues to implement new strategies to meet existing and new requirements under OMB Circular A-123, Appendix B. We increased our ability to track and monitor training for the purchase and travel card programs through the implementation of specific training courses offered via VA's online Learning Management System. This training is required for Agency/Organization Program Coordinators (AOPCs) and all cardholders prior to being issued a card. AOPCs are also now required to complete GSA's online Purchase Card Training course in addition to VA's course. VA's Government Purchase Card Procedures Directive and Handbook were rewritten to enhance the administration of the program, strengthen internal controls and incorporate the latest guidance and recommendations from OMB, GSA and GAO. A 2008 OIG audit found that VHA purchase card controls were generally effective at preventing or detecting questionable, improper, or fraudulent medical facility



purchases, and that all 707 transactions reviewed were purchases for goods or services for valid medical facility needs. However, better documentation was needed. In response to OMB concerns about Premium Class Travel (PCT), we revised our PCT policy and strengthened internal controls.

VA successfully completed risk assessments, statistical sampling, and all requirements for programs under the Improper Payments Information Act (IPIA) of 2002. VA met improper payment reduction and audit recovery targets for three out of five programs. VA also received approval from OMB to remove VA's Insurance and the Vocational Rehabilitation & Employment programs from IPIA reporting requirements until FY 2009 and FY 2010, respectively. This year, VA maintained a green score for "progress" on the President's Management Agenda scorecard for Eliminating Improper Payments.

VA continued to advance e-Gov initiatives and aggressively worked with the General Services Administration and Electronic Data Systems, VA's selected e-Gov travel prime contractor, to implement an electronic travel solution for VA. VA completed Departmentwide implementation of FedTraveler on schedule in December 2007. VA's implementation (1) eliminated four separate travel systems previously in use in VA, providing a cost avoidance of \$1.9 million annually from maintaining these older legacy systems, and (2) exceeded a key performance measure of having 75% of travel plans with air reservations made using the online booking engine – VA's online adoption rate averaged 82 percent, and leads all of EDS's government deployments. For the e-Payroll e-Gov initiative, VA has successfully migrated 16,417 employees to the Defense Finance and Accounting Service for payroll servicing. The remaining VA population, 251,905, is scheduled to migrate in 2009.

VA's Franchise Fund is expected to receive its 11<sup>th</sup> successive unqualified audit opinion on its FY 2008 consolidated financial statements.

VA's Supply Fund received a clean opinion in 2007 on its balance sheet; this was the first independent audit by an outside audit firm on this component of their financial statements.

We are proud that in FY 2008, medical care collections continued to improve to over \$2.4 billion. VA plans to continue to increase these collections, reaching nearly \$2.5 billion in FY 2009. Additionally, VA has developed a Departmental managerial cost accounting (MCA) system to enable managers at all levels to review and analyze cost data at the detail and programmatic levels. All MCA processes within VA's Administrations became operational during FY 2008.

Under the Government Performance and Results Act, we continuously assessed and refined our performance measures, quality of data, and compilation procedures. We developed procedures to assure our stakeholders that we have the most useful and accurate performance data available.

We are proud of our many accomplishments, and know that a lot of work remains. We continually strive to improve our financial stewardship and have set new goals to improve our performance. We will continue to promote sound business practices and improve accountability while fulfilling our mission of service to our Nation's veterans.

Robert J. Henke



## Consolidated Financial Statements

### DEPARTMENT OF VETERANS AFFAIRS

#### CONSOLIDATED BALANCE SHEETS (dollars in millions)

As of September 30,	2008	2007
<b>ASSETS</b>		
<b>INTRAGOVERNMENTAL</b>		
Fund Balance with Treasury (Note 3)	\$ 26,292	\$ 22,213
Investments (Note 5)	11,924	12,427
Accounts Receivable, Net (Note 6)	52	79
Other Assets	593	42
<b>TOTAL INTRAGOVERNMENTAL ASSETS</b>	<b>38,861</b>	<b>34,761</b>
<b>PUBLIC</b>		
Investments (Note 5)	183	177
Accounts Receivable, Net (Note 6)	1,760	1,329
Loans Receivable, Net (Note 7)	2,908	2,858
Cash (Note 4)	40	34
Inventories and Related Properties, Net (Note 8)	61	54
General Property, Plant and Equipment, Net (Note 9)	13,068	12,176
Other Assets	33	28
<b>TOTAL PUBLIC ASSETS</b>	<b>18,053</b>	<b>16,656</b>
<b>TOTAL ASSETS</b>	<b>\$ 56,914</b>	<b>\$ 51,417</b>
<b>Heritage Assets (Note 10)</b>		
<b>LIABILITIES</b>		
<b>INTRAGOVERNMENTAL</b>		
Accounts Payable	\$ 79	\$ 115
Debt	1,580	1,052
Other Liabilities (Note 14)	1,903	2,140
<b>TOTAL INTRAGOVERNMENTAL LIABILITIES</b>	<b>3,562</b>	<b>3,307</b>
<b>PUBLIC</b>		
Accounts Payable	4,141	3,938
Liabilities for Loan Guarantees (Note 7)	3,452	3,769
Federal Employee and Veterans Benefits Liability (Note 12)	1,468,605	1,129,527
Environmental and Disposal Liabilities (Note 13)	928	558
Insurance Liabilities (Note 16)	10,751	11,217
Other Liabilities (Note 14)	7,433	7,710
<b>TOTAL PUBLIC LIABILITIES</b>	<b>1,495,310</b>	<b>1,156,719</b>
<b>TOTAL LIABILITIES</b>	<b>1,498,872</b>	<b>1,160,026</b>
<b>NET POSITION</b>		
Unexpended Appropriations – Earmarked Funds (Note 18)	(11,627)	(9,184)
Unexpended Appropriations – All Other Funds	15,621	11,291
Cumulative Results of Operations – Earmarked Funds (Note 18)	12,983	10,076
Cumulative Results of Operations – All Other Funds	(1,458,935)	(1,120,792)
<b>TOTAL NET POSITION</b>	<b>(1,441,958)</b>	<b>(1,108,609)</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 56,914</b>	<b>\$ 51,417</b>

The accompanying Notes are an integral part of these financial statements.





<b>DEPARTMENT OF VETERANS AFFAIRS</b>		
<b>CONSOLIDATED STATEMENTS OF NET COST (dollars in millions)</b>		
<b>for the Years Ended September 30,</b>	<b>2008</b>	<b>2007</b>
<b>NET PROGRAM COSTS (NOTE 20)</b>		
Medical Care	\$ 35,019	\$ 32,013
Medical Education	1,367	1,267
Medical Research	917	843
Compensation	37,869	34,897
Pension	3,978	3,902
Education	2,537	2,348
Vocational Rehabilitation and Employment	787	722
Loan Guaranty	(565)	(200)
Insurance	118	94
Burial	448	355
<b>NET PROGRAM COSTS BEFORE CHANGES IN VETERANS BENEFITS ACTUARIAL LIABILITIES</b>	<b>82,475</b>	<b>76,241</b>
Compensation	338,100	(26,000)
Burial	900	(100)
<b>SUBTOTAL</b>	<b>339,000</b>	<b>(26,100)</b>
<b>NET NON-PROGRAM COSTS</b>	<b>1,147</b>	<b>953</b>
<b>NET COST OF OPERATIONS (NOTE 20)</b>	<b>\$ 422,622</b>	<b>\$ 51,094</b>

The accompanying Notes are an integral part of these financial statements.



**DEPARTMENT OF VETERANS AFFAIRS**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION (dollars in millions)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Earmarked Funds	All Other Funds	Eliminations	FY 2008 Consolidated Total
<b>Cumulative Results of Operations</b>				
Beginning Balance	\$ 10,156	\$ (1,120,792)	\$ (80)	\$ (1,110,716)
<b>Budgetary Financing Sources</b>				
Appropriations Used	-	87,147	-	87,147
Nonexchange Revenue	-	12	-	12
Donations	36	-	-	36
Transfer without Reimbursement	33	-	(33)	-
<b>Other Financing Sources (Non-Exchange)</b>				
Donations of Property	20	1	-	21
Transfers In/Out Reimbursement	-	(335)	96	(239)
Imputed Financing	-	1,375	-	1,375
Other	-	(870)	(96)	(966)
Total Financing Sources	89	87,330	(33)	87,386
Net Cost of Operations	(2,738)	425,360	-	422,622
<b>Net Change</b>	<b>2,827</b>	<b>(338,030)</b>	<b>(33)</b>	<b>(335,236)</b>
Ending Balance – Cumulative Results	12,983	(1,458,822)	(113)	(1,445,952)
<b>Unexpended Appropriations</b>				
Beginning Balance	(9,184)	11,211	80	2,107
<b>Budgetary Financing Sources</b>				
Appropriations Received	-	89,084	-	89,084
Appropriations Transferred In/Out	(2,443)	2,455	33	45
Other Adjustments	-	(95)	-	(95)
Appropriations Used	-	(87,147)	-	(87,147)
Total Budgetary Financing Sources	(2,443)	4,297	33	1,887
<b>Total Unexpended Appropriations</b>	<b>(11,627)</b>	<b>15,508</b>	<b>113</b>	<b>3,994</b>
<b>Total Net Position</b>	<b>\$ 1,356</b>	<b>\$ (1,443,314)</b>	<b>\$ -</b>	<b>\$ (1,441,958)</b>

The accompanying Notes are an integral part of these financial statements.



**DEPARTMENT OF VETERANS AFFAIRS**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION (dollars in millions)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Earmarked Funds	All Other Funds	Eliminations	FY 2007 Consolidated Total
<b>Cumulative Results of Operations</b>				
Beginning Balance	\$ 7,887	\$ (1,146,470)	\$ (38)	\$ (1,138,621)
<b>Budgetary Financing Sources</b>				
Appropriations Used	-	78,983	-	78,983
Nonexchange Revenue	-	9	-	9
Donations	27	-	-	27
Transfer without Reimbursement	42	-	(42)	-
<b>Other Financing Sources (Non-Exchange)</b>				
Donations of Property	19	1	-	20
Transfers In/Out Reimbursement	-	(1,448)	1,206	(242)
Imputed Financing	-	1,408	-	1,408
Other	-	-	(1,206)	(1,206)
Total Financing Sources	88	78,953	(42)	78,999
Net Cost of Operations	(2,181)	53,275	-	51,094
<b>Net Change</b>	<b>2,269</b>	<b>25,678</b>	<b>(42)</b>	<b>27,905</b>
Ending Balance – Cumulative Results	10,156	(1,120,792)	(80)	(1,110,716)
<b>Unexpended Appropriations</b>				
Beginning Balance	(6,965)	8,201	38	1,274
<b>Budgetary Financing Sources</b>				
Appropriations Received	-	79,817	-	79,817
Appropriations Transferred In/Out	(2,219)	2,210	42	33
Other Adjustments	-	(35)	-	(35)
Appropriations Used	-	(78,982)	-	(78,982)
Total Budgetary Financing Sources	(2,219)	3,010	42	833
<b>Total Unexpended Appropriations</b>	<b>(9,184)</b>	<b>11,211</b>	<b>80</b>	<b>2,107</b>
<b>Total Net Position</b>	<b>\$ 972</b>	<b>\$ (1,109,581)</b>	<b>\$ -</b>	<b>\$ (1,108,609)</b>

The accompanying Notes are an integral part of these financial statements.



**DEPARTMENT OF VETERANS AFFAIRS**  
**COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 21) (dollars in millions)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<b>Non-Budgetary Budgetary Credit Program</b>	
<b>Budgetary Resources</b>		
Unobligated Balance at the Beginning of the Period	\$ 18,312	\$ 2,950
Recoveries of Prior Year Obligations	3	-
Budget Authority		
Appropriations Received	92,718	-
Borrowing Authority	-	1,294
Spending Authority from Offsetting Collections		
Earned	5,120	2,872
Unfilled Customer Orders	(133)	-
Subtotal	<u>116,020</u>	<u>7,116</u>
Nonexpenditure Transfers, net	45	-
Temporarily Not Available Pursuant to Public Law (Note 23)	(8,352)	-
Permanently Not Available	<u>(126)</u>	<u>(766)</u>
<b>Total Budgetary Resources</b>	<b><u>\$ 107,587</u></b>	<b><u>\$ 6,350</u></b>
<b>Status of Budgetary Resources</b>		
Obligations Incurred	\$ 97,028	\$ 3,065
Unobligated Balance Available	7,907	-
Unobligated Balance Not Yet Available	<u>2,652</u>	<u>3,285</u>
<b>Total Status of Budgetary Resources</b>	<b><u>\$ 107,587</u></b>	<b><u>\$ 6,350</u></b>
<b>Change in Obligated Balance</b>		
Obligated Balance, Net Beginning of Period	\$ 12,911	\$ 87
Obligations Incurred	97,028	3,065
Less Gross Outlays	(94,170)	(3,157)
Less Recoveries of Prior Year Unpaid Obligations, Actual	(3)	-
Change in Uncollected Customer Payments from Federal Sources	<u>158</u>	<u>67</u>
<b>Obligated Balance, Net End of Period</b>	<b><u>\$ 15,924</u></b>	<b><u>\$ 62</u></b>
<b>Net Outlays</b>		
Gross Outlays	\$ 94,170	\$ 3,157
Less Offsetting Collections	(5,145)	(2,938)
Less Distributed Offsetting Receipts	<u>(2,879)</u>	<u>(1,364)</u>
<b>Net Outlays</b>	<b><u>\$ 86,146</u></b>	<b><u>\$ (1,145)</u></b>

The accompanying Notes are an integral part of these financial statements.



**DEPARTMENT OF VETERANS AFFAIRS**  
**COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 21) (dollars in millions)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

		<b>Non-Budgetary Budgetary Credit Program</b>
<b>Budgetary Resources</b>		
Unobligated Balance at the Beginning of the Period	\$ 16,958	\$ 3,560
Recoveries of Prior Year Obligations	6	-
Budget Authority		
Appropriations Received	82,630	-
Borrowing Authority	-	590
Spending Authority from Offsetting Collections		
Earned	5,261	1,522
Change in Unfilled Customer Orders	(250)	-
Subtotal	104,605	5,672
Nonexpenditure Transfers, net	33	-
Permanently Not Available	(77)	(521)
<b>Total Budgetary Resources</b>	<b>\$ 104,561</b>	<b>\$ 5,151</b>
<b>Status of Budgetary Resources</b>		
Obligations Incurred	\$ 86,249	\$ 2,201
Unobligated Balance Available	15,702	-
Unobligated Balance Not Yet Available	2,610	2,950
<b>Total Status of Budgetary Resources</b>	<b>\$ 104,561</b>	<b>\$ 5,151</b>
<b>Change in Obligated Balance</b>		
Obligated Balance, Net Beginning of Period	\$ 8,109	\$ 127
Obligations Incurred	86,249	2,201
Less Gross Outlays	(81,747)	(2,267)
Less Recoveries of Prior Year Unpaid Obligations, Actual	(6)	-
Change in Uncollected Customer Payments from Federal Sources	306	26
<b>Obligated Balance, Net End of Period</b>	<b>\$ 12,911</b>	<b>\$ 87</b>
<b>Net Outlays</b>		
Gross Outlays	\$ 81,747	\$ 2,267
Less Offsetting Collections	(5,317)	(1,548)
Less Distributed Offsetting Receipts	(2,560)	(1,050)
<b>Net Outlays</b>	<b>\$ 73,870</b>	<b>\$ (331)</b>

The accompanying Notes are an integral part of these financial statements.



## Notes to Consolidated Financial Statements

**For the Years Ended September 30, 2008 and 2007 (dollars in millions, unless otherwise noted).**

### **1. Summary of Significant Accounting Policies**

#### **Reporting Entity and Basis of Presentation**

The Department of Veterans Affairs' (VA) consolidated financial statements report all activities of VA components, including the Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), National Cemetery Administration (NCA), and staff organizations. The consolidated financial statements meet the requirements of the Chief Financial Officers Act (CFO) of 1990 and the Government Management Reform Act (GMRA) of 1994. The consolidated financial statements differ from the financial reports used to monitor and control budgetary resources, but are prepared from the same books and records. The statements should be read with the understanding that VA is a component unit of the U.S. Government.

#### **Organization**

The mission of VA is to provide medical care, benefits, social support, and lasting memorials to veterans, their dependents, and beneficiaries [(38 U.S.C. Section 301(b) 1997)].

The Department is organized under the Secretary of VA. The Secretary's office includes a Deputy Secretary and has direct lines of authority over the Under Secretary for Health, the Under Secretary for Benefits, and the Under Secretary for Memorial Affairs. Additionally, six Assistant Secretaries, an Inspector General, a General Counsel, an Executive-In-Charge for Human Resources and Administration, and the chairmen of the Board of Contract Appeals and the Board of Veterans' Appeals support the Secretary.

#### **Budgets and Budgetary Accounting**

Budgetary accounting measures appropriation and consumption of budget/spending authority or other budgetary resources, and facilitates compliance with legal constraints and controls over the use of federal funds. Under budgetary reporting principles, budgetary resources are consumed at the time of the purchase. Assets and liabilities that do not consume budgetary resources are not reported, and only those liabilities for which valid obligations have been established are considered to consume budgetary resources.

#### **Basis of Accounting**

The principal financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements. The American Institute of Certified Public Accountant's (AICPA) Statement on Auditing Standards No. 91, Federal GAAP Hierarchy, established a hierarchy of GAAP for Federal financial statements.

#### **Revenues and Other Financing Sources**

Exchange revenues are recognized when earned to the extent the revenue is payable to VA from other federal agencies or the public as a result of costs incurred or services performed on its behalf. Revenue is recognized at the point the service is rendered. Imputed financing sources consist of imputed revenue for expenses relating to legal claims paid by the Department of Treasury's (Treasury's) Judgment Fund and post-retirement benefits for VA employees. Non-exchange revenue, e.g., donations, is recognized when received, and related receivables are recognized when measurable and



legally collectible, as are refunds and related offsets.

**Accounting for Intragovernmental Activities**  
VA, as a department of the federal government, interacts with and is dependent upon the financial activities of the federal government as a whole. Therefore, these consolidated financial statements do not reflect the results of all financial decisions applicable to VA as though the Department were a stand-alone entity.

In order to prepare reliable financial statements, transactions occurring among VA components must be eliminated. All significant intra-entity transactions were eliminated from VA's consolidated financial statements.

#### **Transferring Budget Authority to Other Agencies**

The VA is a party to allocation transfers with the Department of Defense (DoD) as a transferring (parent) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U. S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g. budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived.

#### **Fund Balance with Treasury**

Treasury performs cash management activities for all federal government agencies. The Fund Balance with Treasury represents the right of VA to draw on the Treasury for allowable expenditures. Trust fund balances consist

primarily of amounts related to the Post-Vietnam Educational Assistance Trust Fund, the National Service Life Insurance (NSLI) Fund, the United States Government Life Insurance (USGLI) Fund, the Veterans Special Life Insurance (VSLI) Fund, General Post Fund, and the National Cemetery Gift Fund. The use of these funds is restricted.

#### **Cash**

Cash consists of Canteen Service and Loan Guaranty Program amounts held in commercial banks, cash held by non-federal trusts as well as Agent Cashier advances at VA field stations. Treasury processes all other cash receipts and disbursements. Amounts relating to the Loan Guaranty Program represent deposits with trustees for offsets against loan loss claims related to sold loan portfolios. Funds held by non-federal trusts are restricted and may be used only in accordance with the terms of the trust agreements.

#### **Investments**

Investments are reported at cost and are redeemable at any time for their original purchase price. Insurance program investments, which comprise most of VA's investments, are in non-marketable Treasury special bonds and certificates. Interest rates for Treasury special securities are initially set based on average market yields for comparable Treasury issues. Special bonds, which mature during various years through the year 2023, are generally held to maturity unless needed to finance insurance claims and dividends. Other program investments are in securities issued by Treasury, with the exception of non-federal Trust investments in mutual funds and the Loan Guaranty Program investments in trust certificates issued by the American Housing Trusts.

Allowances are recorded to reflect estimated losses of principal as a result of the subordinated position in American Housing Trust certificates I through V. The estimated allowance computations are based upon discounted cash



flow analysis. VA continues to use the income from these subordinated certificates to fund the American Housing Trust Reserve Fund, which is used in turn to fund deficiencies in scheduled monthly principal and interest on the loans as well as to cover any realized losses incurred in the prior month. Any excess funds in the Reserve Fund are reimbursed to VA upon request.

#### **Accounts Receivable**

Intragovernmental accounts receivable consists of amounts due from other federal government agencies and are considered to be fully collectible.

Public accounts receivable consists mainly of amounts due for veterans' health care and amounts due for compensation, pension, and readjustment benefit overpayments. Allowances are based on prior experience. For FY 2008, contractual adjustments were 20 percent of the Medical Care Collection Fund third party receivables. The bad debt allowances for medical-related receivables were 13 percent. For FY 2007, contractual adjustments were 56 percent and bad debt allowances for medical-related receivables were 10 percent. Educational-related receivables bad debt allowances were 47 percent for FY 2008 and 36 percent for FY 2007. Compensation and pension benefits overpayment-related bad debt allowances were 72 percent for FY 2008 and 68 percent for FY 2007.

VA is required by Public Law 96-466 to charge interest and administrative costs on benefits debts similar to charges levied on other debts owed the federal government. In a July 1992 decision, the then-VA Deputy Secretary decided that VA would not charge interest on compensation and pension debts. This decision continues to be VA policy.

#### **Loans Receivable**

Loans Receivable are recorded as funds are disbursed. For loans obligated prior to October 1, 1991, loan principal and interest receivable

amounts are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on past experience and an analysis of outstanding balances. For loans obligated after September 30, 1991, an allowance equal to the subsidy costs associated with these loans adjusts the loans receivable. This adjustment is due to the interest rate differential between the loans and borrowing from Treasury, the estimated delinquencies and defaults, net of recoveries, offsets from fees, and other estimated cash flows.

#### **Inventories**

Inventories consist of items such as Canteen Service retail store stock and are valued at cost. VA follows the purchase method of accounting for operating supplies, medical supplies, and pharmaceutical supplies in the hands of end users. The purchase method provides that these items be expensed when purchased. VA defines an end user as a VA medical center, regional office, or cemetery.

#### **Property, Plant, and Equipment**

The majority of the general property, plant, and equipment is used to provide medical care to veterans and is valued at cost, including transfers from other federal agencies. Major additions, replacements, and alterations are capitalized, whereas routine maintenance is expensed when incurred. Construction costs are capitalized as Construction Work in Progress until completion, and then transferred to the appropriate property account. Other Structures and Capital Leases includes items such as leasehold improvements and structures not classified as buildings. Individual items are capitalized if the useful life is 2 years or more and the unit price is \$100,000 or greater. Buildings are depreciated on a straight-line basis over estimated useful lives of 25 to 40 years. Equipment is also depreciated on a straight-line basis over its useful life, usually 5 to 20 years. There are no restrictions on the use or convertibility of general property, plant, and equipment. For disclosure regarding Heritage Assets see Note 10.





### **Other Assets**

Other assets consist of advance payments. Public advance payments are primarily to hospitals and medical schools under house staff contracts, grantees, beneficiaries, and employees on official travel. Intragovernmental advance payments are primarily to the Army Corps of Engineers (Corps) and the General Services Administration (GSA). Advances to the Corps are primarily for non-recurring maintenance of VHA medical facilities. Advances to the GSA are primarily for rent and Government Printing Office (GPO) for supplies, printing, and equipment.

### **Accounts Payable**

Intragovernmental accounts payable consists of amounts owed to other federal government agencies. The remaining accounts payable consist of amounts due to the public.

### **Loan Guarantees**

For direct loan obligations and loan guaranty commitments made after 1991, the resulting direct loans are reported net of an allowance for subsidy costs at present value, and loan guarantee liabilities are reported at present value. The present value of the subsidy costs associated with direct loans and loan guarantees is recognized as a cost in the year the direct or guaranteed loan is disbursed. Pre-1992 direct loans and loan guarantees are reported under the allowance for loss method. The nominal amount of the direct loan is reduced by an allowance for uncollectible amounts, and the liability for loan guarantees is the amount VA estimated will most likely require a future cash outflow to pay defaulted claims. Interest is accrued on VA-owned loans by computing interest on a loan-by-loan basis at the end of the month and recording the amount owed as an accrual.

The guaranteed loan sales liability represents the present value of the estimated cash flows to be paid by VA as a result of the guarantee. VA guarantees that the principal and interest payment due on a loan will be paid by the 15<sup>th</sup> of

each month. If the payment is not made, VA allows the loan servicer to receive funds from a cash reserve account for the amount of the deficiency. VA guarantees the loans against losses at foreclosure. Although VA will not buy back the loan, VA will pay the loan loss and foreclosure expenses.

### **Debt**

All intragovernmental debt is due to Treasury and is primarily related to borrowing by the Direct Loan and Loan Guaranty Program. The interest rates ranged from 2.40 to 4.58 percent in FY 2008 and 4.73 to 4.99 percent in FY 2007.

### **Insurance Liabilities**

Actuarial reserve liabilities for VA's insurance programs are based on mortality and interest rate assumptions at the time of issue. These assumptions vary by fund, type of policy, and type of benefit. The interest rate assumptions range from 2.25 to 5.0 percent for both the FY 2008 and FY 2007 calculations.

### **Annual Leave**

The accrued annual leave balance is adjusted at the end of the fiscal year to reflect current pay rates for leave that has been earned but not taken. Sick and other types of non-vested leave are expensed as taken. To the extent appropriations are not available to fund annual leave earned but not used, funding will be obtained from future financing sources.

### **Workers' Compensation Liability**

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. Claims incurred for benefits for VA employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by VA.



Workers' compensation is comprised of two components: (1) the accrued liability which represents money owed by VA to DOL for claims paid by DOL on behalf of VA through the current fiscal year, and (2) the actuarial liability for compensation cases to be paid beyond the current year.

Future workers' compensation estimates are generated from an application of actuarial procedures developed by DOL to estimate the liability for FECA benefits. The liability for future workers' compensation benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases and for potential cases related to injuries incurred but not reported. The liability is determined by utilizing historical benefit payment patterns related to a particular period to estimate the ultimate payments related to that period.

#### **Pension, Other Retirement Benefits, and Other Post-Employment Benefits**

Each employing federal agency is required to recognize its share of the cost and imputed financing of providing pension and post-retirement health benefits and life insurance to its employees. Factors used in the calculation of these pensions and post-retirement health and life insurance benefit expenses are provided by the Office of Personnel Management (OPM) to each agency.

VA's employees are covered under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) to which VA makes contributions according to plan requirements. CSRS and FERS are multi-employer plans. VA does not maintain or report information about the assets of the plans, nor does it report actuarial data for the accumulated plan benefits. That reporting is the responsibility of OPM.

#### **Veterans Benefits Liability**

VA provides compensation benefits to veterans who are disabled by military service-related

causes. Benefits are also provided to deceased veterans' beneficiaries. These benefits are provided in recognition of a veteran's military service. The liability for future compensation payments is reported on VA's balance sheet at the present value of expected future payments, and is developed on an actuarial basis. Various assumptions in the actuarial model, such as the number of veterans and dependents receiving payments, discount rates, cost of living adjustments, and life expectancy, impact the amount of the liability.

#### **Litigation**

VA is a party in various administrative proceedings, legal actions, and claims brought against it. In the opinion of VA management and legal counsel, the ultimate resolutions of these proceedings, actions, and claims will not materially affect the financial position or results of VA operations other than disclosed in Note 17, Contingencies.

#### **Non-Federal Trusts**

VA has entered into enhanced-use leases to maximize use of underutilized VA property. In seven of these enhanced-use leases, the assets and liabilities were transferred to a non-federal trust. The assets, liabilities, and results of operations of these seven trusts are consolidated in VA's consolidated financial statements.

#### **Estimates**

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.



## 2. Non-Entity Assets

Entity and Non-Entity assets have been combined on the balance sheet. Non-Entity assets relate primarily to patient funds.

<b>Non-Entity Assets</b>			
<b>as of September 30,</b>			
		<b>2008</b>	<b>2007</b>
Fund Balance with Treasury	\$	96	\$ 47
Intragovernmental Accounts Receivable		1	1
Public Accounts receivable		34	22
<b>Total Non-Entity Assets</b>	<b>\$</b>	<b>131</b>	<b>\$ 70</b>

## 3. Fund Balance with Treasury

<b>Fund Balance with Treasury</b>			
<b>as of September 30,</b>			
		<b>2008</b>	<b>2007</b>
<b>Entity Assets</b>			
Trust Funds	\$	93	\$ 76
Revolving Funds		3,734	3,476
Appropriated Funds		22,110	18,433
Special Funds		214	178
Other Fund Types		45	3
<b>Total Entity Assets</b>		<b>26,196</b>	<b>22,166</b>
<b>Non-Entity Assets</b>			
Other Fund Types		96	47
<b>Total Non-Entity Assets</b>		<b>96</b>	<b>47</b>
<b>Total Entity and Non-Entity Assets</b>	<b>\$</b>	<b>26,292</b>	<b>\$ 22,213</b>
<b>Reconciliation of VA General Ledger Balances with Treasury</b>			
Entity VA General Ledger	\$	27,774	\$ 23,630
Reconciled Differences, principally timing		(1,537)	(1,419)
Unreconciled Differences		55	2
<b>Fund Balance with Treasury</b>	<b>\$</b>	<b>26,292</b>	<b>\$ 22,213</b>
<b>Status of Fund Balance with Treasury</b>			
Unobligated Balance			
Available	\$	7,852	\$ 7,282
Unavailable		4,010	3,623
Obligated Balance not yet Disbursed		14,076	11,079
Deposit /Clearing Account Balances		354	229
<b>Fund Balance with Treasury</b>	<b>\$</b>	<b>26,292</b>	<b>\$ 22,213</b>



#### 4. Cash

Cash		2008	2007
as of September 30,			
Canteen Service	\$	2	\$ 1
Agent Cashier Advance		6	4
Loan Guaranty Program		32	29
<b>Total Cash</b>	<b>\$</b>	<b>40</b>	<b>\$ 34</b>

#### 5. Investments

Investment Securities as of September 30, 2008	Cost	Amortization Method	Unamortized (Premium) Discount	Interest Receivable	Investments, Net	Market Value
<b>Intragovernmental Securities</b>						
Marketable (T-Bills)	\$ 26	Straight-line	\$ -	-	26	\$ 26
Non-Marketable: Special Bonds	11,657	Interest	-	168	11,825	11,825
Treasury Notes	73	N/A	(1)	1	73	73
<b>Total</b>	<b>\$ 11,756</b>		<b>\$ (1)</b>	<b>169</b>	<b>11,924</b>	<b>\$ 11,924</b>
<b>Other Securities</b>						
Trust Certificates (Loan Guaranty)	\$ 140	N/A	\$ -	-	140	\$ 140
Mutual Funds (Non-Federal Trusts)	46	Straight-line	(3)	-	43	43
<b>Total</b>	<b>\$ 186</b>		<b>\$ (3)</b>	<b>-</b>	<b>183</b>	<b>\$ 183</b>
<b>as of September 30, 2007</b>						
<b>Intragovernmental Securities</b>						
Marketable (T-Bills)	\$ 26	Straight-line	\$ -	-	26	\$ 26
Non-Marketable: Special Bonds	12,151	Interest	-	180	12,331	12,331
Treasury Notes	69	N/A	-	1	70	70
<b>Total</b>	<b>\$ 12,246</b>		<b>\$ -</b>	<b>181</b>	<b>12,427</b>	<b>\$ 12,427</b>
<b>Other Securities</b>						
Trust Certificates (Loan Guaranty)	\$ 130	N/A	\$ -	-	130	\$ 130
Mutual Funds (Non-Federal Trusts)	50	Straight-line	(3)	-	47	47
<b>Total</b>	<b>\$ 180</b>		<b>\$ (3)</b>	<b>-</b>	<b>177</b>	<b>\$ 177</b>



## 6. Accounts Receivable, Net

### Accounts Receivable, Net as of September 30,

	2008	2007
<b>Intragovernmental Accounts Receivable, Net</b>	\$ 52	\$ 79
<b>Public Accounts Receivable</b>		
Public Accounts Receivable, Gross	\$ 3,041	\$ 2,745
Allowance for Loss Provision	(1,281)	(1,416)
<b>Net Public Accounts Receivable</b>	\$ 1,760	\$ 1,329

## 7. Direct Loans and Loan Guarantees

Direct loan obligations and loan guarantee commitments made after 1991, and the resulting direct loans or loan guarantees, are governed by the Federal Credit Reform Act of 1990 (the Act). This disclosure is also in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 2, Accounting for Direct Loans and Guarantees. The Act provides that the present value of the subsidy costs associated with direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. Direct loans are reported net of an allowance for subsidy costs at present value, and loan guarantee liabilities are reported at present value. Pre-1992 direct loans and loan guarantees are reported under the allowance for loss method. The nominal amount of the direct loan is reduced by an allowance for uncollectible amounts, and the liability for loan guarantees is the amount VA estimates will most likely require a future cash outflow to pay defaulted claims.

Interest is accrued on VA-owned loans by computing interest on a loan-by-loan basis at the end of the month and recording the amount owed as an accrual.

The recorded value of loans receivable, net, and the value of assets related to direct loans are not the same as the proceeds that VA would expect to receive from selling its loans. VA operates the following direct loan and loan guaranty programs:

- Vocational Rehabilitation and Employment
- Education
- Insurance
- Loan Guaranty

Under the Loan Guaranty Program, a loan may be made to an eligible veteran by an approved private sector mortgage lender. VA guarantees payment of a fixed percentage of the loan indebtedness to the holder of such a loan, up to a maximum dollar amount, in the event of default by the veteran borrower. Occasionally, a delinquency is reported to VA and neither a realistic alternative to foreclosure is offered by the loan holder nor is VA in a position to supplementally service the loan. In such cases, VA determines, through an economic analysis, whether VA will authorize the holder to convey the property securing the loan (foreclosure) or pay the loan guarantee amount to the holder.

**Direct Loans**

Loans receivable related to direct loans represent the net value of assets related to acquired pre-1992 and post-1991 direct loans. For pre-1992 loans, VA employs the allowance for loss method in which the assets are offset by an allowance for loan losses (estimated

uncollectible loans). For post-1991 loans, the assets are offset by an allowance for subsidy costs at present value. An analysis of loans receivable and the nature and amounts of the subsidy costs associated with the direct loans are provided in the tables that follow:

**Loans Receivable and Related Foreclosed Property From Direct Loans  
as of September 30, 2008**

	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method)	\$ 25	10	(6)	-	\$ 29
Insurance Policy Loans	569	14	-	-	583
<b>Total Loans Receivable and Related Foreclosed Property Excluding Direct Loans Obligated After 1991, Net</b>					<b>\$ 612</b>

	Loans Receivable Gross	Interest Receivable	Allowance for Subsidy (Present Value)	Foreclosed Property	Value of Assets Related to Loans
Direct Loans Obligated After FY 1991	\$ 721	10	748	29	\$ 1,508
<b>Total Loans Receivable and Related Foreclosed Property from Direct Loans, Net</b>					<b>\$ 2,120</b>

**Loans Receivable and Related Foreclosed Property From Direct Loans  
as of September 30, 2007**

	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method)	\$ 36	12	(1)	-	\$ 47
Insurance Policy Loans	608	15	-	-	623
<b>Total Loans Receivable and Related Foreclosed Property Excluding Direct Loans Obligated After 1991, Net</b>					<b>\$ 670</b>



	Loans Receivable Gross	Interest Receivable	Allowance for Subsidy (Present Value)	Foreclosed Property	Value of Assets Related to Loans
Direct Loans Obligated After 1991	\$ 868	13	620	32	<u>\$ 1,533</u>
<b>Total Loans Receivable and Related Foreclosed Property from Direct Loans, Net</b>					<u>\$ 2,203</u>

**Direct Loans Disbursed**

The total amount of new direct loans disbursed for the years ended September 30, 2008 and 2007, was \$130 and \$127, respectively.

**Provision for Losses on Pre-1992 Loans**

The present value of the cost VA will bear as loans already guaranteed default is an element of the mortgage loan benefit that VA provides to veterans. This cost is reflected in the financial statements as an offset to the value of certain related assets.

The provision for losses on vendee loans is based upon historical loan foreclosure results applied to the average loss on defaulted loans. The calculation is also based on the use of the average interest rate of U.S. interest-bearing debt as a discount rate on the assumption that VA's outstanding vendee or direct loans will default over a 12-year period. For FY 2008, VA determined that these vendee loans have sufficient equity, due to real estate appreciation and buy-down of principal, to minimize or eliminate any potential loss to VA.

**Subsidy Expense for Post-1991 Direct Loans**

Pursuant to the Credit Reform Act, all direct loans established after September 30, 1991, will be subsidized. The subsidy expense for direct loans is as shown:

**Direct Loan Subsidy Expense  
for the years ended September 30,**

	2008	2007
Interest Differential	\$ (18)	\$ (13)
Defaults*	9	11
Fees**	(1)	(1)
Other***	13	9
<b>Subtotal</b>	<u>3</u>	<u>6</u>
Interest Rate Reestimates	(10)	(220)
Technical Reestimates	12	(323)
<b>Total Direct Loan Subsidy Expense</b>	<u>\$ 5</u>	<u>\$ (537)</u>

\* Includes approximately \$5 thousand and \$8 thousand in defaults and other expenses for the Vocational Rehabilitation Program in FY 2008 and 2007, respectively.

\*\* "Fees" expense for direct loans includes estimated down payments and other fees collected when homes are sold with vendee financing.

\*\*\* The "Other" expense for direct loans includes the estimated loss of scheduled principal and interest when vendee loans are sold.



### Subsidy Rates for Direct Loans by Component

The subsidy rates disclosed below pertain only to the current year cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans

reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes reestimates.

#### Subsidy rates for direct loans

Interest Differential	(25.86%)
Defaults	16.74%
Fees	(1.79%)
Other	18.16%

### Allowance for Subsidy for Direct Loans (Post-1991)

VA reports the allowance for subsidy for direct loans, subject to Credit Reform requirements. For these loans, the allowance for subsidy represents the present value of the estimated net cash flows to be paid by VA as a result of a disbursed direct loan. VA disburses a direct loan and receives an allowance for subsidy along with borrowing from Treasury. For FY 2008, the subsidy rate is (1.59) percent for Veterans Housing Direct – Vendee Loans, 8.84 percent

for Veterans Housing Direct – Acquired Loans, and (14.48) percent for Native American Direct. In FY 2007, the subsidy rate was (3.46) percent for Veterans Housing Direct – Vendee Loans, 10.43 percent for Veterans Housing Direct – Acquired Loans, and (13.46) percent for Native American Direct. The allowance for subsidy as of September 30, 2008 and 2007 is \$(748) and \$(620), respectively.

#### Schedule for Reconciling Subsidy Cost Allowance Balances

##### Beginning Balance, Changes and Ending Balance

	FY 2008	FY 2007
Beginning balance of the allowance	\$ (620)	\$ (82)
Subsidy expense for direct loans disbursed during the reporting years by component:		
Interest subsidy costs	(18)	(13)
Default costs (net of recoveries)	9	11
Fees and other collections	(1)	(1)
Other subsidy costs	13	9
Total of the above subsidy expense components	<u>3</u>	<u>6</u>
Adjustments:		
Fees received	2	3
Foreclosed property acquired	(16)	3
Loans written off	(2)	(5)
Subsidy allowance amortization	(33)	(2)
Change in execution	(84)	-
Ending balance of the allowance before reestimates	<u>(750)</u>	<u>(77)</u>
Subsidy reestimates by component		
Interest rate reestimate	(10)	(220)
Technical/default reestimate	12	(323)
Total of the above reestimate components	<u>2</u>	<u>(543)</u>
Ending balance of the allowance	<u>\$ (748)</u>	<u>\$ (620)</u>





**Loan Guarantees**

Loans receivable related to loan guarantees represent the net value of assets related to pre-1992 and post-1991 defaulted guaranteed loans and non-defaulted guaranteed loans. For pre-1992 loans, VA employs the allowance for loss method in which the assets are offset by an

allowance for loan losses (estimated uncollectible loans). An analysis of loans receivable, loan guarantees, the liability for loan guarantees, and the nature and amounts of the subsidy costs associated with loan guarantees are provided in the tables that follow:

**Loans Receivable and Related Foreclosed Property from Loan Guarantees as of September 30, 2008**

	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Defaulted Guaranteed Loans - Pre-1992 Guarantees	\$ 49	-	(39)	9	\$ 19
Defaulted Guaranteed Loans Post-1991	5	-	-	764	769
<b>Total Loans Receivable and Related Foreclosed Property from Loan Guarantees</b>					<b>\$ 788</b>

**Loans Receivable and Related Foreclosed Property from Loan Guarantees as of September 30, 2007**

	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Defaulted Guaranteed Loans - Pre-1992 Guarantees	\$ 80	-	(74)	11	\$ 17
Defaulted Guaranteed Loans Post-1991	5	-	-	633	638
<b>Total Loans Receivable and Related Foreclosed Property from Loan Guarantees</b>					<b>\$ 655</b>

**Total Loans Receivable and Related Foreclosed Property, Net as of September 30,**

	2008	2007
Total Direct Loans	\$ 2,120	\$ 2,203
Total Guaranteed Loans	788	655
<b>Total Loans Receivable and Related Foreclosed Property, Net</b>	<b>\$ 2,908</b>	<b>\$ 2,858</b>

**Foreclosed Property**

Prior to the foreclosure of property secured by a VA loan, VA obtains an independent appraisal of the property. This appraisal is reviewed by VA staff to make a determination of the fair market value. To determine the net value of the property, VA costs such as acquisition, management, and disposition of the property, as

well as estimated losses on property resale, are subtracted from the estimated fair market value. The amount recorded for foreclosed property is estimated based upon the present value of future cash flows to be received upon the disposition of the property. Future cash flows are estimated based on the estimated selling price less the amounts paid at foreclosure plus estimated costs



to carry the property. Recent volatility in the United States housing market could change the estimates and assumptions used for these calculations in the future, which could impact the amounts reported and disclosed herein.

As of September 30, 2008 and 2007, the estimated number of residential properties in VA's inventory was 7,605 and 6,975,

respectively. For FY 2008 and FY 2007, the average holding period from the date properties were conveyed to VA until the properties were sold was estimated to be 11.7 months and 11.3 months, respectively. The number of properties for which foreclosure proceedings are in process is estimated to be 9,077 and 4,696 as of September 30, 2008 and 2007, respectively.

### Guaranteed Loans as of September 30,

	2008	2007
<u>Guaranteed Loans Outstanding:</u>		
Outstanding Principal Guaranteed Loans, Face Value	\$ 220,839	\$ 207,644
Amount of Outstanding Guarantee	63,921	61,456
<u>New Guaranteed Loans Disbursed:</u>		
Outstanding Principal Guaranteed Loans, Face Value	\$ 36,090	\$ 24,889
Amount of Outstanding Guarantee	9,236	6,438
<b>Liabilities for Loan Guarantees Post 1991 (Present Value)</b>	<b>\$ 3,452</b>	<b>\$ 3,769</b>

### Guaranty Commitments

VA guaranteed 179,671 loans in FY 2008. The FY 2008 total guaranty amount is \$9.2 billion. The total amount of loans guaranteed is \$36 billion.

### Subsidy Expense for Post-1991 Loan Guarantees

Pursuant to the Credit Reform Act, guaranteed loans closed after September 30, 1991, will be subsidized. The subsidy expense for loan guarantees related to the Loan Guaranty Program is as shown:

### Guaranteed Loan Subsidy Expenses for the years ended September 30,

	2008	2007
Defaults	\$ 454	\$ 312
Fees*	(587)	(394)
Subtotal	(133)	(82)
Interest Rate Reestimates	(212)	(37)
Technical Reestimates	(230)	193
<b>Total Guaranteed Loan Subsidy Expenses**</b>	<b>\$ (575)</b>	<b>\$ 74</b>

\* The "Fees" expense includes estimated up-front fees collected when the loans are guaranteed and the present value of estimated annual fees from loan assumptions.

\*\* A negative subsidy rate indicates cash inflows from interest and fees are greater than disbursements.



**Loan Sale-Guaranteed Loan Subsidy Expense  
for the years ended September 30,**

	<b>2008</b>	<b>2007</b>
Defaults	\$ 5	\$ -
Other	(1)	-
Subtotal	4	-
Interest Rate Reestimates	(49)	58
Technical Reestimates	(52)	13
<b>Total Loan Sale-Guaranteed Subsidy Expense</b>	<b>\$ (97)</b>	<b>\$ 71</b>

**Total Subsidy Expense  
for the years ended September 30,**

	<b>2008</b>	<b>2007</b>
Total Direct Loans	\$ 5	\$ (537)
Total Guaranteed Loans	(575)	74
Total Sale Loans	(97)	71
<b>Total Subsidy Expense</b>	<b>\$ (667)</b>	<b>\$ (392)</b>

**Subsidy Rates for Loan Guarantees by Component**

The subsidy rates disclosed below pertain only to the current year cohorts. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new

loan guarantees reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes reestimates.

**Subsidy Rates for Loan Guarantees**

Defaults	1.26%
Fees	(1.63)%

**Loan Sales**

VA has vendee loan sales to reduce the administrative burden of servicing vendee loans. During the period FY 1992 through FY 2008, the total loans sold amounted to \$14 billion. Under the sale of vendee loans, certificates are issued pursuant to the Pooling and Servicing Agreement (the Agreement) among VA, the Master Servicer, and the Trustee. On the closing date of the certificates, VA transfers its entire interest in the related loans to the Trustee for the benefit of the related certificate holders pursuant to the Agreement. Under the Agreement, the Trust will issue certificates backed by mortgage loans and installment contracts. The Trust owns the mortgage loans and other property described

in the offering and the Trust makes elections to treat certain of its assets as one or more Real Estate Mortgage Investment Conduits (REMIC) for U.S. federal income tax purposes. The certificates represent interests in the assets of the Trust and are paid from the Trust's assets. The certificates are issued as part of a designated series that may include one or more classes. VA guarantees that the investor will receive full and timely distributions of the principal and interest on the certificates and that guaranty is backed by the full faith and credit of the federal government.

VA may terminate the Trust, causing the early retirement of certificates, by purchasing all of



the Trust's assets on any distribution date on or after the distribution date on which the current aggregate principal balance of all principal certificates is less than 1 percent of the original aggregate principal balance, or if VA determines that the Trust's REMIC status has been lost or a substantial risk exists that such status will be lost. In the event of termination, the certificate holder will be entitled to receive payment for the full principal balance of the certificates plus any accrued interest and unpaid interest through the related distribution date.

The Agreement requires the mortgage loans to be serviced generally in compliance with Fannie Mae and Freddie Mac standards and consistent with prudent residential mortgage loan servicing standards generally accepted in the servicing industry. For mortgage loans sold during FY 2008, servicing was performed by Countrywide Home Loans, Inc. The Master Servicer is responsible for performing all the servicing functions under the separate Pooling and Servicing Agreements created for each Vendee Mortgage Trust. The Master Servicer is entitled to be compensated by retaining, from amounts received on each Mortgage Loan or Real Estate Owned (REO) Mortgage Loan (including REO Proceeds and Liquidation Proceeds) that are allocable to interest in accordance with the related Mortgage Note or, in the case of REO Proceeds and Liquidation Proceeds an amount

equal to such amount allocable to interest multiplied by a fraction, the numerator of which is 0.2075% and the denominator of which is the Mortgage Rate for the related Mortgage Loan.

Additional servicing compensation in the form of prepayment charges, assumption fees, and late payment charges shall be retained by the Master Servicer as received. The Master Servicer also shall be entitled to withdraw and retain, as additional compensation, investment income on amounts on deposit in the Certificate Account. The Master Servicer shall be entitled to receive as additional compensation the interest earned on amounts remitted by the Master Servicer to the Trustee and deposited by the Trustee in the Distribution Account. The Master Servicer shall be required to pay all expenses incurred by it in connection with its servicing activities hereunder (including, without limitation, the fees and expenses of the Trustee, and the fees of the Sub-Servicers under the respective Sub-Servicing Agreements, if any) and shall not be entitled to reimbursement therefore except as specifically provided in each Pooling and Servicing Agreement.

VA completed one vendee loan sale of \$193 during FY 2008 and none in FY 2007. The components of the vendee sale are summarized in the tables below.

**Loan Sales**

**Years Ended September 30,**

	<b>2008</b>	<b>2007</b>
Loans Receivable Sold	\$ (193)	\$ -
Net Proceeds from Sale	197	-
<b>Gain on Receivables Sold</b>	<b>\$ 4</b>	<b>\$ -</b>



**Outstanding Balance of Loan Sale Guarantees**

The outstanding balance for guaranteed loans sold is summarized in the table below:

**Guaranteed Loans Sold  
as of September 30,**

	<b>2008</b>	<b>2007</b>
Outstanding Balance Guaranteed Loans Sold, Start of Year	\$ 1,958	\$ 2,364
Sold to the Public	193	-
Payments, Repayments, and Terminations	(250)	(406)
<b>Outstanding Balance Guaranteed Loans Sold, End of Year</b>	<b>\$ 1,901</b>	<b>\$ 1,958</b>

**Liability for Loan Sale Guarantees (Post-1991)**

VA reports the liability on the guarantee of loans sold under the Vendee Mortgage Trust and American Housing Trust programs, subject to Credit Reform requirements. For these loans, the guaranteed loan sale liability represents the present value of the estimated net cash flows to be paid by VA as a result of the guarantee. These sales contain two types of guarantees for which VA pays net cash flow. VA guarantees that the principal and interest payment due on a

loan sold will be paid by the 15th of each month. If not paid by the borrower, VA allows the loan servicer to take funds from cash reserve accounts for the deficient amount. VA also guarantees the loan against loss at foreclosure. VA will not buy back the loans but will pay off the loan loss and foreclosure expenses. The subsidy rate for FY 2008 and 2007 is 2.14 percent and 3.99 percent, respectively. The liability for loan sale guarantees as of September 30, 2008 and 2007 is \$73 and \$166, respectively.

**Schedule for Reconciling Loan Sale Guarantee Liability Balances**

<b>Beginning Balance, Changes and Ending Balance</b>	<b>2008</b>	<b>2007</b>
Beginning balance of the liability	\$ 166	\$ 102
Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
Default costs (net of recoveries)	5	-
Other subsidy costs	(1)	-
Total of the above subsidy expense components	4	-
Adjustments:		
Claim payments to lenders	(10)	(12)
Interest accumulation on the liability balance	10	4
Other	4	-
Ending balance of the liability before reestimates	174	94
Subsidy reestimates by component		
Interest rate reestimate	(49)	59
Technical/default reestimate	(52)	13
Total of the above reestimate components	(101)	72
Ending balance of the liability	<b>\$ 73</b>	<b>\$ 166</b>

**Liability for Loan Guarantees (Post-1991)**

VA reports the liability on the guarantee of loans, subject to Credit Reform requirements. For these loans, the guaranteed loan liability represents the present value of the estimated net

cash flows to be paid by VA as a result of a defaulted loan guarantee. VA guarantees the loan against loss at foreclosure for which VA pays net cash flow up to a legally specified maximum based on the value of individual



loans. VA will pay the lender the guarantee and foreclosure expenses. If an agreement can be made with the veteran, VA may acquire the loan by refunding the lender for the loan. The FY 2008 and FY 2007 subsidy rate was (0.37) and

(0.36) percent, respectively. The liability for loan guarantees as of September 30, 2008 and 2007 is \$3,379 and \$3,603, respectively.

### Schedule for Reconciling Loan Guarantee Liability Balances

#### Beginning Balance, Changes and Ending Balance

	2008	2007
Beginning balance of the liability	\$ 3,603	\$ 3,170
Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
Default costs (net of recoveries)	454	312
Fees and other collections	(587)	(394)
Total of the above subsidy expense components	<u>(133)</u>	<u>(82)</u>
Adjustments:		
Fees received	584	432
Foreclosed property and loans acquired	(132)	(24)
Claim payments to lenders	(246)	(178)
Interest accumulation on the liability balance	145	129
Ending balance of the liability before reestimates	<u>3,821</u>	<u>3,447</u>
Subsidy re-estimates by component		
Interest rate reestimate	(212)	(37)
Technical/default re-estimate	(230)	193
Total of the above reestimate components	<u>(442)</u>	<u>156</u>
Ending balance of the liability	<u>\$ 3,379</u>	<u>\$ 3,603</u>

#### Administrative Expense

Administrative expense on direct and guaranteed loans for the fiscal years ended September 30, 2008 and 2007 was \$155 and \$154, respectively.

## 8. Inventories and Related Properties

### Inventories

as of September 30,

	2008	2007
Held for Current Sale	\$ 58	\$ 53
Other	<u>3</u>	<u>1</u>
<b>Total Inventories</b>	<u>\$ 61</u>	<u>\$ 54</u>



## 9. General Property, Plant and Equipment

Depreciation and amortization expense totaled \$1,024 and \$895 in FY 2008 and FY 2007, respectively.

### General Property, Plant and Equipment as of Sept. 30, 2008

	Cost	Accumulated Depreciation	Net Book Value
Land and Improvements	\$ 576	\$ (47)	\$ 529
Buildings	17,355	(9,088)	8,267
Equipment	3,351	(1,786)	1,565
Other Structures and Capital Leases	2,324	(1,392)	932
Internal Use Software	274	(200)	74
Construction Work in Progress	1,459	-	1,459
Internal Use Software in Development	242	-	242
<b>Total Property, Plant, and Equipment</b>	<b>\$ 25,581</b>	<b>\$ (12,513)</b>	<b>\$ 13,068</b>

### General Property, Plant and Equipment as of Sept. 30, 2007

	Cost	Accumulated Depreciation	Net Book Value
Land and Improvements	\$ 421	\$ (32)	\$ 389
Buildings	16,411	(8,497)	7,914
Equipment	3,116	(1,727)	1,389
Other Structures and Capital Leases	2,108	(1,306)	802
Internal Use Software	293	(184)	109
Construction Work in Progress	1,375	-	1,375
Internal Use Software in Development	198	-	198
<b>Total Property, Plant, and Equipment</b>	<b>\$ 23,922</b>	<b>\$ (11,746)</b>	<b>\$ 12,176</b>

## 10. Heritage Assets

Heritage assets are properties that possess one or more of the following characteristics: historical or natural significance; cultural; educational or aesthetic value; or significant architectural characteristics. VA has properties at medical centers and National Cemeteries that meet the criteria for heritage assets. Heritage assets allow VA to meet its responsibilities under the National Historic Preservation Act to administer federally owned, administered, or controlled

prehistoric or historic resources in a spirit of stewardship for the inspiration and benefit of present and future generations.

Generally, additions to VA's heritage assets inventory result from field station surveys, which identify items such as new collections or newly designated assets. VA classifies its heritage assets as: Art Collections (including artwork, archives, historic medical equipment,



medals and awards, furniture, archaeological materials, and photographs); Buildings and Structures (including historic hospitals, quarters, lodges, and chapels); Monuments/Historic Flag Poles; Other Non-Structure Items (including rostrums, gates and historic walls); Archaeological Sites; and Cemeteries. According to VA's policy for heritage assets,

only developed sections of National Cemeteries are classified as heritage assets; while undeveloped sections are not until they are developed. VA's policy for heritage assets can be found, in its entirety, in Directive and Handbook 7545, Cultural Resources Management Procedures.

### Heritage Assets in Units

As of September 30,	2008	2007
Art Collections	211	211
Buildings and Structures	1,543	1,543
Monuments/Historic Flag Poles	984	984
Other Non-Structure Items	225	225
Archaeological	34	34
Cemeteries	158	158
<b>Total Heritage Assets in Units</b>	<b>3,155</b>	<b>3,155</b>

## 11. Liabilities Not Covered By Budgetary Resources

The total amount of VA liabilities not covered by budgetary resources was \$1,472.9 billion and \$1,133.2 billion as of September 30, 2008 and

2007, respectively, as shown in the following table.

### Components of Unfunded Liabilities as of September 30

	2008	2007
Workers' Compensation*	\$ 2,304	\$ 2,208
Annual Leave	1,509	1,365
Judgment Fund	604	650
Environmental and Disposal	928	558
Accounts Payable – Canceled Appropriations	10	8
Veterans Compensation and Burial	1,466,700	1,127,700
Insurance	796	741
<b>Total</b>	<b>\$ 1,472,851</b>	<b>\$ 1,133,230</b>

\* The actuarial estimate for workers' compensation provided by DOL was computed using interest rates of 4.77 percent and 5.08 percent to discount the projected annual benefit payments as of FY 2008 and FY 2007, respectively.





## 12. Federal Employee and Veterans Benefits

### Federal Employee Benefits: Imputed Expenses-Employee Benefits

Years ended September 30,	2008	2007
Civil Service Retirement System	\$ 266	\$ 276
Federal Employees Health Benefits	1,025	1,049
Federal Employees Group Life Insurance	3	2
<b>Total Imputed Expenses-Employee Benefits</b>	<u>\$ 1,294</u>	<u>\$ 1,327</u>

### Veterans Benefits

Certain veterans who die or are disabled from military service-related causes, as well as their dependents, receive compensation benefits. Also, veterans are provided with burial flags, headstones/markers, and grave liners for burial

in a VA national cemetery or are provided a plot allowance for burial in a private cemetery. These benefits are provided in recognition of a veteran's military service and are recorded as a liability on the balance sheet.

### Federal Employee and Veterans Benefits Liabilities as of September 30,

	2008	2007
FECA	\$ 1,905	\$ 1,827
Compensation	1,462,000	1,123,900
Burial	4,700	3,800
<b>Total Federal Employee and Veterans Benefits Liabilities</b>	<u>\$ 1,468,605</u>	<u>\$ 1,129,527</u>

VA provides certain veterans and/or their dependents with pension benefits, based on annual eligibility reviews, if the veteran died or was disabled from nonservice-related causes. The actuarial present value of the future liability for pension benefits is a non-exchange transaction and is not required to be recorded on the balance sheet. The projected amount of future payments for pension benefits (presented for informational purposes only) as of September 30, 2008 and 2007 was \$97.3 billion and \$81.4 billion, respectively.

### Assumptions Used to Calculate the Veterans Benefits Liability

Several significant actuarial assumptions were used in the valuation of compensation, pension, and burial benefits to calculate the present value of the liability. A liability was recognized for the projected benefit payments to: (1) those

beneficiaries, including veterans and survivors, currently receiving benefit payments; (2) current veterans who will in the future become beneficiaries of the compensation and pension programs; and (3) a proportional share of those in active military service as of the valuation date who will become veterans in the future. Future benefits payments to survivors of those veterans in classes (1), (2), and (3) are also incorporated into the projection.

All future benefits were discounted. Discount rates were based on rates for securities issued by Treasury on September 30, 2008, ranging from 1.80 to 4.61 percent, and on September 30, 2007, ranging from 3.97 to 4.99 percent. All calculations were performed separately by attained age for the Compensation and Pension programs, while the Burial liability was calculated on an aggregate basis.



Life expectancies of beneficiaries collecting benefits from the Compensation and Pension programs were based upon studies of mortality experience of those beneficiaries between 2002 and 2008. Life expectancies of veterans not yet collecting these benefits used in the calculation of the liability for future beneficiaries are based on mortality derived from the 2004 U.S. Life Table. Applying mortality improvements at a rate that varies by age of between 0.85 and 1.00 percent per annum brought both sets of mortality rates forward. In addition, rates of benefit termination of beneficiaries due to reasons other than mortality are also reflected.

The amount of benefits by beneficiary category and age were based on current amounts being paid, future cost of living adjustments (COLAs) to determine the average benefits per veteran for each future time period, and changes in other factors that affect benefits. A COLA of 2.3 percent was applied for FY 2008. For fiscal years after 2006, COLAs have been determined from OMB's estimates prepared in conjunction with the Administration's annual budget. Expected changes in benefits due to other reasons were also reflected.

Expected benefit payments have been explicitly modeled for the next 75 years. This period is the same as that used by the Office of the Chief Actuary of the Social Security Administration (SSA). However, unlike Social Security, (1) estimates of expected benefit payments after this 75-year period were incorporated in the liability based on extrapolations reflecting expected aggregate experience by beneficiary category for the years 74 and 75 and (2) SSA uses an open population model, while the C&P projections only reflect benefits associated with military service through September 30, 2008.

### **New Accounting Standard**

On October 14, 2008 the FASAB issued SFFAS No. 33, Pensions, Other Retirement Benefits, and Other Post-employment benefits: Reporting Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation

Dates, effective for periods beginning after September 30, 2009.

The changes resulting from implementing the standards in SFFAS No. 33 include: (1) disclosure of gains and losses from changes in long-term assumptions; (2) disclosure of the components of the expense associated with federal employee pensions, other retirement benefits, and other post-employment benefits pension liability balances, including veterans compensation; and (3) standards for selecting the discount rate assumption and valuation dates for estimating the liability.

### **13. Environmental and Disposal Liabilities**

VA had unfunded environmental and disposal liabilities in the amount of \$928 and \$558 as of September 30, 2008 and 2007, respectively. The majority of the unfunded liabilities involve asbestos removal, lead abatement, replacement of underground oil and gasoline tanks, decommissioning of waste incinerators, and decontamination of equipment prior to disposal.

While some facilities have applied prevailing state regulations that are more stringent than federal guidelines, the Occupational Safety and Health Administration and Environmental Protection Agency regulations are the legal base behind the majority of VA's environmental and disposal liabilities. Estimated liabilities for these projects are based on known contamination that exists today and have been computed by the facility engineering staff based on similar projects already completed, or by independent contractors providing work estimates.

### **14. Other Liabilities**

Other liabilities are liabilities not reported elsewhere. They consist of Funded and Unfunded Liabilities. Funded liabilities are generally considered to be current liabilities. Unfunded liabilities are generally considered to be non-current liabilities.



**Other Intragovernmental Funded Liabilities**  
**as of September 30,**

	<b>2008</b>	<b>2007</b>
Deposit and Clearing Account Liabilities	\$ 100	\$ 37
Accrued Expenses - Federal	232	109
Deferred Revenue	11	94
Resources Payable to Treasury	197	210
Custodial Liabilities*	769	1,200
General Fund Receipts Liability	5	5
Accrued VA Contributions for Employee Benefits	190	103
<b>Total Other Intragovernmental Funded Liabilities</b>	<b>\$ 1,504</b>	<b>\$ 1,758</b>

\* The Custodial Liabilities Accounts include subsidy reestimates for loans made after September 30, 1991, which are subject to the provisions of the Credit Reform Act of 1990. The liability provision for future losses on credit reform guaranteed loans is comprised of a funded subsidy for each loan guaranteed at the rate equal to the amount of the present value of estimated loss to the government for the cohorts of loans. The subsidy amount for each cohort is reestimated annually to ensure amounts reflect the actual losses on guaranteed loans. Based on the reestimated amounts, additional subsidy funds are provided for or excess funds are returned.

**Other Intragovernmental Unfunded Liabilities**  
**as of September 30,**

	<b>2008</b>	<b>2007</b>
Accrued FECA Liability	\$ 395	\$ 378
Unfunded Employee Liability	4	4
<b>Total Other Intragovernmental Unfunded Liabilities</b>	<b>\$ 399</b>	<b>\$ 382</b>
<b>Total Other Intragovernmental Liabilities</b>	<b>\$ 1,903</b>	<b>\$ 2,140</b>

**Other Public Funded Liabilities**  
**as of September 30,**

	<b>2008</b>	<b>2007</b>
Accrued Funded Annual Leave	\$ 12	\$ 12
Accrued Expenses	2,197	2,765
Accrued Salaries and Benefits	908	701
Unearned Premiums	81	88
Insurance Dividends Left on Deposit and Related Interest Payable*	1,712	1,725
Dividend Payable to Policyholders	157	172
Capital Lease Liability	16	17
Other	53	28
<b>Total Other Public Funded Liabilities</b>	<b>\$ 5,136</b>	<b>\$ 5,509</b>

\* Interest earned on dividends left on deposit is paid annually to insurance policyholders on the policy anniversary dates.


**Other Public Unfunded Liabilities  
as of September 30,**

	<b>2008</b>	<b>2007</b>
Annual Leave*	\$ 1,510	\$ 1,365
Accounts Payable from Cancelled Appropriation	10	8
Amounts due to non-federal trust	173	178
Judgment Fund-Unfunded**	604	650
<b>Total Other Public Unfunded Liabilities</b>	<b>\$ 2,297</b>	<b>\$ 2,201</b>
<b>Total Other Public Liabilities</b>	<b>\$ 7,433</b>	<b>\$ 7,710</b>

\* Annual leave is accrued when earned and is adjusted at the end of the fiscal year to reflect current pay rates of cumulative leave earned but not taken. Sick and other types of leave are expensed as taken.

\*\* The Judgment Fund liability amount represents the estimate for future payments on legal cases that will be paid by the Treasury Judgment Fund on behalf of VA (see Note 17, Contingencies).

**15. Leases**

VA has both capital and operating leases. The capital lease liability is \$16 and \$17 as of September 30, 2008 and 2007, respectively. Real property leases reflect those that VA has committed to as of September 30, 2008. Due to the number of equipment operating leases and the decentralization of records, the future commitment for equipment operating leases is

projected assuming annual increases between 4.1 and 4.2 percent. VA's FY 2008 operating lease costs were \$348 for real property rentals and \$112 for equipment rentals. The FY 2007 operating lease costs consisted of \$299 for real property rentals and \$101 for equipment rental. The following chart represents VA's projected operating lease commitments or costs for the next 5 years.

**Leases:**

Year	Real Property	Percentage	Equipment
2009	\$ 260	4.2	\$ 117
2010	239	4.2	122
2011	198	4.2	127
2012	166	4.1	133
2013	128	4.1	139

**16. Insurance Programs**

Through VA, the United States Government administers five life insurance programs and the Veterans' Mortgage Life Insurance program for certain totally disabled veterans. VA supervises the Service members' Group Life Insurance (SGLI) and the Veterans' Group Life Insurance

(VGLI) programs, which provide life insurance coverage to members of the uniformed armed services, reservists, and post-Vietnam veterans. United States Code, Title 38, requires that the Life Insurance programs invest in Treasury securities.



### Administered Programs

The United States Government Life Insurance (USGLI) program was the government's first venture into life insurance. During World War I, the U.S. provided Marine Insurance to protect the interests of ship owners and merchants who were providing supplies to the allies in Europe. USGLI was the natural outgrowth of this Marine Insurance. The program was established to meet the needs of World War I veterans, but remained open to service members and veterans with service before October 8, 1940. The government became a self-insurer because private insurance companies were unwilling to assume the unpredictable risks associated with war. By establishing this program, Congress intended to avoid the financial burden imposed on the government by the pension programs that were established after previous wars. The government became the largest life insurer in the United States with the coverage provided by this program.

The National Service Life Insurance (NSLI) program covers policyholders who served during World War II. The program opened October 8, 1940, when it became clear that large-scale military inductions were imminent. Over 22 million policies were issued under the NSLI program. The majority of policies VA administers directly are NSLI policies. This program remained open until April 25, 1951, when two new programs were established for Korean War service members and veterans.

The Veterans' Special Life Insurance (VSLI) program was established in 1951 to meet the insurance needs of veterans who served during the Korean Conflict, and the post-Korean period through January 1, 1957. During this period, all service members on active duty were covered for \$10,000, at no cost, under a program known as Servicemen's Indemnity. They remained covered for 120 days after their discharge. The VSLI program allowed these newly discharged service members to apply for \$10,000 of contract term insurance. Application had to be made during the 120-day period during which

they remained covered by Servicemen's Indemnity. It was during this period that representatives of the commercial insurance industry began a major lobbying effort to get the government out of the insurance business because the programs were viewed as competition. As a result, the VSLI program was closed to new issues at the end of 1956, and coverage for individuals in the uniformed services was terminated. Approximately 800,000 VSLI policies were issued between 1951 and 1957.

In addition to VSLI coverage, which was provided to healthy veterans, the Insurance Act of 1951 also established the Service-Disabled Veterans Insurance (S-DVI) program for veterans with service-connected disabilities. S-DVI is open to veterans separated from the service on or after April 25, 1951, who receive a service-connected disability rating. New policies are still being issued under this program.

In 1964, Congress enacted legislation providing for a limited reopening of NSLI and VSLI, and the Veterans' Reopened Insurance (VRI) program was established. Beginning May 1, 1965, veterans who had been eligible to obtain insurance between October 8, 1940, and January 1, 1957, could once again apply for government life insurance. They had one year to apply for this "reopened" insurance, which was available only to disabled veterans. Approximately 228,000 VRI policies were issued. No term insurance policies were issued in this program.

The Veterans' Mortgage Life Insurance (VMLI) program began in 1971, and is designed to provide financial protection to cover eligible veterans' home mortgages in the event of death. VMLI is issued to those severely disabled veterans who have received grants for specially adapted housing from VA. These grants are issued to veterans whose movement is substantially impaired because of their disability. The maximum amount of VMLI allowed an eligible veteran is \$90 thousand. The



insurance is payable if the veteran dies before the mortgage is paid off and is payable only to the mortgage lender.

### **Supervised Insurance Programs**

The Service members' Group Life Insurance (SGLI) program was established in 1965 for Vietnam-era service members. SGLI is supervised by VA and is administered by the Office of Service members' Group Life Insurance (OSGLI) under terms of a group policy. This program provides low-cost term insurance protection to service members and their families.

In 1974, the Veterans' Group Life Insurance (VGLI) program became available. VGLI, like SGLI, is supervised by VA, but is administered by the OSGLI. VGLI provides for the conversion of SGLI coverage to lifetime term insurance protection after a service member's separation from service.

The Traumatic Injury Protection (TSGLI) program became effective December 1, 2005. TSGLI, which automatically covers all who participate in SGLI, provides for insurance payments to members who suffer a serious traumatic injury in service. These payments range from \$25,000 to a maximum of \$100,000, depending on the type and severity of injury.

### **Public Insurance Carriers**

VA supervises the administration of the SGLI and VGLI programs. VA has entered into a group policy with Prudential Insurance Company of America whereby Prudential and its reinsurers provide service members and veterans coverage in multiples of \$50 thousand up to a maximum of \$400 thousand. The basic SGLI coverage is provided to those members on active duty in the Army, Navy, Air Force, Marine Corps, Coast Guard, commissioned members of the Public Health Service and the National Oceanic and Atmospheric Administration. The Ready Reserve is also insured by SGLI, and includes reservists and members of the National Guard who are assigned to a unit or position in

which they may be required to perform active duty or active duty for training. The VGLI coverage is comprised of separated and retired active duty members and reservists covered under Basic SGLI.

The Veterans' Opportunities Act of 2001 extended life insurance coverage to spouses and children of members insured under the SGLI program, effective November 1, 2001. For a spouse, up to \$100 thousand of coverage can be purchased in increments of \$10 thousand, not to exceed the amount of the service member's coverage. Each dependent child of every active duty service member or reservist insured under SGLI is automatically insured for \$10 thousand free of charge.

Premiums for the SGLI and VGLI programs are set by mutual agreement between VA and Prudential. SGLI premiums for active duty personnel and their spouses are deducted from the service member's pay by the Armed Services components through the Department of Defense (DoD). DoD, through the Defense Finance and Accounting Service (DFAS), remits collected premiums to VA, which are then transmitted to Prudential. Prudential records the premiums and maintains investments in their accounting records separate and independent from the VA reporting entity. VA monitors Prudential's insurance reserve balances to determine their adequacy and may increase or decrease the amounts retained by Prudential for contingency purposes. The reserves for the contingent liabilities are recorded in Prudential's accounting records and are not reflected in the VA reporting entity because the risk of loss on these programs is assumed by Prudential and its reinsurers through the terms and conditions of the group policy. Prudential administers the TSGLI program under an Administrative Services Only agreement with VA. Under the law, DoD pays for any claim costs for this program in excess of premiums collected.

The Secretary of Veterans Affairs determines the claim costs that are traceable to the extra



hazards of duty in the uniformed services, on the basis of the excess mortality incurred by members and former members of the uniformed armed services insured under SGLI, above what their mortality would have been under peacetime conditions. The costs so identified by the Secretary are paid by the uniformed services, not from the service members' premiums, as are all other programs costs.

**Reserve Liabilities**

The insurance reserves for administered programs are reported as liabilities covered by budgetary resources, while part of the S-DVI and Veterans Insurance and Indemnities (VI&I) reserves are reported as liabilities not covered by

budgetary resources. Reserves for SGLI and VGLI are maintained in Prudential's financial records since the risk of loss is assumed by Prudential and its reinsurers. Actuarial reserve liabilities for the administered life insurance programs are based on the mortality and interest assumptions at time of issue. These assumptions vary by fund, type of policy, and type of benefit. The interest assumptions range from 2.25 to 5 percent. The mortality assumptions include the American Experience Table, the 1941 Commissioners Standard Ordinary (CSO) Table, the 1958 CSO Basic Table, the 1980 CSO Basic Table, and the 2001 CSO Table.

**Insurance Liability (Reserve) Balances**

**As of September 30, 2008**

Program	Insurance Death Benefits	Death Benefit Annuities	Disability Income & Waiver	Reserve Totals
NSLI	\$ 7,768	\$ 115	\$ 78	\$ 7,961
USGLI	16	3	-	19
VSLI	1,567	9	20	1,596
S-DVI	341	3	437	781
VRI	295	1	3	299
VI&I	95	-	-	95
Subtotal	\$ 10,082	\$ 131	\$ 538	\$ 10,751
Less Liability not Covered by Budgetary Resources				(796)
Liability Covered by Budgetary Resources				\$ 9,955

**As of September 30, 2007**

Program	Insurance Death Benefits	Death Benefit Annuities	Disability Income & Waiver	Reserve Totals
NSLI	\$ 8,229	\$ 127	\$ 93	\$ 8,449
USGLI	19	3	-	22
VSLI	1,565	9	23	1,597
S-DVI	329	3	400	732
VRI	318	2	3	323
VI&I	94	-	-	94
Subtotal	\$ 10,554	\$ 144	\$ 519	\$ 11,217
Less Liability not Covered by Budgetary Resources				(741)
Liability Covered by Budgetary Resources				\$ 10,476

**Insurance In-Force**

The amount of insurance in-force is the total face amount of life insurance coverage provided by each administered and supervised program as of the end of the fiscal year. It includes any paid-up additional coverage provided under these policies. Prudential and its reinsurers provided coverage to 5,891,781 and 5,859,136 insured for a face value of \$1,072 billion and

\$1,069.8 billion as of September 30, 2008 and 2007, respectively. The face value of the insurance provided by Prudential and its reinsurers represents 99 percent of the total insurance in-force as of September 30, 2008 and 2007. The number of policies represents the number of active policies remaining in the program as of the end of each fiscal year.

	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Policies</b>	<b>Policies</b>	<b>Face Value</b>	<b>Face Value</b>
<b>Supervised Programs</b>				
SGLI Active Duty	1,498,000	1,496,000	\$ 580,589	\$ 582,600
SGLI Ready Reservists	764,500	755,500	273,667	271,299
SGLI Post Separation	94,000	102,000	35,574	38,909
SGLI Family - Spouse	1,077,000	1,050,000	106,258	103,480
SGLI Family - Children	2,027,000	2,025,000	20,270	20,250
VGLI	431,281	430,636	55,636	53,260
<b>Total Supervised</b>	<b>5,891,781</b>	<b>5,859,136</b>	<b>\$ 1,071,994</b>	<b>\$ 1,069,798</b>
<b>Administered Programs</b>				
NSLI	921,942	1,013,557	\$ 10,651	\$ 11,516
VSLI	183,778	191,735	2,348	2,406
S-DVI	194,583	187,904	1,965	1,885
VRI	39,331	43,720	383	418
USGLI	5,620	6,720	17	21
VMLI	2,309	2,368	165	165
<b>Total Administered</b>	<b>1,347,563</b>	<b>1,446,004</b>	<b>\$ 15,529</b>	<b>\$ 16,411</b>
<b>Total Supervised and Administered Programs</b>	<b>7,239,344</b>	<b>7,305,140</b>	<b>\$ 1,087,523</b>	<b>\$ 1,086,209</b>





**Policy Dividends**

The Secretary of VA determines annually the excess funds available for dividend payment. Only administered policies are eligible for dividends. Dividends are based on an actuarial analysis of the individual programs at the end of the preceding calendar year. Dividends are declared on a calendar year basis and paid on policy anniversary dates. Policyholders can elect to: (1) receive a cash payment; (2) prepay premiums; (3) repay loans; (4) purchase paid-up

insurance; or (5) deposit the amount in an interest-bearing account. A provision for dividends is charged to operations, and an insurance dividend is established when gains to operations are realized in excess of those essential to maintain solvency of the insurance programs. Policy dividends for fiscal years 2008 and 2007 were \$338 and \$365, respectively.

**17. Contingencies**

VA is a party in various administrative proceedings, legal actions, and tort claims arising from various sources including: disputes with contractors, challenges to compensation and education award decisions, loan guaranty indemnity debt cases, and allegations of medical malpractice. Certain legal matters to which VA may be a named party are administered and, in some instances, litigated by the Department of Justice. Generally, amounts (more than \$2.5 thousand for Federal Tort Claims Act cases) to be paid under any decision, settlement, or award are funded from the Judgment Fund, which is maintained by Treasury. Of the amounts paid from the Judgment Fund, malpractice cases claimed 74 percent in FY 2008 and 84 percent in FY 2007. Contract dispute payments for FY 2008 and FY 2007 were \$20.3 and \$5.4, respectively. The discrimination case payments for FY 2008 were \$1.7 and \$3.3 for FY 2007.

VA uses accepted actuarial methods to estimate the liability resulting from medical malpractice and other tort claim exposure. VA discounted future estimated payments using U.S. Treasury spot rates as of September 30, 2008 and 2007.

VA has recorded a liability for pending legal claims that are estimated to be paid by the Judgment Fund. This liability is established for all pending claims whether reimbursement is required or not. This liability was \$604 for FY 2008 and \$650 for FY 2007. The contract and personnel law cases where there was at least a reasonable possibility that a loss may occur were 11 cases totaling \$19.1, excluding the data theft litigation explained below, for FY 2008 and 18 cases totaling \$228.7 for FY 2007. VA is also required to record an operating expense and imputed financing source for the Judgment Fund's pending claims and settlements. Judgment Fund accounting is shown below:

**Judgment Fund**

**For the Years Ended September 30,**

	<b>2008</b>	<b>2007</b>
Fiscal Year Settlement Payments	\$ 103	\$ 89
Less Contract Dispute and "No Fear" Payments	(22)	(8)
Imputed Financing-Paid by Other Entities	81	81
Increase (Decrease) in Liability for Claims	46	(35)
<b>Operating Expense</b>	<b>\$ 127</b>	<b>\$ 46</b>



It is the opinion of VA's management that resolution of pending legal actions as of September 30, 2008 will not materially affect VA's operations or financial position when consideration is given to the availability of the Judgment Fund appropriation to pay some court-settled legal cases. Fiscal year 2008 tort payments were \$81.

The amount of unobligated and obligated authority relating to appropriations cancelled on September 30, 2008 and 2007 was \$28 and \$21.2, respectively. Any payments due that may arise relating to cancelled appropriations will be paid out of the current year's appropriations in accordance with the provisions of the Expired Funds Control Act of 1990.

VA provides medical care to veterans on an "as available" basis, subject to the limits of the annual appropriations. In accordance with 38 CFR 17.36 (c), VA's Secretary makes an annual enrollment decision that defines the veterans, by priority, who will be treated for that fiscal year subject to change based on funds appropriated, estimated collections, usage, the severity index of enrolled veterans, and changes in cost. While VA expects to continue to provide medical care to veterans in future years, an estimate of this amount cannot be reasonably made. Accordingly, VA recognizes the medical care expenses in the period the medical care services are provided. For the fiscal years 2004-2008, the average medical care cost per year was \$30 billion.

#### **Haas v. Nicholson**

The United States Court of Appeals for Veterans Claims (Veterans Court) issued a decision in *Haas v. Nicholson*, 20 Vet. App. 257 (2006), that reversed a decision of the Board of Veterans' Appeals, which denied service connection for disabilities claimed as a result of exposure to herbicides. VA disagreed with the court's decision in *Haas* and appealed to the United States Court of Appeals for the Federal Circuit. On May 8, 2008 the Federal Circuit ruled in favor of the VA; however, Mr. Haas has

filed a petition asking the U.S. Supreme Court to hear the case. Pending a decision on appeal, the Veterans Court had stayed cases affected by the *Haas* decision pending before that court or at VA. Should the Supreme Court hear the case and overturn the Federal Circuit's decision, the adjudication of any stayed cases would resume and new adjudications would have to conform to the Supreme Court's decision, with the consequence that a liability for potential additional benefit costs may exist, but the amount or range of the possible liability cannot reasonably be estimated at this time. No claims have been paid or accrued as of this date.

#### **VA Data Theft Litigation**

VA is the subject of a class action lawsuit alleging breach of the Privacy Act, 5 U.S.C 552a (e) (10), in connection with the theft of a laptop computer containing sensitive personal information for approximately 17.5 million veterans. The plaintiffs seek statutory damages of at least \$1 thousand per purported class member. The case is currently in pre-discovery mediation. An estimated range of potential loss, if any, is unknown at this stage of the litigation.

### **18. Earmarked Funds**

SFFAS No. 27, *Identifying and Reporting Earmarked Funds*, requires disclosure of all earmarked funds for which VA has program management responsibility. Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, and are required by statute to be used for designated activities or purposes. They are accounted for separately from the Government's general revenues. VA's earmarked funds consist of trusts, special and revolving funds and remain available over time. The "trust" funds do not involve a fiduciary relationship with an individual or group but are designated exclusively for a specific activity, benefit or purpose. The investments (Treasury Securities) are assets of earmarked funds and are available for authorized expenditures. Treasury Securities are issued to the earmarked fund as evidence of



earmarked receipts and provide the fund the authority to draw upon the US Treasury for future expenditures. When the earmarked fund redeems its Treasury Securities to make

expenditures, the US Treasury will finance those expenditures in the same manner that it finances all other expenditures.

The VA's Earmarked Funds are as follows:

<b>Fund Name</b>	<b>Fund Type</b>	<b>Treasury Symbol</b>	<b>Authority</b>	<b>Purpose of Fund</b>	<b>Financing Sources</b>
<b>Medical Care Collections Fund</b>	Special	36x5287	P.L. 105-33 111 Stat 665	Third-party and patient co-payments for medical services.	Public, primarily insurance carriers.
<b>Cemetery Gift Fund</b>	Trust	36x8129	38 U.S.C. 1007	Donations for veterans' cemeteries.	Public donors.
<b>National Service Life Insurance Fund</b>	Trust	36x8132	38 U.S.C. 720	Premiums insure WWII veterans.	Public, veterans.
<b>Post-Vietnam Era Education Assistance Program</b>	Trust	36x8133	38 U.S.C. 1622	Subsidizes the cost of education to veterans.	Veterans, DoD.
<b>U.S. Government Life Insurance</b>	Trust	36x8150	38 U.S.C. 755	Premiums insure WWI veterans.	Public, veterans.
<b>Veterans Special Life Insurance Fund</b>	Trust	36x8455	38 U.S.C. 723 101-228	Premiums insure Korean conflict veterans.	Public, veterans.
<b>General Post Fund, National Homes</b>	Trust	36x8180	38 U.S.C. 101-228	Donations for patient benefits.	Public, mostly veterans.
<b>Canteen Service Revolving Fund</b>	Revolving	36x4014	38 U.S.C. 78	Operates the canteen services at hospitals.	Revenue from sales.
<b>National Cemetery Administration Facilities Operation Fund</b>	Special	36x5392	P.L. 108-454	Proceeds benefit land and buildings.	Proceeds from leases.
<b>Service-Disabled Veterans Insurance Fund</b>	Revolving	36x4012	38 U.S.C. 1922	Provides insurance to veterans with service-connected disabilities	Public, veterans.
<b>Servicemen's Group Life Insurance</b>	Revolving	36x4009	38 U.S.C. 1965	Provides insurance to active duty, ready reservists, retired reservists and cadets attending service academies and ROTC.	Public, veterans.
<b>Veterans Reopened Insurance Fund</b>	Revolving	36x4010	38 U.S.C. 1925	Provides insurance to World War II and Korea veterans	Public, veterans.
<b>Enhanced-Use Lease Trusts</b>	Trust	N/A	38 U.S.C 8162	Lease underutilized VA property.	Public.



The following tables provide condensed information on assets, liabilities, fund balances, net costs, and changes in fund balances:

<b>Balance Sheet</b>					
<b>as of September 30, 2008</b>					
	<b>Insurance</b>	<b>Medical Care</b>	<b>Benefits</b>	<b>Burial</b>	<b>Total Earmarked Funds</b>
<b>Assets:</b>					
Fund Balance with Treasury	\$ 45	\$ 233	\$ 67	\$ 1	\$ 346
Investments with Treasury	11,826	98	-	-	11,924
Other Assets	587	1,519	-	3	2,109
<b>Total Assets</b>	<b>\$ 12,458</b>	<b>\$ 1,850</b>	<b>\$ 67</b>	<b>\$ 4</b>	<b>\$ 14,379</b>
<b>Liabilities and Net Position:</b>					
Payables to Beneficiaries	\$ 199	\$ 22	\$ 1	\$ 1	\$ 223
Other Liabilities	12,607	193	-	-	12,800
<b>Total Liabilities</b>	<b>\$ 12,806</b>	<b>\$ 215</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 13,023</b>
Unexpended Appropriations	-	(11,627)	-	-	(11,627)
Cumulative Results of Operations	(348)	13,262	66	3	12,983
<b>Total Liabilities and Net Position</b>	<b>\$ 12,458</b>	<b>\$ 1,850</b>	<b>\$ 67</b>	<b>\$ 4</b>	<b>\$ 14,379</b>

<b>Statement of Net Cost</b>					
<b>for the Year Ended September 30, 2008</b>					
Gross Program Costs	\$ 1,256	\$ 381	\$ 3	\$ -	\$ 1,640
Less Earned Revenues	1,155	3,261	1	-	4,417
<b>Net Program Costs</b>	<b>101</b>	<b>(2,880)</b>	<b>2</b>	<b>-</b>	<b>(2,777)</b>
Costs Not Attributable to Program Costs	-	40	-	-	40
<b>Net Cost of Operations</b>	<b>\$ 101</b>	<b>\$ (2,840)</b>	<b>\$ 2</b>	<b>\$ -</b>	<b>\$ (2,737)</b>

<b>Statement of Changes in Net Position</b>					
<b>for the Year Ended September 30, 2008</b>					
<b>Net Position Beginning of Period</b>	<b>\$ (280)</b>	<b>\$ 1,182</b>	<b>\$ 67</b>	<b>\$ 3</b>	<b>\$ 972</b>
Budgetary and Other Financing Sources	33	(2,387)	1	-	(2,353)
Net Cost of Operations	(101)	2,840	(2)	-	2,737
<b>Change in Net Position</b>	<b>(68)</b>	<b>453</b>	<b>(1)</b>	<b>-</b>	<b>384</b>
<b>Net Position End of Period</b>	<b>\$ (348)</b>	<b>\$ 1,635</b>	<b>\$ 66</b>	<b>\$ 3</b>	<b>\$ 1,356</b>



<b>Balance Sheet</b>					
<b>as of September 30, 2007</b>					
	<b>Insurance</b>	<b>Medical Care</b>	<b>Benefits</b>	<b>Burial</b>	<b>Total Earmarked Funds</b>
<b>Assets:</b>					
Fund Balance with Treasury	\$ 40	\$ 191	\$ 69	\$ 1	\$ 301
Investments with Treasury	12,330	96	-	-	12,426
Other Assets	626	1,106	1	2	1,735
<b>Total Assets</b>	<b>\$ 12,996</b>	<b>\$ 1,393</b>	<b>\$ 70</b>	<b>\$ 3</b>	<b>\$ 14,462</b>
<b>Liabilities and Net Position:</b>					
Payables to Beneficiaries	\$ 168	\$ 15	\$ 1	\$ -	\$ 184
Other Liabilities	13,108	197	1	-	13,306
<b>Total Liabilities</b>	<b>\$ 13,276</b>	<b>\$ 212</b>	<b>\$ 2</b>	<b>\$ -</b>	<b>\$ 13,490</b>
Unexpended Appropriations	-	(9,184)	-	-	(9,184)
Cumulative Results of Operations	(280)	10,365	68	3	10,156
<b>Total Liabilities and Net Position</b>	<b>\$ 12,996</b>	<b>\$ 1,393</b>	<b>\$ 70</b>	<b>\$ 3</b>	<b>\$ 14,462</b>

<b>Statement of Net Cost</b>					
<b>for the Year Ended September 30, 2007</b>					
Gross Program Costs	\$ 1,292	\$ 467	\$ 3	\$ -	\$ 1,762
Less Earned Revenues	1,222	2,750	-	-	3,972
<b>Net Program Costs</b>	<b>70</b>	<b>(2,283)</b>	<b>3</b>	<b>-</b>	<b>(2,210)</b>
Costs Not Attributable to Program Costs	-	29	-	-	29
<b>Net Cost of Operations</b>	<b>\$ 70</b>	<b>\$ (2,254)</b>	<b>\$ 3</b>	<b>\$ -</b>	<b>\$ (2,181)</b>

<b>Statement of Changes in Net Position</b>					
<b>for the Year Ended September 30, 2007</b>					
<b>Net Position Beginning of Period</b>	<b>\$ (252)</b>	<b>\$ 1,101</b>	<b>\$ 70</b>	<b>\$ 3</b>	<b>\$ 922</b>
Budgetary and Other Financing Sources	42	(2,173)	-	-	(2,131)
Net Cost of Operations	(70)	2,254	(3)	-	2,181
<b>Change in Net Position</b>	<b>(28)</b>	<b>81</b>	<b>(3)</b>	<b>-</b>	<b>50</b>
<b>Net Position End of Period</b>	<b>\$ (280)</b>	<b>\$ 1,182</b>	<b>\$ 67</b>	<b>\$ 3</b>	<b>\$ 972</b>



## 19. Exchange Transactions

### Exchange Revenues

Although VA recognizes full cost per SFFAS No. 4, VHA has legislated exceptions to the requirement to recover the full cost to the federal government of providing services, resources, or goods for sale. Under “enhanced sharing authority,” VHA facilities may enter into arrangements that are in the best interest of the federal government. In FY 2008, 49 contracts at 10 medical facilities were reviewed by the Management Quality Assurance Service (MQAS) to determine compliance with SFFAS No. 7 and the Chief Financial Officers Act of 1990. MQAS found 7 contracts (14 percent) contained no cost analyses, 8 contracts (16 percent) had incomplete or outdated cost analyses, and 5 contracts (10 percent) had no billing documents. In addition, one medical facility erroneously certified (did not disclose losses) recovery of cost on four contracts for non-essential veteran services. Another medical facility certified and properly disclosed a loss on one contract for non-essential veteran services.

VA’s Loan Guaranty Program collects rental fees on a small number of properties during the period when the property is titled to VA.

NCA leases lodges at 15 cemeteries to not-for-profit groups for no fee. These not-for-profit groups are required to provide the upkeep on the lodges and pay the costs for utilities, insurance, minor repairs and maintenance and any other costs associated with the lodges, and NCA pays for major repairs at these facilities. NCA also has five agricultural licenses and one agricultural lease with private companies/individuals. NCA licenses and leases land for growing crops and, on certain licenses, receives services in exchange from the licensee for brush and weed cutting, fence maintenance, removal services, backfilling and grading of roads, and welding services.

### Exchange Transactions with Public

VA’s Medical Care Collections Fund, “Conforming Amendments,” changed the language of specific sections of 38 USC Chapter 17 to substitute “reasonable charges” for “reasonable cost.” The VHA Chief Business Office (CBO) is responsible for implementing and maintaining these reasonable charges for billing third-party payers for services provided to insured veterans for treatment of nonservice-connected conditions.

Reasonable charges are used to bill for reimbursable health insurance, non-federal workers’ compensation, tortfeasor and no-fault or uninsured motorists insurance cases. Reasonable charges are based on provider charges in the market area of each VA facility. Under regulations issued pursuant to section 1729 and published at section 17.101, title 38, Code of Federal Regulations, third party payers may elect to pay VA’s billed charges (less applicable deductible or co-payment amounts) for the care and services provided to veterans. Alternatively, third party payers may elect to pay VA an amount, generally known as usual and customary, that it would pay to other providers for care and services in the same geographic area.

Cost-based per diems are calculated annually to produce rates used to bill for medical care or services provided by the VA:

- (a) in error or on tentative eligibility;
- (b) in a medical workers’ compensation (other than federal), humanitarian emergency;
- (c) to pensioners of allied nations;
- (d) for research purposes in circumstances under which VA medical care appropriation is to be reimbursed by VA research appropriation; and
- (e) to beneficiaries of the Department of Defense or other federal agencies, when the care or service provided is not covered by an applicable sharing agreement.



These per diem costs are derived primarily from cost and workload data from a national cost allocation report.

VA's Loan Guaranty Program collects certain fees that are set by law. The loan guarantee funding fees collected for FY 2008 were \$567 and for FY 2007 were \$435. The loan guarantee lender participation fees collected for FY 2008 were \$2.1. The lender participation fees collected for FY 2007 were \$1.5.

#### **Intragovernmental Exchange Transactions**

This section discloses intragovernmental exchange transactions in which VA provides goods or services at a price less than the full cost, or does not charge a price at all, with explanations for disparities between the billing and full cost.

Intragovernmental costs relate to the source of goods and services purchased by VA and not to the classification of related intragovernmental revenue.

VA and DoD have authority to enter into agreements and contracts for the mutual use or exchange of use of hospital and domiciliary facilities and other resources. The providing agency shall be reimbursed for the cost of the health care resources based on the methodology agreed to by VA and DoD. Facility directors have the flexibility to consider local conditions and needs and the actual costs of providing the services. VA's General Counsel has determined that full cost recovery is not mandated. VHA captures the total amount of reimbursements received under DoD sharing agreements, but the total amount billed below full cost is not readily available. VHA is in the process of developing mechanisms to report this information in the

future. VBA collects funding from DoD in order to administer certain education programs. DoD transferred \$341.5 during FY 2008 for the Post-Vietnam Era Education Assistance Program, Reinstated Entitlements Program for Survivors, and the New GI Bill for Veterans.

VA reports intragovernmental trading partner information to the US Treasury through Treasury's Intragovernmental Reporting and Analysis System (IRAS). VA and its trading partners are not able to completely reconcile all activities and balances with each other due to several factors including transaction volumes, recognition of timing differences, and system limitations between trading partners. In FY 2008 VA made improvements to the intragovernmental reporting process. A review of the intragovernmental vendor list was conducted and obsolete and redundant vendor IDs were removed. A Hyperion-based intragovernmental reporting tool is currently under development and testing. Delivery is scheduled for FY 2009.

When VA furnishes medical care or services for beneficiaries of other federal agencies, and that care or service is not covered by an applicable local sharing agreement, the billing rates used are determined and published annually by the VHA CFO. Similar to the tort rates, interagency billing rates are determined from cost and workload data in the Cost Distribution Report.

#### **20. Net Cost of Veterans Affairs Programs**

All of VA's net program costs are part of the 700 budget functional classification (Veterans Benefits and Services).



**Schedule of Net Program Cost**

For the Year Ended September 30, 2008 (Dollars in Millions)	Medical Care	Medical Education	Medical Research	Compensation	Pension	Education	Vocational Rehab	Loan Guaranty	Insurance	Burial	Non-Program	Total
<b>Production Costs</b>												
<b>Intragovernmental Costs</b>	\$ 5,678	\$ 106	\$ 119	\$ 275	\$ 35	\$ 8	\$ 25	\$ 933	\$ 8	\$ 57	\$ 55	\$ 7,299
<b>Less Earned Revenues</b>	(50)	-	(32)	-	-	(396)	-	(249)	(701)	-	(780)	(2,208)
<b>Net Intragovernmental Production Costs</b>	5,628	106	87	275	35	(388)	25	684	(693)	57	(725)	5,091
<b>Public Costs</b>	32,821	1,261	842	375,694	3,943	3,118	762	(1,195)	1,267	1,291	1,924	421,728
<b>Less Earned Revenues</b>	(3,430)	-	(12)	-	-	(193)	-	(54)	(456)	-	(52)	(4,197)
<b>Net Public Production Costs</b>	29,391	1,261	830	375,694	3,943	2,925	762	(1,249)	811	1,291	1,872	417,531
<b>Total Net Cost of Operations</b>	\$ 35,019	\$ 1,367	\$ 917	\$375,969	\$ 3,978	\$ 2,537	\$ 787	\$ (565)	\$ 118	\$ 1,348	\$ 1,147	\$ 422,622

**Schedule of Net Program Cost**

For the Year Ended September 30, 2007 (Dollars in Millions)	Medical Care	Medical Education	Medical Research	Compensation	Pension	Education	Vocational Rehab	Loan Guaranty	Insurance	Burial	Non-Program	Total
<b>Production Costs</b>												
<b>Intragovernmental Costs</b>	\$ 4,582	\$ 95	\$ 97	\$ 223	\$ 27	\$ 16	\$ 18	\$ 93	\$ 8	\$ 46	\$ 70	\$ 5,275
<b>Less Earned Revenues</b>	(113)	-	(35)	2	-	(427)	-	(743)	(742)	-	(1,064)	(3,122)
<b>Net Intragovernmental Production Costs</b>	4,469	95	62	225	27	(411)	18	(650)	(734)	46	(994)	2,153
<b>Public Costs</b>	30,450	1,172	794	8,672	3,875	2,962	704	513	1,310	209	1,996	52,657
<b>Less Earned Revenues</b>	(2,906)	-	(13)	-	-	(203)	-	(63)	(482)	-	(49)	(3,716)
<b>Net Public Production Costs</b>	27,544	1,172	781	8,672	3,875	2,759	704	450	828	209	1,947	48,941
<b>Total Net Cost of Operations</b>	\$ 32,013	\$ 1,267	\$ 843	\$ 8,897	\$ 3,902	\$ 2,348	\$ 722	\$ (200)	\$ 94	\$ 255	\$ 953	\$ 51,094





## 21. Disclosures Related to the Statements of Budgetary Resources

### Apportionment categories of obligations incurred

#### Obligations

Years Ended September 30,

	2008	2007
Category A, Direct	\$ 41,643	\$ 38,989
Category B, Direct	52,739	43,473
Reimbursable	5,711	5,959
Exempt from Apportionment	-	29
<b>Total Obligations</b>	<b>\$ 100,093</b>	<b>\$ 88,450</b>

### Borrowing Authority

Loan Guaranty had borrowing authority of \$1.3 billion and \$0.7 billion as of September 30, 2008 and 2007, respectively. The Vocational Rehabilitation Program had borrowing authority of \$4.0 and \$2.7 as of September 30, 2008 and 2007, for making direct loans. Loan Guaranty borrowing is repaid to Treasury through the proceeds of portfolio loan collections, funding fees, and the sale of loans to Vinnie MAC trusts. The Vocational Rehabilitation loans generally had duration of one year, and repayment was made from offsetting collections.

### Adjustments to Budgetary Resources

During the reporting period, adjustments to budgetary resources available at the beginning of the year included VA appropriations that were subjected to a rescission that totaled \$69. Additionally, unobligated balances of prior year recoveries of \$3 were rescinded.

### Permanent Indefinite Appropriations

VA has four permanent and indefinite appropriations. The Veterans Housing Benefit Program Fund covers all estimated subsidy costs arising from post-1991 loan obligations for veterans housing benefits. The Fund's objective is to encourage and facilitate the extension of favorable credit terms by private lenders to veterans for the purchase, construction, or improvement of homes to be occupied by veterans and their families. The Loan Guarantee Revolving Fund is a liquidating account that contains all of VA's pre-credit reform direct and guaranteed loans. It also holds fund balances

received from reimbursements from financing accounts for loan modifications and rentals of foreclosed properties not yet transferred to financing accounts. The Native American Direct Loan Account was established to cover all subsidy costs arising from direct loan obligations related to a veteran's purchase, construction, or renovation of a dwelling on trust land.

### Use of Unobligated Balances of Budget Authority

Available unobligated balances on the Statement of Budgetary Resources are composed of current fiscal year apportioned funds for annual, multi-year, and no-year appropriations from Congress as well as revolving and trust funds. Other balances not available are composed of expired appropriation unobligated amounts, which generally are not available for new obligations, but can be used to increase existing obligations under certain circumstances. This amount also includes unobligated funds that were not apportioned by OMB for FY 2008 use.

Unobligated VA funds are available for uses defined in VA's FY 2008 Appropriation Law (P.L. 110-161) and Supplemental Appropriations Law (P.L. 110-252). These purposes include: veterans medical care, research, education, construction and maintenance of VA buildings, veterans and dependents benefits, veterans life insurance, loan guaranty programs, veterans burial benefits, and administrative functions. Various obligation



limitations are imposed on individual VA appropriations.

**Explanation of Differences Between Statement of Budgetary Resources and the Budget**

As a result of analysis of obligations and advances, obligations were reduced by \$137 for FY 2008 on the Combined Statement of Budgetary Resources. This adjustment was not reflected in the FACTS II data used to prepare the President's Budget. No other differences were identified as of the preparation date of the financial statements.

**Undelivered Orders at the End of Period**

The amount of budgetary resources obligated for undelivered orders at the end of 2008 and 2007 was \$8,462 and \$5,690, respectively.

**Contributed Capital**

The amount of contributed capital received during FY 2008 consisted of donations in the amount of \$55.9 to the General Post Fund and \$0.1 to the National Cemetery Gift Fund. For FY 2007 \$45.5 was donated to the General Post Fund and \$0.1 to the National Cemetery Gift Fund.



## 22. Dedicated Collections

The table below summarizes the name, type, and purpose of the funds within VA that receive dedicated collections, other than earmarked funds which are separately disclosed in Note 18. All of the funds listed use the accrual basis of

accounting. However, collections are reported as actually received in accordance with OMB Circular A-11. All of the funds generally receive authority to use current year contributions as well as a portion of previously contributed amounts.

Fund Name	Fund Type	Treasury Symbol	Authority	Purpose of Fund	Financing Sources
<b>Escrowed Funds for Shared Medical Equipment Purchases</b>	Deposit	36x6019	106 Stat 1974	Receives payments from public companies involved in joint purchases of medical equipment.	Public, universities, pharmaceuticals & other medical organizations.
<b>Personal Funds of Patients</b>	Deposit	36x6020	38 U.S.C. 3204	Temporarily holds funds.	Public, patients.
<b>Employee Allotments for Savings Bonds</b>	Deposit	36x6050	31 U.S.C. 3105	Temporarily holds funds.	Employees.

The following tables provide condensed information on assets, liabilities, fund balances.

### For the year ended September 30, 2008

Fund Symbol	6020	6050	TOTAL
<b>Assets:</b>			
Fund balance with Treasury	\$ 39	\$ 1	\$ 40
Investments with Treasury	-	-	-
Other Assets	-	-	-
<b>Total Assets</b>	<b>\$ 39</b>	<b>\$ 1</b>	<b>\$ 40</b>
<b>Liabilities:</b>			
Payables to Beneficiaries	-	-	-
Other Liabilities	39	1	40
<b>Total Liabilities</b>	<b>39</b>	<b>1</b>	<b>40</b>
<b>Net Position:</b>			
Cumulative Results	-	-	-
<b>Total Liabilities &amp; Net Position</b>	<b>\$ 39</b>	<b>\$ 1</b>	<b>\$ 40</b>



### 23. Reconciliation of Net Cost of Operations to Budget

The objective of the information shown below is to provide an explanation of the differences between budgetary and financial (proprietary) accounting. This is accomplished by means of a

reconciliation of budgetary obligations and non-budgetary resources available to the VA with its net cost of operations.

<b>DEPARTMENT OF VETERANS AFFAIRS</b>		
<b>RECONCILIATION OF NET COSTS OF OPERATIONS TO BUDGET (dollars in millions)</b>		
<b>for the Years Ended September 30,</b>	<b>2008</b>	<b>2007</b>
<b>Resources Used to Finance Activities</b>		
Obligations Incurred	\$ 100,093	\$ 88,450
Less Spending Authority from Offsetting Collections and Adjustments	(7,861)	(6,539)
Obligations Net of Offsetting Collections and Adjustments	92,232	81,911
Less Offsetting Receipts	(4,243)	(3,610)
Net Obligations	87,989	78,301
Donations of Property	21	20
Transfers-out	(239)	(241)
Imputed Financing	1,375	1,408
Other Financing Sources	(966)	-
<b>Total Resources Used to Finance Activities</b>	<b>88,180</b>	<b>79,488</b>
<b>Resources That Do Not Fund Net Cost of Operations</b>		
Change in Amount of Goods, Services and Benefits Ordered But Not Yet Provided	(3,597)	(1,078)
Resources that Finance the Acquisition of Assets	(5,093)	(3,736)
Resources that Fund Expenses Recognized in Prior Periods	(1,676)	(633)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	4,553	2,842
Total Resources that Do Not Fund Net Costs of Operations	(5,813)	(2,605)
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<b>82,367</b>	<b>76,883</b>
<b>Costs That Do Not Require Resources in the Current Period</b>		
Increase in Annual Leave Liability	144	118
Increase in Environmental and Disposal Liability	370	174
Reestimates of Credit Subsidy Expense	(675)	(402)
Increase in Exchange Revenue Receivable from the Public	(366)	(276)
Increase (Decrease) in Veterans Benefits Actuarial Liability	339,233	(26,045)
Depreciation and Amortization	1,024	895
Bad Debts Related to Uncollectible Non-Credit Reform Receivables	424	314
Loss on Disposition of Assets	130	134
Other	(29)	(701)
<b>Total Costs That Do Not Require Resources in the Current Period</b>	<b>340,255</b>	<b>(25,789)</b>
<b>Net Cost of Operations</b>	<b>\$ 422,622</b>	<b>\$ 51,094</b>



## 24. Reclassifications, Changes in Accounting Policy and Changes in Financial Statement Presentation

### Heritage Assets

In FY 2008 the presentation of heritage asset information changed. In accordance with SFFAS No. 29, Heritage Assets and Stewardship Land, the basic information regarding Heritage Assets has been moved from Required Supplementary Information to a Note on the Balance Sheet (see Note 10).

### Trust Funds with Collections Precluded from Obligations

The FY 2008 presentation of budgetary resources and status of budgetary resources within the Statement of Budgetary Resources has been prospectively changed to report unobligated balances in the National Service Life Insurance Fund and the United States Government Life Insurance Fund (the Trust Funds) as precluded from obligations. The precluded balance is reported on the line "Temporarily Not Available Pursuant to Public Law". The precluded balance, with authorization from OMB, is available to cover program obligations in current or future years in accordance with the legislation establishing the Trust Funds. In prior periods, the unobligated balances were reported as "Unobligated Balance Available".



## Department of Veterans Affairs Office of Inspector General

### Audit of VA's Consolidated Financial Statements for Fiscal Years 2008 and 2007

Report No. 08-00870-24

November 17, 2008

VA Office of Inspector General  
Washington, DC 20420



**DEPARTMENT OF VETERANS AFFAIRS**  
**Office of Inspector General**  
**Washington DC 20420**

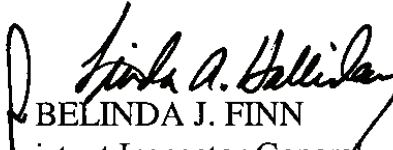
**TO:** Secretary of Veterans Affairs (00)  
**SUBJECT:** Audit of VA's Consolidated Financial Statements for Fiscal Years  
2008 and 2007

1. We contracted with the independent public accounting firm, Deloitte & Touche LLP, to audit VA's consolidated financial statements as of September 30, 2008 and 2007 and for the years then ended. This audit is an annual requirement of the Chief Financial Officers Act of 1990. The results of Deloitte and Touche LLP's audit are presented in the attached reports.

2. Deloitte and Touche LLP provided an unqualified opinion on VA's fiscal year 2008 and 2007 consolidated financial statements. They also identified three material weaknesses, all of which are repeat conditions from the prior year's audit. They are (i) financial management system functionality, (ii) information technology security controls and (iii) financial management oversight.

3. Deloitte and Touche LLP reported that VA is not in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996 because VA did not substantially comply with Federal financial management systems requirements. They also noted two other instances of non-compliance with law and referenced a violation of the Antideficiency Act reported by the Secretary to the President of the United States and the Director of the Office of Management and Budget in October 2008 related to activity in fiscal year 2007.

4. Deloitte & Touche LLP is responsible for the attached auditor's report dated November 17, 2008, and the conclusions expressed in the report. We do not express opinions on VA's financial statements or internal control or on whether VA's financial management systems substantially complied with FFMIA; or conclusions on compliance with laws and regulations. The independent auditors will follow up on these internal control findings and evaluate the adequacy of corrective actions taken during the FY 2009 audit of VA's consolidated financial statements.

  
BELINDA J. FINN  
Assistant Inspector General  
for Auditing

Attachments



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## INDEPENDENT AUDITORS' REPORT

To the Secretary and the Inspector General of  
Department of Veterans Affairs

We have audited the accompanying consolidated balance sheets of the Department of Veterans Affairs ("VA") as of September 30, 2008 and 2007, and the related consolidated statements of net cost, changes in net position, and the combined statements of budgetary resources for the years then ended which collectively comprise VA's basic financial statements. These financial statements are the responsibility of VA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget ("OMB") Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VA as of September 30, 2008 and 2007, and its net costs, changes in net position, and budgetary resources thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2008, on our consideration of VA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Deloitte + Touche LLP*

November 17, 2008





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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Secretary and the Inspector General of  
Department of Veterans Affairs

We have audited the basic financial statements of the Department of Veterans Affairs (VA) as of and for the year ended September 30, 2008, and have issued our report thereon dated November 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered VA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the VA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the VA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. 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 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 by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Member of  
Deloitte Touche Tohmatsu



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

We identified the matters in Sections I and II involving the internal control over financial reporting and its operation that we consider to be significant deficiencies. The significant deficiencies that we identified in our prior year report dated November 15, 2007 are identified in this report as "Repeat Condition".

Deficiencies described in Section I include significant departures from certain requirements of OMB Circular A-127, *Financial Management Systems*; Circular A-123, *Management's Responsibility for Internal Control*; and Circular A-130, *Management of Federal Information Resources*. We consider each of the three significant deficiencies identified as "Financial Management System Functionality," "Information Technology (IT) Security Controls," and "Financial Management Oversight" to be material weaknesses.

#### **Distribution**

This report is intended solely for the information and use of the VA Office of Inspector General, the management of VA, the Office of Management and Budget, the U.S. Government Accountability Office, Office of the President, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte + Touche LLP*

November 17, 2008



## SECTION I — MATERIAL WEAKNESSES

We consider each of the following deficiencies in VA's internal control over financial reporting to be a material weakness:

### A. Financial Management System Functionality – Material Weakness (Repeat Condition)

The VA operates different legacy financial systems to support its missions including a core accounting system and business line specific financial systems, such as the Financial Management System (FMS), Benefits Delivery Network (BDN), the Fixed Asset Package, and medical center systems. The business line financial systems provide summary transactions to the core general ledger system to generate the VA's consolidated financial statements. Many of these systems are outdated, leading to inefficiencies in the reliable, timely and consistent preparation, processing, and analysis of financial information for VA's consolidated financial statements and are inherently more difficult to integrate than systems based on newer technologies.

To assist in managing the preparation of consolidated financial statements, VA management implemented a reporting system (MinX) to automate the preparation of the consolidated financial statements in fiscal year 2006. Although it has provided significant improvement, we identified continuing difficulties with the legacy systems related to the reliable, timely and consistent preparation, processing, and analysis of financial information for VA's consolidated financial statements. VA management continues to work to remediate the integration and functionality issues but significant challenges remain. Key examples of significant deficiencies resulting from the legacy systems are:

#### *Conditions:*

- VA closes its general ledger system at year-end on September 30 and then allows additional entries to be recorded in a "period 13" general ledger. Under the current process, period 13 is kept open on October 1 for one day. However, many entries cannot be identified and recorded in just one day and need to be recorded after period 13 is closed. These entries often are the result of routine account analysis and reconciliation. Business lines also need more time to record their normal recurring or year-end entries. Because the general ledger is closed after October 1, VA uses the MinX reporting system as a de facto general ledger.

This limitation contributes to a significant number of manual entries being posted through the MinX reporting system at year-end to prepare the financial statements. Further, since the MinX reporting system does not automatically carry forward prior year adjustments to the beginning balance of the following year, to make sure those entries carry forward, VA makes rollover adjusting entries at the beginning of a new fiscal year in MinX. As a result, entries are booked, reversed, and then rebooked, creating significant risk of error. For example, during the fiscal year 2008 closing procedures, a one-sided "plug" entry was recorded in MinX and was not detected.



- Due to the lack of integration between the business line financial systems and FMS, VBA could not provide certain sub-ledgers to support the amount recorded in the FMS, such as a detailed listing of Veterans Services Network (VETSNET) accounts receivable, detailed support for miscellaneous “A-28” adjusting entries to Compensation and Pension (C&P) benefit expenses, and a detailed transaction listing to support certain education deductions from overpayments to veterans.
- The BDN and VETSNET systems do not retain detail transactional data supporting the general ledger activity for more than 60 to 90 days. During fiscal year 2008, VBA put into operation a Data Warehouse that allowed BDN and VETSNET data to be retained and retrieved to support the financial statements. No formal internal control policies and procedures were established for the transfer of data to the Data Warehouse, or for the maintenance of such data.
- The Fixed Asset Package (FAP) does not readily provide information to support activity in the related general ledger accounts. The FAP cannot readily identify all current year property, plant and equipment additions and reclassifications of work in process due to system limitations.
- The VETSNET system does not include data mining capabilities to allow financial management the ability to analyze transactions at a level needed to prepare routine reconciliations.
- Automated inventory systems at the Consolidated Mail Order Pharmacy (CMOP) facilities were primarily developed for operations and accordingly cannot provide the data needed to record the proper cost of inventory for financial statement purposes. Automated systems implemented at the CMOP facilities have different software versions which prevent standardized control and summary reports from being generated.
- While a central database to record contracts, Electronic Contract Management System (ECMS), has been established, no system is in place to track all obligations and purchases made by the VA by vendor. For example, VA must rely on vendors to supply sales data on medical center purchases from the Federal Supply Schedule Contracts administered by the VA’s National Acquisition Center.

**Criteria:**

31 U.S.C. § 902(a) (3) states that an agency Chief Financial Officer shall “develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, which—

(A) complies with applicable accounting principles, standards, and requirements, and internal control standards;

(B) complies with such policies and requirements as may be prescribed by the Director of the Office of Management and Budget;

(C) complies with any other requirements applicable to such systems; and

(D) provides for—

(i) complete, reliable, consistent, and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of agency management...”

OMB Circular A-127, *Financial Management Systems*, states that agency financial management systems “shall be designed to provide for effective and efficient interrelationships between software, hardware, personnel, procedures, controls, and data contained within the systems....”



***Cause:***

Many of these systems are outdated, leading to inefficiencies in the reliable, timely and consistent preparation, processing, and analysis of financial information for VA's consolidated financial statements and are inherently more difficult to integrate than systems based on newer technologies.

***Effect:***

The system deficiencies result in significant manual workarounds and the posting of a large number of general ledger adjustments that increase the risk of processing errors and misstatements in the financial statements.

***Recommendation:***

The VA Chief Information Officer (CIO) and Chief Financial Officer (CFO) should work to improve system functionality in order to better support preparation of the financial statements, retain critical accounting data, and reduce the number of adjusting entries required.

VA management should inventory all manual workaround processes performed during the year-end closing period and continue to make improvements through adjustment of timing, refinement and consolidation of these processes.

**B. Information Technology (IT) Security Controls – Material Weakness (Repeat Condition)**

The VA continued to make progress in addressing information technology (IT) security weaknesses during fiscal year 2008. The Office of Chief Information Officer (OCIO) took action to remediate elements of the IT security weaknesses reported in prior years. In Fiscal Year 2008, the OCIO revised information security directives and handbooks, implemented Federal Information Processing Standards (FIPS) Publication 140-2 encryption for specific storage devices, performed a Certification and Accreditation (C&A) process for Major Applications (MA) and General Support Systems (GSS), and updated security awareness training and privacy training. In addition, the OCIO, utilizing the Office of IT Oversight and Compliance (ITOC), continued to conduct IT security assessments across the VA.

While progress has been made, management has acknowledged many IT security weaknesses require multi-year solutions. In Fiscal Year 2008, legacy IT infrastructure security weaknesses remain pervasive due to the lack of effective implementation and enforcement of an agency-wide information security program. These security weaknesses continue to place VA's program and financial data at risk. Our assessment of the general and application controls of VA's key IT infrastructure and financial systems identified the following conditions.



**Conditions:**

*Agency-wide Security Program*

- Information security deficiencies were not effectively mitigated resulting in a large backlog in the VA Plan of Action and Milestones (POA&M) system. In addition POA&M did not contain necessary documentation to support that deficiencies were adequately evaluated and remediated prior to closure.
- The risk assessments conducted for financial management systems did not always accurately identify the existence or effectiveness of certain system controls, and appropriate control recommendations were not consistently identified in the risk assessments.

*Access Control*

- Password standards were not consistently implemented and enforced across multiple VA systems including the network domain, mainframe systems and databases supporting key financial applications.
- Access to BDN and Veterans Health Information Systems and Technology Architecture (VistA) applications were not adequately restricted for system users and IT personnel.
- Review of user access to multiple financial applications, security violations, and system audit logs were not consistently performed or documented.

*Segregation of Duties*

- Legacy application VistA contained users with access to both Create and Approve purchase orders. In addition, IT personnel had Update access to the production environment supporting VistA and BDN applications.

*Change Control*

- Change control policy and procedures for authorizing, testing and approval were not consistently implemented and enforced to reduce the risk of data integrity issues related to VETSNET, BDN, VistA and Insurance System.
- VETSNET data updates were performed outside of the standard change control process.
- Systems were not patched in a timely manner to mitigate vulnerabilities.

*Service Continuity*

- A service continuity plan at the departmental level was not fully developed to provide overall guidance, direction, and coordination for entity-wide IT service continuity.
- Testing of contingency plans for financial management systems at selected facilities and data centers was not routinely performed and documented to meet the requirements of VA Handbook 6500.



**Criteria:**

E-Government Act 2002, Title III, *Federal Information Security Management Act of 2002* states:

“Each agency shall develop, document, and implement an agency wide information security program to provide information security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.”

OMB A-130, Appendix III, *Security of Federal Automated Information Resources* states:

“Agencies shall implement and maintain a program to assure that adequate security is provided for all agency information collected, processed, transmitted, stored, or disseminated in general support systems and major applications.”

**Cause:**

At the end of Fiscal Year 2007, the OCIO issued Directive/Handbook 6500 that established the policy, procedures, and operational requirements of the information security program. While VA management has taken positive steps toward reducing the number of deficiencies, the consistent and proactive enforcement of the established security policies and procedures continue to be a challenge for a large, geographically dispersed organization such as VA that supports a diverse portfolio of legacy applications and newly implemented systems. The amount of accumulated deficiencies continues to require multi-year resource commitment.

**Effect:**

Information security control weaknesses place sensitive information, including financial information and veterans' medical and benefit information, at risk of inadvertent or deliberate misuse, fraudulent use, improper disclosure, theft, or destruction, possibly occurring without detection.

In addition, inconsistent or inadequate contingency planning and testing increases the risk the VA would not be able to recover their systems and data in the timeframe required by the business owners to support their operations and financial reporting requirements.

**Recommendations:**

VA management should continue to devote resources, analyze the cause of reported deficiencies and prioritize remediation activities to accomplish its security and control objectives. Key tasks should include, but are not limited to, the following:



- Continue to provide necessary training and improve the quality of risk assessments. Assign proper resources to implement corrective action plans to remediate deficiencies reported in the POA&M system. Proactively apply controls to all key financial management systems based on the lessons learned developed through audits and management self-assessments.
- Provide actionable steps for ensuring that user access to VA financial management systems is authorized based on need; that system logical security settings and updates are properly implemented for all interconnected networks, systems, and applications; and that proper oversight of system activities is performed.
- Support proper segregation of duties by providing adequate human resources and configuring financial management systems. In addition, perform proper management oversight of incompatible activities.
- Facilitate a consistent enforcement of change control policies and procedures for the development, testing, and implementation of changes to VA financial applications.
- Complete and implement service continuity procedures that will provide effective guidance, communication, and coordination of service continuity planning and testing activities; perform contingency plan testing in compliance with the VA Handbook 6500.

### C. Financial Management Oversight – Material Weakness (Repeat Condition)

#### *Conditions:*

We have identified nine significant deficiencies that support the need for enhanced management oversight. Most of these deficiencies relate to observations also identified in prior years that remain uncorrected. When aggregated, the series of deficiencies has a recurring theme of inadequate or ineffective management oversight, thus resulting in an overall material weakness.

In the past management has attempted a number of approaches to remediate the recurring deficiencies. Management has provided training and become more involved in the process overall. Since these approaches have not proven effective, management should review the root cause of each issue and the reason that attempts to remediate the issue have been met with limited success.

The following nine significant deficiencies support the overall material weakness and are also described in greater detail in Section II of this report:

- ***Accrued Services Payable and Undelivered Orders - VHA***  
Veterans Health Administration (VHA) financial management did not perform adequate reviews to ensure that invalid obligations were de-obligated timely and that expenses were accrued and recorded in the correct period.
- ***Property, Plant and Equipment - VHA***  
VHA financial management demonstrated little evidence of improvement over monitoring internal controls and accounting for property, plant and equipment, including capitalization and disposals. Poor communications between financial and facilities management contributed to this internal control finding.





- ***Environmental and Disposal Liabilities - VHA***  
VHA financial management did not effectively monitor proper accounting and reporting of environmental liabilities. Environmental data provided by facilities management to support the accrual often did not meet documentation requirements for financial accounting purposes.
- ***Accrual for Unbilled Receivables and Allowance for Contractual Adjustments - VHA***  
VHA financial management has not initiated adequate processes to review the allowance for contractual adjustments and information used in the calculation of accrual for unbilled receivables to assure these amounts are recorded in accordance with generally accepted accounting principles.
- ***Benefit Expense Reconciliation - VBA***  
We noted there was a lack of reconciliations being performed on the monthly benefit payments to veterans, and the corresponding amounts recorded in the general ledger (FMS).
- ***Outsourced Portfolio Loan Servicing - VBA***  
The VA contracts with an outside contractor to service the mortgage loans in its portfolio. The files maintained by the outside contractor did not contain a copy of the original loan document, or modifications to the original loan documents for some mortgage loans selected for testing.
- ***Compensation and Pension Actuarial Liability Calculation - VBA***  
VBA management has not completely reconciled recorded expense data to inputs in the actuarial liability model, provided the external actuary with all relevant data, or considered the impact of this relevant data to the liability.
- ***VA Housing Model - VBA***  
VBA management did not perform an effective review of the formulas within the Variable Default model.
- ***Software - Office of Information and Technology (OI&T)***  
Management was unable to gather actual expenditures to properly record software costs on a timely basis.

***Criteria:***

Management must maintain a system of internal controls in accordance with *Standards for Internal Control in the Federal Government* issued by the Government Accountability Office (GAO). These five standards for internal control include:

- Control Environment – It provides the discipline and structure as well as the climate which influences the quality of internal control.
- Risk Assessment – It is the identification and analysis of relevant risks associated with achieving control objectives.
- Control Activities – They are the policies, procedures, techniques, and mechanisms that enforce management's directives.
- Information and Communications – Information should be recorded and communicated to management and others within the entity who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities.
- Monitoring – Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved.

**Cause:**

The operational causes for the deficiencies highlighted above vary. Common issues include a lack of human resources with the appropriate skills and a significant volume of transactions. In addition, as in the case of environmental liabilities and property, plant and equipment, the solution requires routine communication with non-financial functions such as facilities management. If the essential financial accounting work has not been performed or was performed inadequately, various levels of financial management should be in place to properly monitor, identify and detect these issues. VA's decentralized structure makes management of control processes more difficult.

**Effect:**

Recording financial data without sufficient review and monitoring increases the likelihood that an error in the financial statements will occur and that it will go undetected.

**Recommendation:**

Management should review its financial management organizational structure to determine if the financial management organization has sufficient authority and resources to solicit support to improve financial management at all levels of the organization. Any initiative should have support from the Secretary to promote strong financial management and coordination amongst all operational levels to ensure financial management can promote change within the overall organization. This may require additional funding and resources but it also requires a fundamental commitment from all operational levels. VA should also assess the resource and control challenges associated with operating in a highly decentralized accounting function. While the assessment is being performed, management should develop an immediate interim review and monitoring plan to detect and resolve issues in each of the nine deficiencies discussed above.

**SECTION II — SIGNIFICANT DEFICIENCIES**

We consider the following deficiencies in VA's internal control over financial reporting to be significant deficiencies. Items with an asterisk (\*) are repeat conditions included in a letter we issued to management last year.

**1. Accrued Services Payable, and Undelivered Orders —VHA\***

**Condition-** We noted the following with respect to accrued services payable and undelivered orders.

- During our medical center site visits, we noted several instances where accrued services payable and undelivered orders were not properly monitored in accordance with VA policy to ensure they were valid and correctly calculated.
  - We noted instances of invalid residual balances for obligations and accrued services payable that should have been de-obligated or closed out.
  - We also noted potential duplicate transactions, an outstanding payable for equipment that was received in fiscal year 2006, and a wrong accrual period. In one instance, prepaid expenses were expensed and not recorded as an advance payment and undelivered order.



- The FMS has an automatic accrual “flag” function which when activated allows expenses to be recorded in the correct accounting period. However, we noted both manual and system problems with this function:
  - We noted instances where the accrual flag was not manually set when it needed to be, or where it was incorrectly activated for equipment and other services resulting in recognition of an expense before the item was received.
  - Due to a limitation in FMS, the automatic accrual function cannot cross fiscal years unless there is manual intervention. Without manual intervention, services will be fully accrued at year-end regardless of future activity. As a result, we noted several instances where services were fully accrued as of September 30, 2007 although those services were to be provided during fiscal year 2008. This resulted in classification errors between expenditures, undelivered orders and accrued services payable.
- We noted instances where invoices had not been received, but an estimate for work performed should have been accrued under work in process.

**Criteria-** OMB Circular A-123, *Management's Responsibility for Internal Control*, requires that management be responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

**Cause-** Invalid undelivered orders or accrued services payable occurred because of the lack of adequate review and follow-up procedures with individuals who initiated the purchase orders. Medical center staff identified the system limitation where FMS did not allow the accrual flag to continue past the current fiscal year without manual intervention. No process was in place to accrue for construction or other products that did not use receiving reports unless invoices had been received from vendors or contractors.

**Effect-** Accrued services payable and undelivered orders balances could be misstated during the year, and in some cases, unauthorized transactions may not be detected.

**Recommendation-** We recommend that the VHA CFO, in coordination with the Veterans Integrated Service Network (VISN) CFOs:

- Consider a system control to identify payments as final to help eliminate residual balances.
- Ensure medical center staff are trained on the proper use of the accrual flag; specifically, when to set it and how to manually intervene so that accruals can cross fiscal years; and ensure staff properly use the function.
- Seek a solution to the FMS limitation that prevents accruals from automatically crossing fiscal years.
- Enhance the tool used in monitoring aged undelivered orders to include construction orders.



## 2. Property, Plant and Equipment (PP&E) – Estimated Useful Life and Recording of Transactions —VHA\*

**Condition-** During our medical center site visits, we noted the following:

- Completed projects were not always transferred from work in process to property in service, and depreciated on a timely basis.
- Some assets remained capitalized even though they were traded in or disposed of and were no longer property of VA.
- Some discrepancies existed in the estimated useful life of equipment as recorded in the fixed assets subsidiary ledger and the VA Supply Catalog.
- A portion of a project was incorrectly coded to an expense account, rather than recorded as an asset.
- An MRI machine purchased on behalf of another medical center was incorrectly capitalized by the medical center that purchased the asset. The medical center that had custody of the asset should have recorded the machine in their accounting records. Instead, that medical center only included the machine in their Equipment Inventory Listing (EIL) for accountability purposes.
- A panic alarm system was not capitalized because the various individual components, i.e. installation costs, computer equipment, and software licenses, were below the capitalization threshold. A capitalizable account should have been used for the components since they were part of one system and in the aggregate exceeded the capitalization threshold.

**Criteria-** OMB Circular A-123, *Management's Responsibility for Internal Control*, requires that management be responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

**Cause-** These exceptions were caused at least in part because of:

- Lack of timely communication between accounting and facilities management.
- Lack of adequate reviews and controls in place to ensure that assets that are no longer in VA's possession are taken off the books.
- Misinterpretation of accounting policy regarding capitalization threshold and related accounts.
- Ineffective communication between two medical centers resulted in incorrect recording of an asset.
- To a large extent, accounting is reliant on effective communications from facilities management on the status of projects. This communication has not been effective.

**Effect-** PP&E and related expense accounts may be misstated.



**Recommendation-** We recommend that VHA CFO, in coordination with the VISN CFOs, take action to ensure:

- Better coordination between financial and facilities management.
- Work-in-process projects are reviewed for completion dates and are recorded timely as property in service. Management should consider enhancing the fixed assets reporting module to include project estimated completion date to assist in monitoring of the untimely transfer to property in service.
- Management should put procedures in place to ensure that projects no longer in use are removed from the general ledger.
- Management should review the estimated useful life of equipment recorded in the fixed asset subsidiary ledger with the VA Supply Catalog for consistency.
- Ensure that inventory procedures include that assets are recorded in the proper location.
- When acquiring systems, ensure that procedures are in place to capitalize all components of the system.

### 3. Environmental and Disposal Liabilities—VHA \*

**Condition-** During our medical center site visits, we noted that stations had recorded estimates for environmental and disposal liabilities. However, at certain stations in the selection, balances were not supported by sufficient information such as the “RSMMeans Guide” or other industry tools and publications or surveys, as required by Office of Finance Bulletin 07GB1.01. Often the support provided by facilities management was not sufficient to support the environmental liability calculation. In addition, stations currently use inconsistent methodologies for estimating their liabilities.

**Criteria-** With respect to clean-up costs, *SFFAS 6 – Accounting for Property, Plant and Equipment Recognition and Measurement* states:

“Estimates shall be revised periodically to account for material changes due to inflation or deflation and changes in regulations, plans and/or technology. New cost estimates should be provided if there is evidence that material changes have occurred; otherwise estimates may be revised through indexing...”

With respect to maintenance of documentation, *GAO Internal Control Standards* states:

“Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained.”

**Cause-** Medical center staff did not prepare and maintain sufficient documentation, or ensure calculations were prepared in accordance with VA policy, and were periodically reviewed.



**Effect-** Recorded estimates may be inaccurate if they cannot be supported by documentation.

**Recommendation-** We recommend that the VHA CFO, in coordination with the VISN CFOs, take action to ensure that these estimates are supported by auditable information such as vendor quotes, use of RSMMeans Guide, and other industry tools. Management should analytically review the environmental liability balances by station and perform spot checks to promote compliance.

#### 4. Accrual for Unbilled Receivables and Allowance for Contractual Adjustments—VHA\*

**Condition-** The following conditions were noted during the review of accounts receivable:

- Accrual for unbilled receivables is calculated using a three-month moving average of change in accounts receivable, write-offs and collections multiplied by the number of days it takes to bill a receivable after services are provided. However, management has not validated the reasonableness of the accrual methodology by analyzing actual billings subsequent to the accounting period.
- The allowance for contractual adjustments for medical care accounts receivables is a system calculated percentage. During our review, we noted that management had not reviewed the reasonableness of the allowance based on prior year actual amounts.

**Criteria-** GAO's *Standards for Internal Control in the Federal Government* states that managers need to compare actual performance to planned or expected results and analyze significant differences.

**Cause-** VHA central office did not perform a sufficient financial management review.

**Effect-** Accounts receivable balances could be misstated as a result of an inadequate accrual.

**Recommendation-** We recommend that VHA CFO validate the methodology for the accrual for unbilled receivables and the allowance for contractual adjustments by comparing actual activity to prior estimates.

#### 5. Benefit Expense Reconciliation – VBA

**Condition-** We noted that VBA financial management was not performing critical reconciliations on veteran benefit payments as follows:

The following deficiencies support the finding identified:

- **Compensation & Pension (C&P) Benefit Expense Reconciliation**  
Veterans Benefit Administration (VBA) financial management did not perform reconciliations of C&P benefit expense between the two systems which calculate and initiate such payments (BDN and VETSNET) and FMS on a monthly basis prior to March 2008.



- **Education Benefit Expense Reconciliation**

VBA financial management did not perform reconciliation of education benefit expense between BDN and FMS on a monthly basis prior to March 2008, and could not provide a detail transaction listing to support certain education deductions from overpayments to veterans reported in the FMS.

**Cause-** The operational causes for the deficiencies include a lack of resources with the appropriate skills to appropriately prepare and review the requisite reconciliations.

**Criteria-** In accordance with "Standards for Internal Control in the Federal Government," issued by the Government Accountability Office (GAO):

"Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It includes regular management and supervisory activities, comparisons, reconciliations, and other activities people take in performing their duties."

**Effect-** Recording financial data without sufficient monitoring and control procedures increases the likelihood that an error in the financial statements will occur and that it will go undetected. In addition, the inability to provide detail transaction listings for items recorded in FMS could result in accounting errors going uncorrected or inappropriate disbursements being made and going undetected.

**Recommendation-** VBA financial management should review its financial management organizational structure to determine if the financial management organization has sufficient authority and resources to prepare and review the necessary reconciliations on a monthly basis. Resources need to include adequate staff that is trained and knowledgeable to effectively perform the required reconciliations and analyses. Any initiative should promote strong financial management and coordination amongst all operational levels to ensure financial management can promote change within the overall organization.

## 6. Compensation and Pension Actuarial Liability Calculation – VBA\*

**Condition-** We performed reconciliations of the actuarial model inputs and FMS expense data to ensure the accuracy, existence and completeness of VA data used by the model. Based on testing, we noted differences that could potentially significantly affect the actuarial liability.

**Criteria-** In order for an actuary to accurately estimate the C&P actuarial liability, they must be provided with all relevant and accurate data.

**Cause-** VBA financial management did not perform sufficient reconciliations of the actuarial model inputs to FMS expense data.

**Effect-** VBA financial management has not provided the actuary with all of the relevant data and accurate data nor have they considered the impact of this relevant data to the liability.



**Recommendation-** We recommend that VBA financial management prepare a reconciliation between the BDN net payment file and the gross summary payment file provided to the actuary. Reconciling items identifying data relevant to the calculation of the estimated liability should be provided to the actuary. Also, we recommend the data used in the model for burial expenses be checked for accuracy.

## 7. Outsourced Portfolio Loan Servicing - VBA

**Condition-** The VA contracts with an outside contractor to service the mortgage loans in its portfolio. The files maintained by the outside contractor should have the source documents needed to support the initial loan and any subsequent modifications of the loan documents. We selected 45 loan files from the outside contractor to test various attributes for compliance with policies and procedures. The following exceptions were noted with respect to the attributes tested:

- Five loan files did not contain a copy of the original loan document supporting the mortgage loan.
- Four loan files contained the original mortgage loan documents but did not contain the modifications to the original loan documents that appear to have been executed based on the carrying amount of the mortgage loan on VA's general ledger.

**Criteria-** OMB Circular A-123, *Management's Responsibility for Internal Control*, requires that management be responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. Effective internal controls over new loan set up require that appropriate supporting documentation is obtained to verify key terms and amounts.

**Cause-** The outside contractor retains documents provided to it when the loan is initially set up but the outside contractor is not required to have a checklist to assure that required documents are provided to it nor does it follow up on documents not provided.

**Effect-** Mortgage loans receivable on VA's general ledger may not be supported by source documentation and such amounts may be recorded at inaccurate amounts in the financial statements.

**Recommendation-** We recommend that policies are established to require the outside contractor to use a checklist to assure that all needed documents are provided to it at the time the loan is initially set up. In addition, the outside contractor should be responsible for following up with the VA, lender, title company and/or law firm associated with the closing or modification of the mortgage loan to obtain any missing documents.

## 8. VA Housing Model - VBA

**Condition-** The loan guaranty program performs a calculation periodically to reestimate the projected default rates and resulting estimated costs to the VA on its guaranteed and direct loans. The Variable Default Model is used to calculate the required reestimate adjustments each year. A component of the model is the default rate curve which estimates the number and amount of defaults on guaranteed and direct loans in future periods. During our review of the model, we noted a formula used for the calculation of estimated defaults for certain guaranteed loans was incorrect. When the correct formula was applied, an adjustment was necessary to properly reflect the reestimate for the Loan Guaranty program.





**Criteria-** OMB Circular A-123, Management's Responsibility for Internal Control, requires that management be responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. Effective internal controls over financial reporting require that management establishes policies and procedures that provide reasonable assurance of reliable accounting estimates, including procedures to ensure that the Variable Default Model calculations are proper and effective in producing reasonable reestimates.

**Cause-** Lack of sufficient controls to ensure that the Variable Default Model calculations are accurate.

**Effect-** Reestimates reported by management could be materially misstated.

**Recommendation-** VBA financial management should ensure that the Variable Default Model formulas and calculations are correct.

## 9. Capitalization of Software Development Costs – Office of Management

**Condition-** Although certain VA program offices have established work-in-process accounts to capture software projects that are in the development phase, we noted certain program offices incorrectly expensed them. Management was unable to support recorded amounts in work-in-process accounts.

**Criteria-** SFFAS 10 Accounting for Internal Use Software, Recognition, Measurement, and Disclosure – Capitalized Cost

Paragraph 16 - For internally developed software, capitalized cost should include the full cost (direct and indirect cost) incurred during the software development stage. Such cost should be limited to cost incurred after:

- a. management authorizes and commits to a computer software project and believes that it is more likely than not that the project will be completed and software will be used to perform the intended function with an estimated service life of 2 years or more and
- b. the completion of conceptual formulation, design, and testing of possible software project alternatives (the preliminary design stage).

**Cause-** VA does not have a systematic process of tracking all projects that are on-going to ensure that all projects that are in the development phase are tracked and recorded in the general ledger.

**Effect-** Understatement of general property, plant and equipment and overstatement of operating and net program costs.



**Recommendations-** We recommend that the CFO in coordination with the CIO establish a systematic process whereby costs incurred that meet the capitalization criteria of SFFAS 10 are accumulated within the general ledger on a timely basis. This would include the accumulation of both direct and indirect costs after management authorizes and commits to a software project. To facilitate this process, training should be provided to individuals responsible for and involved in this process to ensure that appropriate treatment of costs has occurred. This would include accounting staff responsible for classifying certain expenditures within the general ledger and employees who are involved in project development who must track and segregate their time eligible for capitalization.

#### 10. Property, Plant and Equipment Activity Rollforward - VHA\*

**Condition-** The Fixed Asset Package (FAP) provides the capability to retroactively enter acquisitions. While this practice may correctly reflect the actual acquisition dates of specific assets, it may cause difficulty for FAP to identify current year only additions based on acquisition dates. In addition, the system cannot identify reclassifications of work-in-process projects to various capitalized or expense accounts.

**Criteria-** In accordance with OMB Circular A-127, *Financial Management Systems*, "A financial system supports the financial functions required to track financial events, provide financial information significant to the financial management of the agency, and/or required for the preparation of financial statements."

**Cause-** System limitation.

**Effect-** Inaccurate financial information may not be detected.

**Recommendation-** We recommend that the VHA CFO develop reports to support actual property, plant and equipment activities that occurred during the year and to ensure balances on the reports reconcile back to the financial statements.

#### 11. Inventory - VHA

**Condition-** VHA maintains inventories of prescription medications at the Consolidated Mail Outpatient Pharmacies (CMOPs) located in seven states. Inventory is managed through automated systems which streamline receiving, processing, and dispensing information. During our audit, we noted limitations in the usage and capabilities of the CMOPs automated inventory systems. Automated systems use different software versions which prevent standardized control and summary reports from being issued. Also, the systems cannot provide the data needed to record the proper cost of inventory for financial statement purposes.

**Criteria-** OMB Circular A-127, *Financial Management Systems* states:



“A financial system supports the financial functions required to track financial events, provide financial information significant to the financial management of the agency, and/or required for the preparation of financial statements. A financial system encompasses automated and manual processes, procedures, controls, data, hardware, software, and support personnel dedicated to the operation and maintenance of system functions. A financial system may include multiple applications and controls that are integrated through a common database or are electronically interfaced, as necessary, to meet defined data and processing requirements.”

“An agency’s financial management system should generate reliable, timely, and consistent information necessary for meeting management’s responsibilities, including the preparation of financial statements.”

**Cause-** These systems were primarily developed for operations, rather than for financial statement reporting.

**Effect-** VHA does not have the ability to efficiently record inventory on the financial statements.

**Recommendations-** VHA should consider enhancing financial functionality with their present inventory system. Also, periodic physical counts, and a year-end physical count should be taken to validate the accuracy of the perpetual system.

## 12. Operating Lease Commitments - Office of Management\*

**Condition-** VA does not have an effective process to accumulate information on their future lease commitments for equipment. This information is needed to complete footnote disclosures.

**Criteria-** OMB Circular A-136, *Financial Reporting Requirements*, requires the disclosure of future lease commitments for each of the next five years and total remaining lease commitment thereafter.

**Cause-** Information needed to prepare the footnote is maintained at each individual medical center, and there is no systematic methodology to accumulate the information on a VA-wide basis.

**Effect-** Footnote disclosure may not reflect all future commitments.

**Recommendation-** We recommend that the CFOs for each administration and officials from Veterans Affairs Central Office develop a process to gather operating lease information for year-end disclosure requirements.

## 13. Intra-Governmental Reconciliations and Related Controls - Office of Management\*

**Condition-** Unreconciled differences exist throughout the year and at year-end, primarily with the VA’s trading partner, the Department of Defense. Also, unreconciled differences are not aged to determine how long they have been outstanding.



**Criteria-** The Treasury Financial Manual, Bulletin No. 2007-03 section VII, outlines the difference resolution procedures that trading partners must follow. These rules apply to all intra-governmental trading partners.

**Cause-** VA does not have sufficient data from their trading partners to properly reconcile all the accounts. VA does not elevate its differences with the Department of Defense to the CFOs Council's Intragovernmental Dispute Resolution Committee for resolution of differences within 60 days of their identification in the material differences report.

**Effect-** Significant unreconciled differences may result with trading partners and inaccurately reflect the related inter-agency accounts on both the VA's and individual trading partner's stand-alone financial statements.

**Recommendation-** All significant differences should be resolved with trading partners as outlined in Section VII, Resolving Intra-governmental Disputes and Major Differences, including the escalation of unresolved differences to the CFOs Council's Intragovernmental Dispute Resolution Committee. Differences should be aged to assist in the resolution of outstanding items.

#### 14. Statement of Net Cost - Office of Management\*

**Condition-** VA does not have an effective process to collect, document and validate the cost drivers, allocations, and factors used in MinX to prepare the statement of net cost.

**Criteria-** OMB Circular A-123, *Management's Responsibility for Internal Control*, states:

"The management control processes necessary to ensure that 'reliable and timely information is obtained, maintained, reported and used for decision making' are set forth, including prompt and appropriate recording and classification."

The Chief Financial Officers (CFO) Act of 1990 contains several provisions related to managerial cost accounting, one of which states that an agency's CFO should develop and maintain an integrated accounting and financial management system that provides for the development and reporting of cost information and the systematic measurement of performance.

**Cause-** VA does not have an automatic cost allocation system that can identify and accumulate the information needed to prepare the statement of net cost.

**Effect-** The current process, which uses Excel spreadsheets, is inefficient and error prone due to the numerous manual inputs that could cause a potential error in the financial statements and statement of net cost footnote disclosures.

**Recommendation-** VA should develop an entity-wide system to ensure that costs are accurately and consistently tracked throughout all business lines and provides information needed to prepare the statement of net cost. This will reduce the need for manual inputs thereby reducing the risk of potential errors in the financial statements and footnote disclosures.



**15. Payroll Agreed-Upon Procedures Report - Review of Reports Supporting OPM Submission – Office of Management\***

**Condition-** On a semiannual basis, VA is required to submit a Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement to the U.S. Office of Personnel Management (OPM) on which we issue an agreed-upon procedures report. As in past years, significant effort was expended by both Deloitte & Touche LLP and VA in performing the agreed-upon procedures. These procedures were complicated by inaccurate ad-hoc reports generated from the legacy PAID payroll system. Reportable differences between the ad-hoc payroll reports and the submission to OPM were noted in our agreed-upon procedures report.

**Criteria-** In accordance with "Standards for Internal Control in the Federal Government," issued by the Government Accountability Office (GAO):

“Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It includes regular management and supervisory activities, comparisons, reconciliations, and other activities people take in performing their duties.”

**Cause-** The reports did not receive a primary review by VA personnel with a financial accounting background that would have allowed the reviewer to detect reportable differences between the ad-hoc reports and the OPM submissions.

**Effect-** Inaccurate reports could impact the evaluation by OPM of the VA’s Retirement, Health Insurance, and Life Insurance obligations.

**Recommendation-** We recommend that ad-hoc reports generated from the PAID legacy financial system used to support OPM submissions receive a primary financial review by an appropriate level of management with a sufficient financial background as necessary for appropriate internal control. This reviewer should ensure that differences are resolved. We recommend programming adjustments to correct the ad-hoc reports as necessary to support the standard supplemental reporting requirements of the VA to OPM.

**16. Payroll Agreed-Upon Procedures Report – Maintenance of Official Personnel Files – Office of Human Resources and Administration**

**Condition-** In connection with required testing of payroll compliance to support the financial statements, Deloitte noted that official personnel files could not be located to support one salary and five health insurance deductions from a sample of 25 selected employees.

**Criteria-** Benefit Systems Requirements, formerly published by the Joint Financial Management Improvement Program and now under the responsibility of the Financial Systems Integration Office, states:



“Personnel Action Processing: Incumbent-related information such as date of hire, service computation date, retirement service date, severance pay date, Civil Service Retirement System, Federal Employees Retirement System, Federal Employees Group Life Insurance and Thrift Savings Plan eligibility dates, Federal Employee Health Benefits enrollment date, step increase and prior military service information must also be recorded. There is also a need for the capability to correct or cancel these actions, and provide the necessary audit trail.”

**Cause-** Management stated that the missing files are due to migration of a high volume of personnel files from paper to electronic format.

**Effect-** Incomplete personnel files may not properly support salary and withholding amounts recorded in the financial system.

**Recommendation-** We recommend that the VA implement a tracking mechanism to ensure that paper personnel files are properly accounted for during the transition to electronic personnel files.

### Follow-Up on Previous Report

In our *Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance Based Upon the Audit Performed in Accordance with Government Auditing Standards* dated November 15, 2007, we reported four material weaknesses in the areas of (1) Financial Management System Functionality, (2) Information Technology (IT) Security Controls, (3) Financial Management Oversight, and (4) Retention of Computer Generated Detail Records in BDN system. The Retention of Computer Generated Detail Records in BDN system has been addressed, and is no longer reported as a material weakness this year.

### Other

The VA engaged an independent public accounting firm to assist in an internal control assessment pursuant to OMB Circular A-123 Appendix A, *Management's Responsibility for Internal Control*. During fiscal year 2008 the firm issued seven reports titled *Findings and Recommendation* and also reported significant deficiencies.

## SECTION III - COMPLIANCE AND OTHER MATTERS

We considered VA's internal control over Supplementary Information by obtaining an understanding of VA's internal control, determined whether these internal controls had been placed in operation, and assessed control risk as required by OMB Bulletin No. 07-04, as amended. Our procedures were not designed to provide assurance on these internal controls and accordingly, we do not provide an opinion on such controls.



As part of obtaining reasonable assurance about whether VA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 07-04, as amended, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. Except as discussed below, the results of our tests disclosed no instances of noncompliance which are required to be reported herein under *Government Auditing Standards*. Items with an asterisk (\*) are repeat conditions included in last year's report.

### 1. Non-compliance with FFMIA\*

Under FFMIA, we are required to report whether the agency's financial management systems substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, and the U. S. Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance using the implementation guidance and evaluative criteria issued by OMB in Circular A-127.

The material weaknesses in internal control over financial reporting discussed above and identified as "Financial Management System Functionality," and "Information Technology (IT) Security Controls" indicate that VA's financial management systems did not substantially comply with the Federal financial management systems requirements as required by FFMIA section 803(a).

### 2. Non-compliance with Debt Collection Improvement Act\*

**Condition-** We selected sample transactions to test various attributes for the VA's compliance with the Debt Collection Improvement Act of 1996 ("DCIA"). The following exceptions were noted with respect to the attributes tested:

- Interest and administrative costs are required to be charged to VA's delinquent debtors. The rates are determined by the Treasury on a yearly basis. However, VBA did not charge interest or administrative costs on delinquent payments from veterans related to certain education loans, and payments due to VBA Life Insurance.
- Write-off of accounts receivable greater than \$100,000 are required to be approved by the Department of Justice. We tested 3 write-offs from VBA that should have had this approval and noted one such write-off that was not approved by the Department of Justice.
- VBA – Life Insurance did not follow the requirements for cross servicing and Treasury offset during the prescribed timeframes for several of the selections tested. The DCIA requires federal agencies to refer debt to Treasury for cross servicing if they are delinquent for a period of 180 days.



- VBA – Life Insurance did not maintain adequate documentation to support actions taken to demonstrate timely compliance with DCIA and VA policies on debt collection for many of the selections tested.
- VBA – Life Insurance did not follow up on delinquent debt in a timely manner for many of the selections tested.

**Criteria-**

- 38 U.S.C. § 501(a) and 5315, and 38 CFR 1.919 require VA to charge interest on any amount owed the United States.
- 31 U.S.C. § 3711 describes VA's requirement to submit debt to Treasury for cross-servicing, and to obtain approval from Department of Justice to write-off debts in excess of \$100,000.

**Cause-** In July 1992, a former VA Deputy Secretary instructed VA to not charge interest or administrative costs on compensation and pension debts. The accounts receivable write-offs greater than \$100,000 must be manually sent to Department of Justice for approval and VA does not have automated, systematic procedures across the organization to assure appropriate procedures are followed for debt collection. Adequate documentation was not maintained for delinquent debt files.

**Effect-** These findings represent noncompliance by VBA with Debt Collection Improvement Act (DCIA) of 1996

**Recommendation-** We recommend the VBA CFO, in coordination with the Veterans Integrated Service Network CFOs should take action to:

- Implement policies and procedures to administer the requirements of Public Law 96-466 and Title 38 with respect to interest charges and administrative costs or propose a legislative remedy to request a waiver of these requirements for the Veterans C&P programs.
- Ensure that systematic debt collection procedures are in-place and effective.

**3. Non-compliance with 5 U.S.C. §552A subsection D5 –VBA\***

**Condition-** There were several instances in our testing of VBA where the appropriate documents were not available to substantiate the amounts recorded. Some of these were comprised of instances where key forms were missing from the veteran's file.

**Criteria-** 5 U.S.C. §552A subsection D5 states:

“An agency should maintain all records which are used by the agency in making any determination about any individual with such accuracy, relevance, timeliness, and completeness as is reasonably necessary to assure fairness to the individual in the determination.”

**Cause-** Inadequate control over the retention of documents in the veteran files.





**Effect-** VA is not in compliance with 5 U.S.C. §552A subsection D5, as it relates to several veteran files. Also, certain of the balances recorded in FMS cannot be substantiated due to the lack of supporting documentation.

**Recommendation-** We recommend that the VBA implement procedures to ensure that all documents that should be retained in the veteran files are retained and can be located.

#### 4. Other

In October 2008, the Secretary reported a violation of the Anti-Deficiency Act (ADA), 31 U.S.C. 1341(a) in connection with activity related to fiscal year 2007 at VBA. The Secretary reported that the violation occurred on September 28, 2007, when redemption of debt payments to the Treasury exceeded the available unobligated budgetary resources, and the remaining budgetary resources were less than unpaid obligations at the end of the fiscal year. The VA has identified a number of steps to be taken to prevent a reoccurrence of the violation.

In addition, we noted other matters involving the internal control and compliance over financial reporting that will be reported to VA in a separate letter.



**Department of  
Veterans Affairs**

**Memorandum**

Date: **NOV 17 2008**

From: Assistant Secretary for Management (004)

Subj: Report of the Audit of the Department of Veterans Affairs Consolidated Financial Statements for Fiscal Years 2008 and 2007

To: Assistant Inspector General for Auditing (52)

1. We have reviewed the Report of the Audit of the Department of Veterans Affairs Consolidated Financial Statements for Fiscal Years 2008 and 2007, and are pleased with the receipt of an unqualified opinion. We are also proud that we were able to meet the FY 2008 reporting timeline established by the Office of Management and Budget. Please extend to your staff and the staff of Deloitte & Touche, LLP our appreciation for their detailed planning, hard work, and cooperation during this year's audit.

2. The Department's senior officials and I, as well as program managers in VHA, VBA, NCA, and affected staff offices, are aware of the results of the audit. We will continue to focus on completing corrective actions as detailed in the remediation plans for the three material weaknesses, Financial Management System Functionality, Financial Management Oversight, and Information Technology Security Controls. These existing remediation plans will be revised and expanded, as needed, to address the findings and recommendations in your audit report. We will forward copies of each of these plans to you during the second quarter of FY 2009, and will keep you apprised of our progress in remediating these weaknesses throughout FY 2009.

3. Thank you again for your efforts in bringing us to another successful conclusion of the audit cycle.

A handwritten signature in blue ink, appearing to read "R. Henke", is positioned above the name Robert J. Henke.

Robert J. Henke



## Required Supplementary Stewardship Information

**These materials are not audited  
(Dollars in millions, unless otherwise noted)**

### 1. Non-Federal Physical Property

Annually, VA provides funding to state governments for the purchase, construction, or major renovation of physical property owned by

the state. In most cases these grant programs involve matching funds from the states.

<b>Grant Program Costs</b>					
<b>Years Ended September 30,</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
State Extended Care Facilities	\$ 162	\$ 138	\$ 85	\$ 183	\$ 66
State Veterans Cemeteries	37	46	18	36	34
<b>Total Grant Program Costs</b>	<b>\$ 199</b>	<b>\$ 184</b>	<b>\$ 103</b>	<b>\$ 219</b>	<b>\$ 100</b>

The Extended Care Facilities Grant Program assists states in acquiring facilities to provide domiciliary, nursing home, and other day health care for veterans, and to expand, remodel, or alter existing buildings to provide domiciliary, nursing home, hospital, and day health care for veterans in state homes. VA participates in two grant-in-aid programs for states. VA may participate in up to 65 percent of the cost of construction or acquisition of state nursing homes or domiciliaries or in renovations of existing state homes. Over the last 5 fiscal years, the State Home Construction Grant Program has awarded grants in excess of \$634. VA also provides per diem payment for the care of eligible veterans in state homes.

\$316 million to 38 states and the commonwealths of Guam and the Northern Marianas. The program provides up to 100 percent of the cost to establish, expand, or improve state veterans' cemeteries. States provide the land and agree to operate the cemeteries.

Since the cemetery program was established in 1980, VA has awarded grants totaling more than

### 2. Human Capital

Investment in human capital comprises those expenses for education and training programs for the general public that are intended to increase or maintain national economic productive capacity. It does not include expenses for internal federal education and training of civilian employees.



<b>Veterans and Dependents Education</b>		
<b>Years ended September 30,</b>		
	<b>2008</b>	<b>2007</b>
<b>Program Expenses</b>		
Education and Training-Dependents of Veterans	\$ 451	\$ 450
Vocational Rehabilitation and Education Assistance	3,102	3,095
Administrative Program Costs	251	243
<b>Total Program Expenses</b>	<b>\$ 3,804</b>	<b>\$ 3,788</b>
<b>Program Outputs (Participants)</b>		
Dependent Education	80,409	79,134
Veterans Rehabilitation	68,826	69,409
Veterans Education	459,594	490,826

<b>Veterans and Dependents Education</b>		
<b>Years ended September 30,</b>		
	<b>2006</b>	<b>2005</b>
<b>Program Expenses</b>		
Education and Training-Dependents of Veterans	\$ 430	\$ 405
Vocational Rehabilitation and Education Assistance	2,943	2,779
Administrative Program Costs	232	226
<b>Total Program Expenses</b>	<b>\$ 3,605</b>	<b>\$ 3,410</b>
<b>Program Outputs (Participants)</b>		
Dependent Education	79,430	75,072
Veterans Rehabilitation	71,627	71,956
Veterans Education	461,488	444,359

<b>Veterans and Dependents Education</b>	
<b>Year ended September 30,</b>	
	<b>2004</b>
<b>Program Expenses</b>	
Education and Training-Dependents of Veterans	\$ 320
Vocational Rehabilitation and Education Assistance	2,517
Administrative Program Costs	230
<b>Total Program Expenses</b>	<b>\$ 3,067</b>
<b>Program Outputs (Participants)</b>	
Dependent Education	67,420
Veterans Rehabilitation	75,409
Veterans Education	409,695



**Program Outcomes**

VA's education and training programs are intended to provide higher education to dependents who might not be able to participate otherwise. Veterans' rehabilitation and employment programs are provided to service-disabled veterans; they are designed to improve employability and promote independence for the disabled. Educational programs for active duty personnel, reservists, and veterans provide higher education assistance to those who are eligible under the MGIB and the Veterans Educational Assistance Program. Education and training assistance is provided to dependents of veterans who died of service-connected disability or whose service-connected disability

was rated permanent and total. The Vocational Rehabilitation and Employment program provides evaluation services, counseling, and training necessary to assist veterans in becoming employable and maintaining employment to the extent possible. The program is open to veterans who have a 10 percent or greater service-connected disability rating and are found to have a serious employment handicap. The Veterans Education program provides educational assistance to eligible servicemembers and veterans.

**3. Health Professions Education**

**Health Professions Education  
Years Ended September 30,**

	2008	2007	2006	2005	2004
<b>Program Expenses</b>					
Physician Residents and Fellows	\$ 508	\$ 469	\$ 462	\$ 438	\$ 420
Associated Health Residents and Students	88	81	65	63	62
Instructional and Administrative Support	623	606	452	430	401
<b>Total Program Expenses</b>	<b>\$ 1,219</b>	<b>\$ 1,156</b>	<b>\$ 979</b>	<b>\$ 931</b>	<b>\$ 883</b>
<b>Program Outputs</b>					
Health Professions Rotating Through VA:					
Physician Residents and Fellows	34,003	33,775	31,290	30,903	29,179
Medical Students	18,135	18,728	17,289	16,750	16,740
Nursing Students	28,320	27,515	24,870	22,675	20,275
Associated Health Residents and Students	20,946	20,875	18,990	16,862	16,921
<b>Total Program Outcomes</b>	<b>101,404</b>	<b>100,893</b>	<b>92,439</b>	<b>87,190</b>	<b>83,115</b>

**Program Outcomes**

VA's education mission contributes to high quality health care of veterans by providing a climate of scientific inquiry between trainees and teachers; application of medical advances more readily through an academic setting; supervised trainees who provide clinical care;

and educational programs that enable VA to recruit highly qualified health care professionals.

The Veterans Health Administration (VHA) conducts education and training programs to enhance the quality of care provided to veterans within the VA health care system. Building on



the long-standing, close relationships among VA and the Nation’s academic institutions, VA plays a leadership role in defining the education of future health care professionals that helps meet the changing needs of the Nation’s health care delivery system. Title 38 U.S.C. mandates that VA assist in the training of health professionals for its own needs and those of the Nation. Through its partnerships with affiliated academic institutions, VA conducts the largest education and training effort for health professionals in the Nation. Each year, over 100,000 medical and other students receive some or all of their clinical training in VA facilities through affiliations with over 1,200 educational institutions including 107 medical

schools. Many have their health profession degrees and contribute substantially to VA’s ability to deliver cost-effective and high-quality patient care during their advanced clinical training at VA.

#### 4. Research and Development (R&D)

Investments in research and development comprise those expenses for basic research, applied research, and development that are intended to increase or maintain national economic productive capacity or yield other benefits.

<b>Program Expense</b>				<b>2008</b>
<b>Year ended September 30,</b>				
	<b>Basic</b>	<b>Applied</b>	<b>Development</b>	<b>Total</b>
Medical Research Service	\$ 155.3	\$ 84.7	\$ -	\$ 240.0
Rehabilitative Research and Development	4.8	36.6	28.0	69.4
Health Services Research and Development	-	76.7	-	76.7
Cooperative Studies Research Service	32.9	61.0	-	93.9
Medical Research Support	-	411.0	-	411.0
<b>Total Program Expenses</b>	<b>\$ 193.0</b>	<b>\$ 670.0</b>	<b>\$ 28.0</b>	<b>\$ 891.0</b>

<b>Program Expense</b>				<b>2007</b>
<b>Year ended September 30,</b>				
	<b>Basic</b>	<b>Applied</b>	<b>Development</b>	<b>Total</b>
Medical Research Service	\$ 171.3	\$ 56.9	\$ -	\$ 228.2
Rehabilitative Research and Development	4.8	24.5	24.4	53.7
Health Services Research and Development	-	58.2	-	58.2
Cooperative Studies Research Service	32.9	41.0	-	73.9
Medical Research Support	-	408.6	-	408.6
<b>Total Program Expenses</b>	<b>\$ 209.0</b>	<b>\$ 589.2</b>	<b>\$ 24.4</b>	<b>\$ 822.6</b>



<b>Program Expense Year ended September 30,</b>	<b>2006</b>			
	<b>Basic</b>	<b>Applied</b>	<b>Development</b>	<b>Total</b>
Medical Research Service	\$ 172.1	\$ 57.2	\$ -	\$ 229.3
Rehabilitative Research and Development	5.4	27.1	21.7	54.2
Health Services Research and Development	-	59.7	-	59.7
Cooperative Studies Research Service	30.6	38.2	-	68.8
Medical Research Support	-	353.0	-	353.0
<b>Total Program Expenses</b>	<b>\$ 208.1</b>	<b>\$ 535.2</b>	<b>\$ 21.7</b>	<b>\$ 765.0</b>

<b>Program Expense Year ended September 30,</b>	<b>2005</b>			
	<b>Basic</b>	<b>Applied</b>	<b>Development</b>	<b>Total</b>
Medical Research Service	\$ 154.4	\$ 59.4	\$ -	\$ 213.8
Rehabilitative Research and Development	4.9	23.9	19.6	48.4
Health Services Research and Development	-	61.7	-	61.7
Cooperative Studies Research Service	.5	47.8	-	48.3
Medical Research Support	-	381.7	-	381.7
<b>Total Program Expenses</b>	<b>\$ 159.8</b>	<b>\$ 574.5</b>	<b>\$ 19.6</b>	<b>\$ 753.9</b>

<b>Program Expense Year ended September 30,</b>	<b>2004</b>			
	<b>Basic</b>	<b>Applied</b>	<b>Development</b>	<b>Total</b>
Medical Research Service	\$ 172.9	\$ 81.8	\$ -	\$ 254.7
Rehabilitative Research and Development	3.5	27.9	17.0	48.4
Health Services Research and Development	-	61.8	-	61.8
Cooperative Studies Research Service	-	27.7	-	27.7
Medical Research Support	-	452.0	-	452.0
Prosthetic Research Support	-	4.8	-	4.8
<b>Total Program Expenses</b>	<b>\$ 176.4</b>	<b>\$ 656.0</b>	<b>\$ 17.0</b>	<b>\$ 849.4</b>



In addition, VHA researchers received grants from the National Institutes of Health in the amount of \$569 and \$190 in other grants during FY 2008. These grants went directly to researchers and are not considered part of the VA entity. They are being disclosed here but are not accounted for in the financial statements.

**Program Outputs/Outcomes**

For FY 2008, VA's R&D general goal related to stewardship was to ensure that VA medical research programs met the needs of the veteran population and contributed to the Nation's knowledge about disease and disability. Target levels were established for the: (1) percent of funded research projects relevant to VA's health-care mission in designated research areas and (2) number of research and development projects. Strategies were developed in order to ensure that performance targets would be achieved.

**Research and Development Measures-Actual  
Years ended September 30,**

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Percent of Funded Research Projects Relevant to VA's Health-Care Mission	100.0%	100.0%	100.0%	94.3%	97.1%
Number of Research and Development Projects	1,956	2,019	2,190	2,107	2,165

VA's Medical Research Program goal is to be the premier research organization, leading our Nation's efforts to discover knowledge and create innovations that promote and advance the health and care of veterans and the Nation. To achieve this goal, VA targets research projects that address special needs of veteran patients and

balance research resources among basic and applied research to ensure a complementary role between the discovery of new knowledge and the application of these discoveries to medical practice.





## Required Supplementary Information

(Dollars in millions, unless otherwise noted)

### 1. Deferred Maintenance

Deferred maintenance is classified as not performed when it should have been or as scheduled but delayed to a future period. It is VA policy to ensure that medical equipment and critical facility equipment systems are maintained and managed in a safe and effective

manner; therefore, deferred maintenance is not applicable to them.

VA facilities reported their cost estimates for deferred maintenance by utilizing the Facility Condition Assessment Survey.

#### Deferred Maintenance

As of September 30,

	2008	2007
General PP&E	\$ 3,844	\$ 3,524
Heritage Assets	522	183
<b>Total Deferred Maintenance</b>	<b>\$ 4,366</b>	<b>\$ 3,707</b>



**2. Schedule of Budgetary Activity Year Ended September 30, 2008**

	<b>Total Budgetary Resources</b>	<b>Obligations Incurred</b>	<b>Spending Authority from Offsetting Collections and Adjustments</b>	<b>Obligated Balance net, Oct. 1</b>	<b>Obligated Balance net, Sept. 30</b>	<b>Total Outlays</b>
<b>VHA</b>						
0152 Medical Admin	\$ 4,186	\$ 3,913	\$ 58	\$ 552	\$ 773	\$ 3,634
0160 Medical Care	31,679	30,578	211	4,425	4,754	30,038
0162 Medical Facilities	4,759	4,659	30	1,555	1,943	4,241
0167 Medical Facilities	2,447	2,161	52	710	829	1,990
All Other	6,033	2,848	350	1,424	2,354	1,568
<b>Total</b>	<b>\$ 49,104</b>	<b>\$ 44,159</b>	<b>\$ 701</b>	<b>\$ 8,666</b>	<b>\$ 10,653</b>	<b>\$ 41,471</b>
<b>VBA</b>						
0102 Compensation, Pension, & Burial Benefits	\$ 42,486	\$ 40,471	\$ -	\$ 3,163	\$ 3,393	\$ 40,241
0137 Readjustment Benefits	3,991	3,623	396	72	89	3,210
4127 Direct Loan Financing	951	896	383	43	1	555
4129 Guaranteed Loan Financing	4,951	1,901	2,145	41	58	(261)
8132 National Service Life Insurance Fund	1,400	1,400	255	1,428	1,409	1,164
All Other	5,188	2,965	2,017	466	482	932
<b>Total</b>	<b>\$ 58,967</b>	<b>\$ 51,256</b>	<b>\$ 5,196</b>	<b>\$ 5,213</b>	<b>\$ 5,432</b>	<b>\$ 45,841</b>
<b>NCA</b>						
<b>Total</b>	<b>\$ 238</b>	<b>\$ 230</b>	<b>\$ -</b>	<b>\$ 81</b>	<b>\$ 113</b>	<b>\$ 198</b>
<b>ADM</b>						
0151 General Operating Expenses	\$ 2,223	\$ 1,953	\$ 306	\$ 283	\$ 300	\$ 1,630
4537 Supply Fund	2,911	2,133	1,435	(1,204)	(508)	2
All Other	494	362	220	(41)	(4)	105
<b>Total</b>	<b>\$ 5,628</b>	<b>\$ 4,448</b>	<b>\$ 1,961</b>	<b>\$ (962)</b>	<b>\$ (212)</b>	<b>\$ 1,737</b>
<b>Total of all Business Lines</b>	<b>\$ 113,937</b>	<b>\$ 100,093</b>	<b>\$ 7,858</b>	<b>\$ 12,998</b>	<b>\$ 15,986</b>	<b>\$ 89,247</b>



## Snapshot

**Skeeter:  
Providing Comfort to Veterans**



Skeeter is no ordinary dog; that's why he just received the Kentucky Veterinary Medical Association Animal Hall of Fame Hero's Award for his work at the Lexington, Kentucky, VA Medical Center nursing home care unit. The 6-year-old Pomeranian arrived at the medical center a year ago. "He quickly made this unit his home," said Paula Bayer, RN, nurse manager on the VA nursing home care unit. Staff and patients cite Skeeter's unconditional love. No one can explain how Skeeter determines which patient needs his attention the most, but somehow he consistently seeks out those in need. "His ability to provide comfort to an end stage patient is remarkable," says Paula. The consulting unit psychiatrist comments that Skeeter provides emotional and psychological comfort, which affects the stability of the patient. Skeeter's Hall of Fame award celebrates the bond between animals and people, which enriches human life.



## Snapshot

**VA Mobile Pharmacies:  
Delivering Medicines During  
Emergencies**



To support veterans and their families during major emergencies, especially natural disasters, the Department of Veterans Affairs (VA) has begun to deploy mobile pharmacies that will provide vital medicine when patients are unable to fill their prescriptions. VA will also open up the facilities to help communities during major disasters and other emergencies.

"The mobile pharmacies give VA the ability to provide critical medications to veterans when disaster strikes," said Secretary of Veterans Affairs Dr. James B. Peake. "VA is committed to ensuring our veterans receive their care and prescriptions as soon as possible during an emergency."

Each VA mobile pharmacy is housed in a 40-foot-long solid steel trailer built to withstand winds in a Category 3 storm. The units include a satellite connection with VA's Consolidated Mail Outpatient Pharmacy system. Pharmacists can use the satellite system to obtain a veteran's prescription data to dispense the drugs on site. In addition, VA can send replacement medications during an emergency by mail or another carrier to a veteran's home or temporary address.

VA recognized the need for mobile pharmacies in 2005 after hurricanes Katrina and Rita severely damaged VA medical centers along the Gulf Coast. The Department deployed several mobile medical clinics as part of its response to the disasters.

To ensure rapid response to a wide range of emergencies, VA's mobile pharmacies will be strategically placed across the Nation.



## 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 2008 Performance and Accountability Report.

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

During 2008, VA developed remediation plans and is taking actions to correct the material weaknesses “Financial Management System Functionality,” “Information Technology Security Controls,” and “Financial Management Oversight.” During 2008, VA resolved “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				
	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Material Weaknesses					
Financial Management Oversight	✓				✓
IT Security Controls	✓				✓
Financial Management System Functionality	✓				✓
Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System - VBA	✓		✓		
<i>Total Material Weaknesses</i>	4	0	1	0	3

**Table 2 - Summary of Management Assurances**

Effectiveness of Internal Control over Financial Reporting (FMFIA – 2)						
Statement of Assurance	Qualified					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Material Weakness						
<i>Total Material Weaknesses</i>	0	0	0	0	0	0



<b>Effectiveness of Internal Control over Operations (FMFIA – 2)</b>						
Statement of Assurance	<b>Qualified</b>					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Financial Management Oversight *	✓					✓
<i>Total Material Weaknesses</i>	1	0	0	0	0	1
<b>Conformance with Financial Management System Requirements (FMFIA – 4)</b>						
Statement of Assurance	<b>Qualified</b>					
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 *	✓		✓			
<i>Total Material Non-Conformances</i>	3	0	1	0	0	2
<b>Compliance with Federal Financial Management Improvement Act (FFMIA)</b>						
	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 2008/Agency Plans for FY 2009 – 2011

#### 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 (IPIA) of 2002 to identify those programs which are susceptible to significant erroneous payments. After completing the review, VA performed risk assessments for all programs. Statistical samplings were performed on all required programs to estimate improper payments.

OMB Circular A-123, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments, requires agencies to report programs under IPIA with annual erroneous payments exceeding both \$10 million and 2.5 percent, as well as programs previously identified in the former Section 57 of OMB Circular A-11, Preparation and Submission of Budget Estimates. Four VA programs are included under Section 57 of OMB Circular A-11 -- the Compensation, Dependency and Indemnity Compensation (DIC), Pension, and Insurance Programs. DIC is included in the Compensation program. Although the Insurance and Vocational Rehabilitation & Employment (VR&E) programs were reported under IPIA, the risk assessments for the programs were low. Because the Insurance

and VR&E programs did not meet the \$10 million threshold in annual erroneous payments for 2 consecutive years, the Office of Management and Budget granted VA's requests for relief from annual improper payment reporting in the PAR for the Insurance program until 2009 and the VR&E program until 2010. In 2008, VA is reporting 6 programs under IPIA, which include the Compensation, Pension, Education, Loan Guaranty (LGY), Non-VA Care Fee, and the Non-VA Care Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA). This is CHAMPVA's first reporting year. Data from 2007 were used to ensure that an accurate representation of a full fiscal year's results was obtained for all VA reporting programs.

In 2008, the Veterans Benefits Administration (VBA) performed statistical samplings on all required programs to estimate improper payments. These programs include Compensation, Pension, Education, and LGY programs. The benefit programs are managed by 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 2008, the Veterans Health Administration (VHA) performed annual risk assessments and statistical samplings for all required programs using 2007 data. Two programs, the Non-VA Care Fee and CHAMPVA, are reported under the IPIA. VHA provides services and benefits through a nationwide network of 153 hospitals, 801 outpatient clinics, 135 nursing



homes, 49 residential rehabilitation treatment programs and 232 readjustment counseling centers. In addition, VHA employs a staff of 218,000, including research staff; maintains affiliations with 107 academic health systems; and provides health care for over 5.6 million patients. VHA consists of 21 Veterans Integrated Service Networks (VISNs) that are responsible for conducting daily operations and decisions affecting hospitals, clinics, nursing homes, and readjustment counseling centers located within their regions. These regional networks remain the fundamental units for managing resources and ensuring accountability.

**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 2007 STAR sample totaled 11,487 currently processed cases.

The STAR program is VBA's quality assurance review program for Compensation and Pension benefit claims processing. Reviews are conducted by a headquarters element independent of the regional office responsible for claims adjudication. Since the STAR review

process already conducts a claims processing accuracy review of a random sample of cases, the only additional review step required to capture over and under payment rates was to calculate the dollar amount associated with each documented payment error. STAR reports were amended to generate results separately for compensation and pension programs, in addition to the existing overall accuracy reports. The review sample results will be applied to the universe of claims processed, including a weighting factor for regional office workload share to generate overall estimated improper payments.

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. Beginning in June 2003 with expansions in 2004, 2005, and 2007, the program has become significantly more complex when involving military retirees due to concurrent receipt. (See Details VIII for more information.)
- 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 and net worth limitations.
- b. **Death Pension** is provided for surviving spouses and children of wartime veterans who died of nonservice-connected causes, subject to specific income and net worth 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 2007, the percentage of erroneous payments did not exceed 2.5 percent, but the total amount of erroneous payments exceeded \$10 million.

## 3. Loan Guaranty (LGY)

The purpose of the 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 2007, the program guaranteed over 129,000 loans for a dollar value of \$24.2 billion. LGY Service was ultimately responsible for the processing of over \$902.8 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 invoices submitted by the portfolio loan servicer.

#### **4. Two Health Care Programs: Non-VA Care Fee and CHAMPVA**

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 the health care program with the exception of diagnostic exams and tests. 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. These are very different programs, with separate and distinct business models serving different beneficiary populations.

Under the Non-VA Care Fee program, veteran patients may be authorized to receive treatment from non-VA health

care providers at VA expense when VA medical centers are unable to provide specific treatment or cannot provide treatment economically due to geographic inaccessibility. Non-VA treatment 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 Non-VA Care 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.

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 the Health Administration Center (HAC) in Denver, Colorado.

To be eligible for CHAMPVA, an individual cannot be eligible for the Department of Defense’s TRICARE program 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.

To conduct the risk assessment, VHA distributed sample payment evaluation



worksheets to VISN Directors and Chief Financial Officers to serve as a guide for determining whether the payment selected for evaluation was proper or improper. Medical facility personnel were required to collect and review necessary supporting documentation as well as other payments related to the obligation to determine whether the sampled payment was proper or improper. Improper payments were determined utilizing the following criteria:

- Required documentation was unavailable to support the appropriateness or accuracy of the payment.
- Payment was a duplicate payment.
- Payment was made to an ineligible recipient.
- Payment was made for an ineligible good or service.
- Payment was made for any good or service not received.
- Payment was made in an incorrect amount.
- Payment did not account for credit of applicable discounts.

## 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 2007, the DMC received \$228.9 million in compensation debt and \$358.1 million in pension debt for collection.

VBA initiated calculating over and underpayments for claim actions completed on or after April 1, 2003. Since STAR (quality assurance) reviews are inherently "after the fact," review result reports are generated 2 months after the month in which the actions reviewed were completed. For example, cases completed during April were requested for review during May, reviewed during June, and included in reports generated in the first week of July.

Over and underpayment rates are calculated for errors in the following review categories: grant/denial, evaluation, effective date, payment rates, income calculation, dependency, burial, and waivers.

In 2007, the STAR process included 11,487 cases -- 9,796 compensation cases and 1,691 pension cases. A total of 320 payment errors were documented for compensation cases (3.3 percent error rate), including 203 underpayments totaling \$903,934 and 117 overpayments totaling \$492,302. A total of 70 payment errors was documented for pension cases (4.1 percent error rate), including 37 underpayments totaling \$148,362 and 33 overpayments totaling \$110,144.

The number of cases reviewed for compensation and pension represents 0.94



percent of the 1,632,986 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.

The number and percent of total overpayments significantly increased in 2007 and is anticipated to remain at higher levels for 2008 and 2009 due to concurrent receipt. In 2007, more than 160,000 retroactive adjustments to military retirees were made. These adjustments due to the phased-in nature of the concurrent receipt program make these awards extraordinarily complex and error-prone. We expect continued increased errors in 2008 and 2009 because of the need to provide full concurrent receipt of retirees in receipt of individual unemployability after October 1, 2008, retroactive to January 1, 2005. Sustained increases in erroneous payments are also expected in 2008 and 2009 due to the hiring of almost 2,000 new employees in 2008 in conjunction with expected loss of experienced staff due to retirement of 629 in 2008 and 888 in 2009.

For the overall volume of cases subject to review, 890,447 were clearly identified as compensation cases and 335,591 were clearly identified as pension cases. The remaining 406,948 cases were recorded under end-product codes that could apply to either compensation or pension claims. We estimated 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 1,216,005 and the number of completed pension cases was increased to 416,980. Accordingly, the sample size for the Compensation program was 0.75 percent, and the sample size for the Pension program was 0.25 percent.

When extrapolated to the completed compensation claims for 2007, including a weighting factor for each regional office's share of national workload, total estimated Compensation program underpayments were \$85.7 million and overpayments were \$51.1 million.

When extrapolated to the completed pension claims for FY 2007, including a weighting factor for each regional office and pension management center's share of national workload, total Pension program estimated underpayments were \$11.6 million and estimated overpayments were \$10.9 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 2007 were compared to total benefits paid for that fiscal year.

## 3. 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 closed SAH grant cases, once all escrow funds have been disbursed. LGY’s Statistical Quality Control (SQC) process allows 30 days after the date of final disbursement for the final accounting review to be completed. Therefore, depending on the date a grant was closed, the final accounting review may not take place until the subsequent fiscal year (i.e., a grant closing in September 2007 may not be reviewed until late October 2008). In addition to the 100 percent final accounting reviews, LGY Central Office selects a random sample of these cases for second-level review, and also audits cases through Quality Control visits to the RLCs during the course of a fiscal year. These quality control procedures are not bound by fiscal year for reporting purposes.

However, we note that for purposes of IPIA reporting, we must allocate our final accounting reviews into specific fiscal years, based on the date that the review was completed. This reporting requirement results in IPIA review totals that can be lower than the actual grant volume itself for a given fiscal year.

For 2007, LGY experienced a significant influx of new ‘subsequent use’ grant cases, as a result of provisions in Public Law 109-233. With this new wave in SAH grant volume, stations have additional final accounting reviews that cross fiscal year demarcation. For 2007, the Final Accounting Review completion rate was 69.12 percent. While the remaining cases, which closed in late 2007, were reviewed in early 2008, they cannot be counted as part of the 2007 review totals for purposes of reporting in this document. We note that in 2007, no payment errors were found.

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 2007, the error rate is less than 1 percent. Only five errors, which were minor in nature, were discovered in the sample. When extrapolated across all payments, this equates to \$2 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 invoices 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 invoice payment to ensure correctness and accuracy of payments. The average error rate was extrapolated across the entire amount of invoice payments to arrive at the total amount of improper payments.

**d. Property Management Voucher**

**Payments** – Ocwen was LGY’s property management contractor until July 2008. VA’s Property Management Oversight Unit (PMOU) receives two types of invoices (After Sale and Supplemental) from Ocwen. In 2007, however, Ocwen also submitted invoices 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 received electronically for review and payment by a Realty Specialist. If the invoice exceeds the \$25,000 threshold, it must be submitted to a supervisor for approval and certification for payment. Otherwise, it 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 invoices 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 2007, VA staff at the PMOU conducted a review of 27 percent of invoices received.

If, upon review, VA finds that the invoice 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 invoice with additional supporting or clarifying documentation or information. LGY Central Office Property Management (LGYCO PM) staff is tasked with reviewing these resubmitted invoices and recommending action (approving or denying the invoice) 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 invoice 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 2007 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 IPIA, 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 invoices.

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 invoice submissions.

#### **4. Two Health Care Programs:**

##### **Non-VA Care Fee and CHAMPVA**

VHA consulted with its Allocation Resource Center and a statistician 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. The purpose of the sampling design was to obtain a statistically valid estimate of the annual amount of improper payments in programs and activities while meeting the required precision level set by OMB. The estimate for each of these programs is a gross total of both over and underpayments.

Estimates were based on a statistically random sample, drawn from the universe of program payments, of sufficient size to yield an estimate with a 95 percent confidence interval of plus or minus 3 percentage points around the estimate of the percentage of improper payments. For programs where the level of risk was unknown, a baseline error rate of 5 percent was established. For the Non-VA Care Fee and CHAMPVA programs, the established error rate of 8 percent and 10 percent were utilized. 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 were 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 estimate of improperly paid dollars 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 awards to 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, with an additional 4,903 cases released to the field between April 2006 and April 2007. 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 few 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 strives to improve in all areas to alleviate overpayment errors. Three signatures are required for awards where the retroactive payment of any benefit exceeds \$25,000. The Veteran Service Center Manager or supervisory designee authorizes

the payment. Awards with an effective date retroactive 8 or more years or that result in a lump-sum payment of \$250,000 or more are Extraordinary Awards. These awards require review by Compensation & Pension (C&P) Service prior to award authorization. If C&P determines the proposed decision is improper, instructions for specific corrective action will be provided.

VA continues its efforts to expand rating capacity by increasing staffing levels. We hired over 500 new staff in 2007 and almost 2,000 in 2008. We expect to hire 700 more by the end of fiscal year 2009. Based on the increase in staffing levels in 2008 and the current staffing authorized for 2009, 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. One initiative is improved training programs, 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.

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. For underpayment based on denial of service connection or under evaluation, the evidence does not have to show conclusively that all listed criteria are met. If the evidence is in equipoise, VA is required to resolve the claim in the claimant's favor (38 Code of Federal Regulations (CFR) 3.102). For overpayments, the prior decision will be reversed or amended when evidence is received that establishes that the prior decision is a clear and unmistakable error and the prior decision cannot be sustained (38 CFR 1.105 (a) & (d)).

The number and percent of total overpayments significantly increased in 2007 and is anticipated to remain at higher levels during the next reporting period. In 2007, more than 160,000 retroactive adjustments to military retirees have been and will be made. These adjustments, due to the phased in nature of the concurrent receipt program, make these awards extraordinarily complex and error-prone. We expect continued increased errors in 2008 and 2009 because of the need to provide full concurrent receipt of retirees in receipt of individual unemployability after October 1, 2008, retroactive to January 1, 2005. Sustained increases in erroneous payments are also expected in 2008 and 2009 due to the hiring of almost 2,000 new employees in 2008 in conjunction with expected loss of experienced staff due to retirement of 629 in 2008 and 888 in 2009.

Concerning underpayments it is also important to note that most of these errors were called on initial decisions on claims. Many of these underpayments are undoubtedly corrected upon reconsideration during the appeal process, either at the local level or by the Board of Veterans' Appeals. It does not eliminate the fact that even where the initial action was corrected, a bad decision had been made and that benefits were delayed.

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 78,200 veterans were removed from the compensation rolls in 2007, virtually all due to death. This resulted in approximately \$27.6 million in overpayments because death occurred in the last 10 days of the month (applicable to an estimated 26,081 veterans). The average compensation payment in 2007 was \$1,058 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 report of September 28, 2007, "Veterans Benefits Administration Controls To Minimize Compensation Benefit Overpayments," 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 60-day response time will continue following issuance of the predetermination notice. A Fast Letter was provided to the field addressing these procedures on February 26, 2008.

A revision to M21-1, Part V, Chapter 19, based on the Fast Letter 08-05 has been drafted and is in the concurrence process.

(2). The Fast Letter also outlined the end product controls for initiating action when information may result in a reduction of compensation benefits. This will facilitate VBA's monitoring of the timelines of compensation benefit adjustments.

(3). VBA will reemphasize 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 dated February 26, 2008.
- 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.

- Additionally, VBA has identified technical and business requirements to initiate programming changes to Veterans Service Network (VETSNET) to automate the calculation of entitlement in retired pay cases where concurrent receipt is a factor.

### **B. Pension**

The Pension program administered by VA is a highly complex program that is intended to provide the financial resources needed by eligible veterans and their survivors based upon a level of income that raises their standard of living. 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 Management 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. The improved quality of pension processing and focused training should reduce the average size of overpayments. Pension processing quality has increased dramatically through the consolidation and specialization, and we expect it to continue. Consolidation of original and reopened disability and death pension claims processing to the three existing PMCs began May 1, 2008, and was completed in September 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.
- Tested VETSNET applications to expand conversion of Benefits Delivery Network (BDN) records to VETSNET for claims handled by the PMCs.

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 continued in 2007 with tax years 2004 and 2005 being released to the PMCs. Although this action resulted in an increase in the number of overpayments created in 2006 and 2007, it also resulted 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 returns to processing 1 year's worth of tax information in 2008, the number and amount of overpayments in 2008 and 2009 should 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.
- Less paid unreimbursed medical expenses (UME) than anticipated.
- Received more income than anticipated.

Approximately 89,000 pension records were terminated in 2007 with 56,028 of them due to death. The estimated annual overpayment for the month of death (considering an estimated 18,676 deaths that occur in the last 10 days of the month), with an average monthly payment of \$559, is estimated at \$10.4 million annually.

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 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 the first of the month following receipt of the changed income. An overpayment is created for the historical period back to the receipt of the income.

(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 QA Review program to assess payment errors since 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 2007. However, compared to the previous fiscal year, estimated erroneous payments decreased from 3.7 percent to 2.2 percent. The principal factor underlying the decrease was that the average amount of mispayments is smaller. The number of payment errors noted on QA reviews and the number of types of errors



increased. The six major causes of error (listed in order below by amount mispaid) accounted for 78 percent of the total amount of Education benefits mispaid. Causes 1, 3, and 4 result mainly from inattention to detail rather than lack of training, and are more frequent when claims inventory is high and many claims processors are relatively inexperienced, as in 2007. Due to the complexity of applicable requirements, leading to more frequent errors, causes 2, 5, and 6 are the subject of regular refresher training.

- Enrollment document not processed.
- Erroneous date of reduction or termination.
- Previous enrollment period erroneously omitted from amended award.
- Payment not in accord with certification by school.
- Erroneous payment for interval between terms.
- Payment to ineligible claimant.

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. Implementation is currently estimated for 2012; however, the new Post 9/11 Education Assistance Program described below may affect TEES' progress. In addition, Education Service has used standardized training materials for all field stations since 2004. The Training Performance Support System (TPSS), an on-line delivery and record-keeping system for training, is being implemented in phases beginning in 2008, and is expected to help improve claims processor performance in the future.

The Post 9/11 Education Assistance Program, signed into law in June 2008, adds an additional new program. This program is

more complex than any existing program. It includes three different types of payment to each claimant. Two of these payment types are made in advance of the student's attendance, increasing the possibility of mispayment. The program also includes sharply expanded opportunities for veterans to transfer a portion of their entitlement to their dependents. Many, if not most, claimants under the new program will have received benefits under other programs, requiring reconciliation of both payments and entitlement usage in order to correctly issue payment under the new program.

Processing of claims under the new program will require entirely new procedures, requiring extensive training of both experienced personnel and any new hires or contractor personnel. An entirely new information technology system will also be required to process claims and issue payments. Payments must be issued for courses pursued under the new program beginning August 1, 2009. Education Service is soliciting contractor assistance in developing this system, using funds provided in the authorizing legislation. Although Education Service will ensure that the new system uses a rules-based approach to achieve maximum automation of processing, the short lead time before the system must begin making payments is likely to limit the extent of automated processing in the near future. Issues regarding integration of the new system into the TEES project have not been determined. Manual processing is subject to more errors, especially in the light of the unfamiliarity and complexity of the new program.

### 3. Loan Guaranty

SAH grant payments have been found to be error-free. LGY will continue to conduct the 100 percent Final Accounting Review and second-level Central Office reviews of the SAH grant process through the recently-developed Statistical Quality Control (SQC) schedule. These methods provide additional opportunity for review of the grant process,



including grant payments.

Claims & Acquisition payments have been found to have very few errors (0.26 percent error rate for 2007). 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 invoices are processed for payment by the Portfolio Loan Oversight Unit (PLOU) within the timeframe sanctioned by the Prompt Payment Act. Invoices are then post-audited by the PLOU staff for accuracy and correctness. 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 LGY Service and ALAC examine the Property Management invoice 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 invoice/BOC process going forward. Invoice payments must be made to Ocwen when invoices 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 invoices which were determined, by the PMOU's invoice audit procedures, not to have appropriate supporting documentation.

#### **4. Non-VA Care Fee**

The most common self-reported cause for erroneous Non-VA Care Fee Program payments resulted from insufficient or lack of documentation (94.5 percent). Medical progress notes or clinical discharge summaries, laboratory results, or necessary reports, were missing or did not support the diagnostic medical codes on the vendors' invoices. Medical codes have cost reimbursement rates associated with them, and they are the underlying basis for the charges that are shown on invoices. Scanning and filings backlogs also resulted in facilities being unable to determine the appropriateness or accuracy of payments because the required documentation was not readily available. Other errors resulted from payments made for goods or services not received (2 percent), payments made in an incorrect amount (3 percent), and payments made to an ineligible recipient (less than 1 percent).

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.



VA Fee offices have been made aware of the importance of document management and many Fee offices are investing in document imaging equipment to assist in records management to reduce improper payments and improve the payment process. Training is also being provided to scanner clerks to reduce input errors.

VA implemented the use of “Claims Scrubber” software products in 2007. These tools are designed to validate medical-care claims coding submitted on billings of procedures and services. The claims scrubber applies certain rules based on Medicare’s National Correct Coding Initiatives for Part B claims. The tool is used before actual claims payment is made and provides alerts when medical documentation reviews are warranted. Additionally, VA is proposing changes to many of its current Fee claims payment regulations that will align with Medicare pricing schedules. These proposed regulatory changes are in the concurrence process in VA. Should these regulatory proposals become successful, VA will have access to established claims pricing tables that will result in less dependency for manual payment calculations.

In 2009, Non-VA Care Fee program will staff a finance specialist position to prepare specific risk mitigation guidance and direction to reduce improper payments and increase collections actions for improper Fee payments.

##### **5. CHAMPVA**

Improper payment errors for the CHAMPVA program resulted from paying an incorrect amount (82 percent), duplicate payments (13 percent), or payments made to an ineligible recipient (5 percent). These errors and corresponding correcting actions are identified below.

Payments made in the incorrect amount

were the most common error category, with manual input errors as the most common root cause for this category. Approximately 40 percent of CHAMPVA claims submissions are received in paper form. Standard health care paper claims are sent through the Optical Character Recognition (OCR) process, which eliminates some keying errors. Non-standard health care paper claims cannot utilize the OCR process and must be entered manually. Both paper processes require some manual keying of billing data, vendor data, and, when provided, primary insurance payment data. Errors resulted from data input errors or omissions or failure to follow established desk procedures to review insurance explanation of benefits documents and input appropriate data in primary insurance payment fields.

The HAC has undertaken several corrective measures to address the manual input errors. These efforts include establishment of recurring training sessions for claims processing staff focusing on the specific manual data input errors and omissions identified in the review, as well as training on established desk procedures for review and input of primary insurance payment data. Ongoing internal controls include a minimum 2 percent divisional pre-payment review of claims processed and quarterly claims reviews performed by internal audit staff with findings reported directly to executive leadership. Efforts are also underway to implement Medicare Crossover, which will enable the HAC to receive electronic claim submissions through the Centers for Medicare and Medicaid contractor for reimbursement to the medical provider for CHAMPVA’s payment responsibility as a secondary payer. This will further significantly reduce the requirement for manual input of claim data and, as a result, further reduce the potential for error. Additionally, a recurring data matching agreement with the Centers



for Medicare and Medicaid has been established that will generate Medicare enrollment data discrepancy reports, prompting review and adjustment of insurance records and eligibility status as appropriate and reducing improper payments due to lack of notification by the beneficiary.

Two improper payments identified in the sampled review were caused by duplicate electronic payment batch transmissions released to the Austin Information Technology Center in error. Upon discovery of the error, actions to recoup overpayments were initiated. All improper payments discovered in the review have been recovered. Corrective actions at the HAC and the Austin Information Technology Center were undertaken immediately upon discovery of the errors to prevent future occurrences. The HAC implemented automated duplicate checks during the batch return, batch process, and batch transmission phases, performing comparisons with previously transmitted data and flagging possible duplicate payments for review. Batches cannot be released until the manual review has been completed and the batch is cleared for transmission. These efforts are ongoing, and will continue indefinitely.

The third cause of error identified in the risk assessment resulted from a payment made to an ineligible recipient. The improper payment identified in this error category was due to payment of a claim for health care to a CHAMPVA beneficiary who had lost eligibility for the program prior to the date of service due to legal divorce from the CHAMPVA sponsor (veteran). Action has been taken to recover the improper payment. The HAC has undertaken corrective measures to prevent future occurrences of improper payments in this category. A recurring data match with VBA has been established to generate a discrepant data

report, identifying beneficiaries that may no longer be eligible for CHAMPVA benefits. The beneficiary records are reviewed, and appropriate action is taken. Ongoing internal controls include audit staff conducting monthly audits of eligibility records, and the eligibility division has a quality control program in place.

#### 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 2008 is the baseline measurement, indicate by either note or by “n/a” in the “FY 07 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 2009-2011; and (6) agencies are expected to report on FY 08 activity, and if not feasible, then FY 07 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 2008 (Based on FY 2007 data)**  
(\$ in millions)

Program	Outlays \$		Estimated IP%	Actual IP %	Estimated IP \$	Actual IP \$
	Estimated	Actual <sup>(1)</sup>				
Compensation <sup>(2)</sup>	34,193	33,727	<i>0.69</i>	<i>0.75</i>	<i>235.9</i>	<i>254.5</i>
			0.32	0.25	109.4	85.7
Pensions	3,645	3,663	<i>10.10</i>	<i>9.92</i>	<i>368.1</i>	<i>363.5</i>
			0.26	0.32	9.5	11.6
Education	3,007	2,856	<i>1.50</i>	<i>0.98</i>	<i>45.1</i>	<i>28.0</i>
			1.45	1.25	43.6	35.7
Loan Guaranty <sup>(3)</sup>	881	903	0.61	0.43	5.4	3.9
Non-VA Care Fee	1,757	1,941	6.00	1.28	105.4	24.8
CHAMPVA	<sup>(4)</sup>	538.7	<sup>(4)</sup>	3.18	<sup>(4)</sup>	17.1

**Notes to Improper Payment Reduction for FY 2008 Table (Based on FY 2007 data):**

- <sup>1</sup> For some programs, dollars reported are payments, not necessarily outlays. Overpayments (shaded and in italics) and underpayments are identified for programs for which separate data are available.
- <sup>2</sup> Dependency & Indemnity Compensation is included with Compensation.
- <sup>3</sup> Outlay calculations changed since the 2004 PAR submission. In the Loan Guaranty Program, housing intergovernmental transactions were determined not to be subject to erroneous payment sampling and review.
- <sup>4</sup> Estimated amounts are unavailable because it is the first year of reporting.

**Improper Payment Reduction Outlook FY 2007 – FY 2011 (Based on FY 2006 – FY 2010 data)**  
(\$ in millions)

Program	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)		
	OUTLAYS \$ <sup>(1)</sup>	IP %	IP \$	OUTLAYS \$ <sup>(1)</sup>	IP %	IP \$	OUTLAYS \$ <sup>(1)</sup>	IP %	IP \$	OUTLAYS \$ <sup>(1)</sup>	IP %	IP \$	OUTLAYS \$ <sup>(1)</sup>	IP %	IP \$
Compensation <sup>(2)</sup>	30,915	0.67	208.1	33,727	0.75	254.5	37,303	0.80	276	39,766	0.73	290.3	42,649	0.71	277.2
		0.11	32.7		0.25	85.7		0.31	115.6		0.29	119.3		0.28	127.9
Pensions	3,525	8.51	300.0	3,663	9.92	363.5	3,869	8.00	309.5	4,006	7.88	315.7	4,149	7.75	323.6
		0.11	3.9		0.32	11.6		0.31	12.0		0.28	12.0		0.27	11.2
Education	2,754	1.9	52.3	2,856	0.98	28.0	3,242	1.10	35.7	4,643	1.85	85.9	8,634	5.00	431.7
		1.77	48.7		1.25	35.7		1.10	35.7		1.85	85.9		5.00	431.7





Program	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)		
	OUTLAYS \$ <sup>(1)</sup>	IP %	IP \$	OUTLAYS \$ <sup>(1)</sup>	IP %	IP \$	OUTLAYS \$ <sup>(1)</sup>	IP %	IP \$	OUTLAYS \$ <sup>(1)</sup>	IP %	IP \$	OUTLAYS \$ <sup>(1)</sup>	IP %	IP \$
Loan Guaranty <sup>(3)</sup>	876	0.54	4.7	903	0.43	3.9	1,053	0.40	4.2	1,228	0.38	4.7	1,432	0.36	5.2
Non-VA Care Fee	1,578	5.87	92.6	1,941	1.28	24.8	2,038	1.25	25.5	2,140	1.10	23.5	2,247	1.00	22.5
CHAMPVA	322.9	3.84	12.4 <sup>(4)</sup>	538.7	3.18	17.1	631.4	4.0 <sup>(5)</sup>	25.3	735.5	4.0	29.4	752.7	3.5	26.3

**Notes to Improper Payment Reduction Outlook FY 2007 – FY 2011 (Based on FY 2006 – FY 2010 data) Table:**

<sup>1</sup> For some programs, dollars reported are payments, not necessarily outlays. Overpayments (shaded and in italics) and underpayments are identified for programs for which separate data are available.

<sup>2</sup> Dependency & Indemnity Compensation is included with Compensation.

<sup>3</sup> 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.

<sup>4</sup> 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 greater than \$100 and 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, the report estimated the error rate to be 10 percent and the absolute value of over and underpayments to be \$12.4 million.

<sup>5</sup> In 2008, the HAC hired many new voucher examiners to process invoices for payment. Due to the inexperienced staff, input errors may temporarily increase. Once staff is trained and the Medicare Crossover implementation is completed in 2009, the error rate is projected to drop.



**VA Recovery Targets for all Susceptible Programs FY 2008 – FY 2012**  
**(Based on FY 2007 – FY 2011 data)**  
 (\$ in millions)

Program	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)		FY 2012 (Based on FY 2011 data)	
	Est. \$	Act. \$	Est. % <sup>(5)</sup>	Act. % <sup>(5)</sup>	\$	% <sup>(5)</sup>	\$	% <sup>(5)</sup>	\$	% <sup>(5)</sup>	\$	% <sup>(5)</sup>
Compensation & Pension <sup>(1)</sup>	384	381	27	27	345	25	348	24	351	23	419	25
Education & VR&E <sup>(2)</sup>	183	184	59	60	165	56	144	51	137	47	130	45
Loan Guaranty	1.5	1.5	63	63	1.4	63	1.4	63	1.4	63	1.4	63
Non-VA Care Fee	11.9	15.6	45	63	16.6	65	15.7	67	15.3	68	16.5	70
CHAMPVA <sup>(3)</sup>	<sup>(4)</sup>	15.0	<sup>(4)</sup>	88	22.1	87	25.7	87	23.0	88	25.4	88

**Notes to VA Recovery Targets for all Susceptible Programs FY 2008 – FY 2012 (Based on FY 2007 – FY 2011 data) Table:**

- <sup>1</sup> Compensation and Pension are two programs with collections shown as one figure.
- <sup>2</sup> Collections reported for Education are collections for both Education and Vocational Rehabilitation & Employment (VR&E).  
VR&E is exempt from 3 years of reporting until 2010.
- <sup>3</sup> Total CHAMPVA collections made by the HAC. Includes collections for other than recovery of improper payments. Collections related to improper payments are not accounted for with a unique accounting code. Collections each year are applied to current fiscal year and five prior fiscal years.
- <sup>4</sup> This number is not available because it is the first year of reporting.
- <sup>5</sup> The recovery estimate amount is based on historical data. The recovery actual amount is from VA's Standard General Ledger. The recovery estimate and actual percentages represent the amount of collections and/or offsets over the amount of debt receivable established.

**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 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 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 \$55,000 for reuse by VA entities during 2008. Overall, during 2008, collections of improper payments and the recovery of unapplied vendor statement credits totaled nearly \$2.6 million. Improved payment oversight also enabled VA to identify and cancel nearly \$15.3 million in potential improper payments prior to disbursement. Since the inception of the FSC's audit recovery effort in 2001, VA has recovered over \$23.9 million in improper payments and prevented the improper payment of another \$48.2 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. The review includes the Non-VA Care Fee Program, CHAMPVA, and the Spina Bifida Program. As of July 29, 2008, the contract to review past

payments by VA's Health Administration Center for hospital care resulted in the contractor's identification of 9,298 receivables totaling \$39,843,062, of which VA has recovered \$22,750,469.

## **3. Supply Fund**

The VA Office of Acquisition and Logistics works with the OIG Office of Contract Review (OCR) 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 OCR include health care resource proposals, claims, and other special purpose reviews. In 2008, this audit recovery program recovered over \$8 million.



**B. Audit Recovery Summary Table by Programs.**

**Audit Recovery Table  
(\$ in millions)**

Agency Component	Amount Subject to Review for FY 2008 Reporting	Actual Amount Reviewed and Reported FY 2008	Amounts Identified for Recovery FY 2008	Amounts Recovered FY 2008	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	16,251.66	15,962.15	3.29	2.64	19.87	14.39	23.16	17.03
HAC	390.53	133.37	15.23	9.36	49.68	27.28	64.91	36.64
Supply Fund <sup>1</sup>	5,865.88	5,702.26	25.89	8.81	59.89	56.04	85.78	64.85

<sup>1</sup> “The Amount Subject to Review represents contract sales of only those contracts reviewed, which resulted in a recovery. This amount includes a review of a large pharmaceutical contract that had sales of \$4.5 billion over a 10-year period ending December 31, 2007.”

**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. Performance award funds are available for stations that exceed requirements and achieve stretch goals.

## **3. 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.

## **4. Non-VA Care Fee**

VHA has implemented key elements of the IPIA with the focus being placed on the reduction of improper payments. 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, VA's Management Quality Assurance Service (MQAS), VA's primary quality assurance organization for financial, capital asset management, acquisition, and logistics activities, conducted Non-VA Care Fee program pilot reviews at three Fee sites. As a result of these reviews, MQAS developed a Fee review guide, which was used in their 2008 facility site reviews. Facility managers are responsible for responding to review recommendations and implementing corrective action plans as needed.

Furthermore, MQAS conducted Fee Basis reviews at 13 VAMCs in 2008 to assess the effectiveness and efficiency of program processes. Several systemic and limited occurrence conditions were found. In 2009, MQAS plans to visit 12 additional medical facilities as part of its ongoing Fee Basis review program.

In 2008, VA's Internal Controls Service conducted A-123 and A-127 reviews of Fee program. This included reviews of the Veterans Health Information Systems and Technology Architecture (VistA) Fee medical care authorization and claims processing software and the general business processes in Fee medical claims payment processing. Findings are being addressed in the submission of VistA Fee software functionality change requests. Business process findings and actions will be communicated and corrected through various methods.

## **5. CHAMPVA**

The Director of HAC officially established the new Office of Business Oversight in May 2008. This new office reports to the Director, and centralizes efforts to continually evaluate, audit, test, and improve internal controls and systems processes. Its responsibilities are delineated as standards in the HAC Director's 2008 performance plan, and



will result in the following:

- Identification, documentation, and testing of key controls.
- Developing action plans to strengthen key controls.

In 2008, the HAC Director established the Office of Business Oversight (OBO) to identify, inventory, document, and test key controls of HAC business processes. A new internal controls plan sets direction and a systematic approach toward establishing an effective compliance program, ensuring accountability and promoting continuous improvement, while minimizing and mitigating agency risk. The plan calls for identification/documentation of current key controls (which has begun), testing those controls, and then developing corrective action plans to strengthen them. With respect to internal controls and audits, OBO (and the newly-formed Internal Controls & Oversight Committee) will also coordinate implementation and adherence to policies and procedures. An inventory of all existing internal controls, including recommendations of the 2006 IG report, Grant Thornton A-123 findings, and 2008 IPIA Audit results, have been used to develop risk assessment worksheets for each Division. Additionally, the HAC's Annual Statement of Assurance assesses the effectiveness of internal controls and financial reporting based on results of these audits; based upon their results, the HAC can provide reasonable assurance that internal controls were operating effectively with no material weaknesses. Corrective plans for deficiencies were recorded and added to ongoing claims processing and business operation's internal controls to be tested throughout 2009.

Using multiple venues, HAC staff has been made aware of the importance of ethics in business. Supervisors have viewed the Integrated Ethics video. All

HAC employees received ethics training at Director's Call, using content specifically tailored for a business, rather than the less relevant clinical environment

FY 2008 audit results were reviewed monthly by managers and employees. Several system and business process improvements were implemented resulting in more accurate payments. (Examples, not for the report – dupe logic, cat cap cross year fix, AI tests for SXC, etc.) In 2009, audit processes and results will continue to be emphasized through appropriate HAC internal communications venues and performance plans for managers.

## 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. BDN information systems utilized outdated technology and did not have the capability to prevent or reduce the size of overpayments, or characterize the reason for overpayment. VETSNET eliminates batch cycle processing and converts to real-time processing enabling us to discontinue payments as late as the day before payment issue. The system will be integrated so that the disability rating decision will be entered once, eliminating or substantially reducing errors due to data entry. The retroactive payment is calculated as the award is being prepared. This eliminates problems with



manual calculations for out-of-system payments. When three signatures are required, the system has internal control to ensure that this requirement is met. The ability to store more data improves the ability to identify the cause of the overpayment. VA is consolidating pension processing to PMCs. Quality has increased from 95 to 96 percent through the consolidation and specialization process.

## 2. Education

Education Service is developing a rules-based automated claims processing system. The goal of this system, when fully implemented (currently estimated for 2012), is to automatically process up to 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.

However, TEES as presently constituted is not capable of handling the Post 9/11 Education Assistance Program. An entirely new information technology system will be required to process claims and issue payments under this program, beginning August 1, 2009. Education Service is soliciting contractor assistance in developing this system, using funds provided in the authorizing legislation. Although Education Service will ensure that the new system uses a rules-based approach to achieve maximum automation of processing, the short lead time before the system must begin making payments is likely to limit the extent of automated processing in the near future. In addition, the TPSS, an on-line delivery and record-keeping system for training, is being implemented in phases beginning in 2008, and is expected to help improve claims processing performance in the future.

## 3. Non-VA Care Fee

In 2008, VHA will continue testing a Fee software solutions product that was

implemented in 2007 at 10 Fee sites. The product is now in production at 32 locations. Other products are beginning to be evaluated, specific to medical care claims processing, that enhance internal Fee schedules and do not require manual payment calculations or data entry. Some products will address limitations within the Vista Fee software to support reduction in improper payments.

In 2009, VA intends to pilot a new claims processing solution with VA's Financial Services Center involving different software products that will have rules-based functionality to trigger alerts for secondary reviews when certain payment information is outside of usual ranges. The pilot is currently limited to emergency medical care claims for treatment of non-service connected conditions processed under Title 38 USC 1725 (Section 111 of Public Law 106-117). By 2010, VA will have sufficient outcomes to determine if the pilot will become a permanent solution for VHA's Non-VA Care Fee program.

## 4. CHAMPVA

The HAC continues to make improvements to the claims processing system to ensure proper payments are made. Annual maintenance and operations funding is used for such improvements. However, the current legacy system requires substantial ongoing maintenance and correction of defects. The time expended for maintenance and correction of defects limits the availability of resources to effectively improve and enhance the system to reduce manual input. The HAC is exploring possible procurement of a commercial claims processing system that would further automate and increase the accuracy of payments.

**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 in the FY 2009 VA Budget (\$5.3 million) has been reallocated for other initiatives. Full implementation of TEES will be coordinated with the retirement of VBA's legacy system, BDN.

Funding for systems development for the Post 9/11 Education Assistance Program was provided in the authorizing legislation, and is available beginning in 2008.

**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.

The number and percent of total compensation overpayments significantly increased in 2007 due to concurrent receipt adjustments. It is anticipated that this will remain at higher levels because the adjustments are extraordinarily complex and error-prone.

As a result of the passage of the Defense Authorization Act of 2003 and 2004, the Defense Finance and Accounting Service (DFAS) is currently paying retirees retroactive retired pay. Combat Related Special Compensation (CRSC) is a benefit available from the Department of Defense (DoD) for certain military retirees with qualifying combat or combat-like disabilities. CRSC became effective June 1, 2003, and eligibility was broadened on January 1, 2004. Concurrent Retirement and Disability Pay (CRDP) is another DoD program that permits partial to total restoration of retired pay previously waived to receive VA compensation. CRDP became effective January 1, 2004. Both programs have added to VBA's workload. DoD Services permit those who are dual entitled to CRSC and CRDP to elect which program they wish to receive annually. Currently there are over 50,000 dual entitled DoD retirees. The Coast Guard allows members to switch at any time. We are working with the payment centers to allow VA access for a limited number of employees to determine which program has been elected.





The retirees of the Army, Navy, Marine Corps, Air Force (with their respective Guard and Reserve components), and National Oceanic and Atmospheric Administration began receiving retroactive payments in September 2006. Public Health Service (PHS) will begin submitting files to VA during 3<sup>rd</sup> quarter 2008. The Coast Guard had projected to inform VA by the 3<sup>rd</sup> quarter of 2008 of the number of retirees and amounts potentially owed; however, due to Coast Guard undergoing a major restructuring of their pay system, the date has been delayed.

There continues to be new and recurring retirees who are entitled to either CRSC or CRDP. There are approximately 41,000 CRSC and CRDP retirees still pending DFAS processing, and an unknown amount of those cases will come to VA for a pay adjustment. DFAS estimates they receive 6,750 new and reopened accounts for CRSC and CRDP on a monthly basis. The number of payments due from VA is unknown.

Effective January 1, 2008, the National Defense Authorization Act (NDAA) expanded CRSC eligibility to include anyone who retired under the Temporary Early Retirement Act. This retirement authority was used from 1993 through 2001 to offer early retirement to service-members with at least 15-19 years of service.

In addition, effective October 8, 2008, veterans who are evaluated at total disability under individual unemployability are entitled to full concurrent receipt of VA compensation and military retired pay, retroactive to January 1, 2005.

The net effect of these extraordinarily complex and overlapping programs requires complex analysis and calculations. Additionally, because veterans may request increased benefits at any time, Veteran Service Representatives (VSRs) must

frequently calculate entitlement where previous CRSC or CRDP payments have already been made. To add to this complexity, military retirees can establish entitlement retroactive for up to 6 years. The retroactive payment combined with the phase-in of CRDP will result in complex benefit calculations until at least 2020, unless Congress simplifies the laws.

On January 22, 2007, the C&P Service Procedures Staff posted Fast Letter 07-01. This fast letter addressed the issue of claims processing for military retirees entitled to CRSC or CRDP. Based upon information provided by DFAS, VA began making retroactive payments in October 2006. Normally, payments were automated; however, there were instances that required manual payments by VSRs. In these cases, Audit Error Worksheets (AEWs) were generated and provided to the respective VSC. Fast Letter 07-01 provides detailed procedures for processing AEWs.

As of July 1, 2008, 14,740 AEWs have been referred to VSCs for manual payments of retroactive CRSC and CRDP benefits. A random sample of 512 AEWs was selected for review of compliance with Fast Letter 07-01.

The review revealed that:

- 345 cases show no action taken.
- 93 cases show payments were made.
- 74 cases could not be determined.

This equates to:

- 67 percent of the cases are not in compliance.
- 19 percent of the cases are in compliance.
- 14 percent of the cases cannot be determined.



As of July 1, 2008, a total number of 14,740 AEWs have been sent to the VSCs. Given the percentages provided above, we can extrapolate that:

- 9,876 AEWs have not been processed.
- 2,800 AEWs have been processed.
- 2,064 AEWs are status unknown.

The conversion from the BDN to the VETSNET has caused a generation of approximately 10,000 AEWs listed as “Not Found.” These records are currently posted in Virtual VA waiting to be processed. The Procedures Staff has control of those 10,000 AEWs.

The total number of AEWs still needing processing by extrapolation is approximately 19,876 cases.

As previously mentioned, the Procedures Staff provided guidance in processing AEWs in Fast Letter 07-01. Subsequent guidance has been a continual process since January 22, 2007. This guidance has been readily available on the Procedures Staff Web page, including a CRDP calculator, an unaired Veterans Benefits Network broadcast transcript describing the programs, frequently asked questions and answers, and various scenarios for processing awards.

The need for VSCs to process all CRSC and CRDP cases in accordance with Fast Letter 07-01 was reiterated in a recent Veterans Service Center Managers conference call.

In August 2008, the Procedures Staff trained two VSRs from each VSC who were identified as VETSNET and CRSC/CRDP Super Users in the process of inputting AEWs into VETSNET.

We have requested programming changes in VETSNET to automatically calculate CRDP/CRSC payments. More extensive

programming to tag CRSC qualifying conditions has also been requested to assist in automatic calculations of that program. Currently, changes are not expected for at least a year.

The change in law allows retirees up to six years to file for a retroactive payment. As a result of the law change, VA does not expect improvement until 2011 when CRSC/CRDP is fully mature.

## **2. Two Health Care Programs: Non-VA Care Fee and CHAMPVA**

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 228).

#### **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., Community Residential Care, 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. (Medical Care)

#### **Average days to complete original and supplemental education claims**

This measure represents the elapsed time, in days, from receipt of a claim in the Department of Veterans Affairs 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 new patient appointments completed within 30 days of desired date**

This measure tracks the number of days between the appointment request date and the day the appointment was completed for new patients in primary care and specialty clinics. The percent is calculated by dividing all new patient appointments scheduled within 30 days of the desired date (the numerator) into all new appointments posted in the scheduling system (the denominator). Wait times associated with clinic appointment cancellations are included in this calculation (appointments cancelled by patients are not included). (Medical Care)

**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 unique patients waiting more than 30 days beyond the desired appointment date**

This measure tracks the number of new and established patients who are waiting to be seen. A patient is classified as “waiting” once the date that they want to be seen has passed. The percent is calculated by dividing all patient appointments scheduled beyond 30 days of the desired date (the numerator) by all appointments posted in the scheduling system (the denominator). When individual patients are waiting for more than one appointment, the calculation counts only the appointment with the longest wait time. (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. (Medical Research)

**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 2008 is shown below:

#### Base Data

Total number of rehabilitations: 11,066  
Discontinued: 5,103  
Maximum Rehabilitation Gains 1,550  
Discontinued (Excluding MRGs) 3,553

#### Results Calculation

$11,066 / (11,066 + 5,103 - 1,550) = 75.6\%$  rehab. rate.

Rehabilitation totals are provided below for the past 6 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
2008	8,274	2,792	11,066



## 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 is designed to monitor the accuracy of decisions made to declare a veteran rehabilitated or discontinued from a program of services. (VR&E)

### **Appeals decided per Veterans Law Judge**

This measure represents the total number of decisions, remands, dismissals, and vacatur 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>. Final data are based on the Small Business Administration (SBA) Goaling Report. "Service-disabled veteran-owned small business concern means a small business concern"—  
(1) Means a small business concern (i) Not less than 51 percent of which is owned by one or more service-disabled veterans or, in the case of any publicly owned business, not less than 51 percent of the stock of which is owned by one or more service-disabled veterans; and (ii) The management and daily business operations of which are controlled by one or more

service-disabled veterans or, in the case of a service-disabled veteran with permanent and severe disability, the spouse or permanent caregiver of such veteran. (2) Service-disabled veteran means a veteran, as defined in 38 U.S.C. 101(2), with a disability that is service-connected, as defined in 38 U.S.C. 101(16). In addition, service-disabled veteran-owned small businesses participating in set-asides or subcontracts authorized by Veterans Affairs Acquisition Regulation (VAAR) 819.7001 must be listed as verified on the VetBiz.gov Vendor Information Pages (VIP) Database. (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)

### **Average number of orders (prosthetics devices and batteries) processed annually per DALC employee (DALC = Denver Acquisition and Logistics Center)**

This performance measure addresses the efficiency and effectiveness of DALC procedures as they pertain to the processing of orders. It represents the number of orders processed per year divided by the number of actual employees. The data source for tracking the measure is DALC's automated Remote Order Entry System (ROES), which is programmed in M programming language. The data are transferred from ROES to a management information system that keeps a complete record of all transactions and provides an audit trail. (Departmental Management)



**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 recently separated servicemembers with a DoD or VA disability rating of 50 percent 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)

**Customer satisfaction survey scores**

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, and healthcare inspections. 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)

**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 1<sup>st</sup> and 3<sup>rd</sup> party collections**

Medical care received within VHA has a co-payment attached in some cases. This co-payment is referred to as 1<sup>st</sup> 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 3<sup>rd</sup> party collections. (Medical Care)

**E-FATS Ratio**

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)

**Lender Satisfaction (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)

**Monetary benefits (dollars in millions) from audits, investigations, contract reviews, inspections, and other evaluations**

Monetary benefits represent the actual and potential monetary benefits identified during the conduct of OIG investigations, audits, inspections, contract reviews, and other evaluations. (OIG)

**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, inspection, and evaluation 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 audit, inspection, and evaluation report recommendations, are documented and which require remedial action by 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. 07-04, “*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 (focused reviews) 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 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 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. 07-04, "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 pilot, demonstration, and existing programs implemented by VA in which faith-based and community organizations participate**

This measure represents the number of VA pilot, demonstration, and existing programs for which faith-based and community organizations can participate and serve homeless, disabled, hospitalized, and returning veterans from Afghanistan and Iraq. (Departmental Management)

**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 prosecutions successfully completed**

This measure represents those cases referred for prosecution for which a conviction, pretrial diversion, or a deferred prosecution was obtained. (OIG)

**Percentage of recommendations implemented within 1 year 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 within 1 year 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 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 Department of Labor to receive the first release of data in December 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 surgical residents that have a note from attending physician within one day of hospital admission to a surgery bed service**

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 that are processed within 20 days for the graves of veterans who are not buried in national cemeteries**

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 their quality of life**

This measure is being removed as it does not reflect the intent of the governing statute of the Compensation program. (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 confirmed Successors to the Secretary who attend orientation and/or the annual update**

The actual number of successors who attended the training or annual update divided by the total number eligible to succeed the Secretary. (Departmental Management)

**Percent of contract awards (design development, construction documents, construction) that meet operating plan target dates within a 90-day variance**

This measure reflects the ability to design and construct facilities in accordance with schedules. The number of awards meeting the criteria is divided by the number of total planned awards for a set period. (Departmental Management)

**Percent of DIC recipients who are satisfied that VA recognized their sacrifice**

This measure is being removed as it does not reflect the intent of the governing statute of the Compensation program. (Compensation)

**Percent of direct lease acquisitions that meet target dates**

This measure reflects the ability to execute leases to deliver health care within established timeframes. The number of leases meeting the criteria is divided by the number of total planned leases for a set period. (Departmental Management)

**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 headstone and marker applications from private cemeteries and funeral homes received electronically (Internet)**

This percentage represents the number of applications for headstones and markers to be placed in private cemeteries that are received electronically (Internet or toll-free fax) divided by the total number of applications received. (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 when received, 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 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 Department of Labor to receive the first release of data in December 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 who were still employed in the second and third quarter after program exit. VA is working with the Department of Labor to receive the first release of data in December 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 property acquisitions that meet target dates**

This measure reflects the ability to execute land acquisitions for projects and leases within established timeframes. The number of land acquisitions meeting the criteria is divided by the number of total planned land acquisitions for a set period. (Departmental Management)

**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 OEF/OIF 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 criteria departmental updates that are not older than 3 years**

This measure reflects the ability to adapt to changing health care needs. As new treatments and programs are developed, it is important that space planning documents reflect them. The percent is determined by dividing the number of standards that are less than three years old by the total number of standards. (Departmental Management)



**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 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 total facility electricity consumption that is renewable**

This measure is calculated by summing all qualifying renewable electricity consumption, dividing by the sum of all electricity consumption, and expressing the result as a percentage. (Departmental Management)

**Percent of unclassified electronic DoD health records available electronically to VA clinicians for separated servicemembers**

VA supports one-way exchange of non-classified electronic health data. As servicemembers separate, their composite health care system (CHCS) records are extracted by DoD and sent to a shared repository where they are viewable by VA clinicians and VA benefits adjudicators. The number of records in the repository will continue to grow as servicemembers separate. (Medical Care)

**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 total procurement dollars awarded to veteran-owned small businesses**

This number represents the percentage of total dollars spent with 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>. Final data are based on the Small Business Administration (SBA) Goaling Report. "Veteran-owned small business concern means a small business concern—(1) Not less than 51 percent of which is owned by one or more veterans (as defined at 38 U.S.C. 101(2)) or, in the case of any publicly owned business, not less than 51 percent of the stock of which is owned by one or more veterans; and (2) The management and daily business operations of which are controlled by one or more veterans. In addition, veteran-owned small businesses participating in set-asides or subcontracts authorized by Veterans Affairs Acquisition Regulation (VAAR) 819.7001 must be listed as verified on the VetBiz.gov Vendor Information Pages (VIP) Database. (Departmental Management)

**Percent of veterans in receipt of compensation whose total income exceeds that of like-circumstanced veterans**

This measure is being removed as it does not reflect the intent of the governing statute of the Compensation program. (Compensation)

**Percent of veterans returning from a combat zone who respond "yes completely" to survey questions on the following: if they believe 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 VA what patient expectations are and what dimensions of care concern veterans the most. This enables VA to identify our strengths and to quickly address areas where patients are less satisfied. VA 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 toward development of robot-assisted treatment/interventions for patients who have suffered neurological injury due to conditions such as spinal cord injury, stroke, multiple sclerosis, and traumatic brain injury**

**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 use of computer-assisted mechanical devices to assist patients in learning how to use their limbs shows a great deal of promise for veterans who are permanently or temporarily disabled due to disorders and diseases such as spinal cord injury, stroke, multiple sclerosis, and traumatic brain injury.

In rehabilitation therapy, robotic-assisted devices offer significant advantages, a few of which are the following: sensitive, continuous measures of motor recovery; delivery of well-controlled, repetitive sensorimotor stimulation at high intensity and reasonable cost; and treatment protocol standardization. (Medical Research)

**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)

**Rate of home ownership for veterans compared to that of the general population**

This measure represents the percentage of veterans who own their homes compared to the percentage of the general non-veteran population who own their homes. (Loan Guaranty)

**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)

**Return on investment (monetary benefits divided by cost of operations in dollars)**

This measure represents the monetary benefits derived from inspections, reports, investigations, and other oversight performed by the Office of Inspector General divided by the cost of doing those activities. (OIG)

**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)

**Specially Adapted Housing Independence (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)

**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)

**The Alternative Dispute Resolution (ADR) participation rate in the Equal Employment Opportunity (EEO) complaint process**

This measure represents the percentage of EEO complaints in which both the agency and the employee agreed to use ADR in an effort to reach a mutually satisfactory outcome to the complaint. (Departmental Management)





**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)

### Baseline (Performance)

The process of establishing through statistical analysis, research, or other empirical evidence, the basis for a performance target. The baselining process most often occurs when a new measure is being developed.

### 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 significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements, or other significant financial reports, 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)

**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 by the entity's internal control. (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 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. (Burial)

**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

<b>ACSI</b> American Customer Satisfaction Index	<b>CIO</b> Chief Information Officer
<b>AFGE</b> American Federation of Government Employees	<b>COOP</b> Continuity of Operations Plan
<b>ALS</b> Amyotrophic Lateral Sclerosis	<b>COTS</b> Commercial Off-the-Shelf
<b>AMC</b> Appeals Management Center	<b>CPEP</b> Compensation and Pension Examination Program
<b>BDD</b> Benefits Delivery at Discharge	<b>CSRS</b> Civil Service Retirement System
<b>BDN</b> Benefits Delivery Network	<b>DMDC</b> Defense Manpower Data Center
<b>BHIE</b> Bi-Directional Health Information Exchange	<b>DIC</b> Dependency and Indemnity Compensation
<b>BPA</b> Blanket Purchase Agreement	<b>DOOR</b> Distribution of Operational Resources
<b>BVA</b> Board of Veterans' Appeals	<b>EA</b> Enterprise Architecture
<b>C&amp;A</b> Certification and Accreditation	<b>E-GOV</b> Electronic Government
<b>C&amp;P</b> Compensation and Pension	<b>EVM</b> Earned Value Management
<b>CAMS</b> Capital Asset Management System	<b>EVR</b> Eligibility Verification Reports
<b>CAP</b> Combined Assessment Program	<b>EWL</b> Electronic Wait List
<b>CARES</b> Capital Asset Realignment for Enhanced Services	<b>F&amp;FE</b> Fiduciary and Field Examination
<b>CBOC</b> Community-based Outpatient Clinic	<b>FASAB</b> Federal Accounting Standards Advisory Board
<b>CFS</b> Consolidated Financial Statements	<b>FASB</b> Financial Accounting Standards Board
<b>CHAMPVA</b> Civilian Health and Medical Program of the Department of Veterans Affairs	<b>FATS</b> Foreclosure avoidance through servicing
	<b>FECA</b> 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

**HIS**

Indian Health Service

**IPIA**

Improper Payments Information Act of 2002

**IVM**

Income Verification Match

**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

**VHA**  
Veterans Health Administration



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