VA's enabling goal is different from our four strategic goals. This goal and its corresponding objectives represent crosscutting activities that enable all organizational elements to carry out the Department's mission. VA's functions and activities focus on improving communication, enhancing workforce assets and internal processes, and furthering an integrated Department approach to providing service to veterans and their families. As such, many of these functions and activities are not apparent to veterans and their families. However, these activities are critical to our stakeholders as well as the managers and employees who implement VA programs.

Although no key performance measures are associated with the enabling goal, there are a wide variety of activities under this goal that will enable us to provide high-quality service to our veterans:

➢ Enhancing accountability for performance

➢ Enterprise Architecture

➢ Information security program

➢ Program evaluation

➢ Budget account restructuring

➢ Capital asset management

➢ Making greater use of performance-based contracts

Enhancing Accountability for Performance

At the Departmental level, the focus has been on the development of a planned, systematic approach to address VA's management and performance agenda, consistent with the President's Management Agenda to ensure greater accountability for performance. To achieve this objective, Department executives approved the implementation of a new strategic management process, which established the VA Executive Board (VAEB), the Strategic Management Council (SMC), and six strategic management process groups that oversee the planning and operations of VA's major crosscutting management processes. The VAEB is chaired by the Secretary and includes the top leadership. The SMC is chaired by the Deputy Secretary and includes senior leadership at the deputy level. The VAEB meets approximately once a month, and the SMC meets twice monthly. Major policy and management issues will be vetted in an integrated Departmental forum through the VAEB and SMC . These changes will result in a fully integrated strategic management process, binding strategic and performance planning, budget formulation, legislative program development, and program/budget execution.

VA continuously strives to improve the quality and delivery of accurate, timely, and courteous service to veterans and their families. By fostering an environment that attracts, retains, and cultivates a dedicated workforce of highly skilled employees, the Department can achieve this goal. In an effort to meet this challenge, a departmentwide survey was conducted to allow employees to voice their perceptions about their work environment. The 2001 VA Employee Survey resulted in the completion of 83,393 surveys. Nearly 38 percent of the employees invested substantial time and effort into providing their views about rewards and recognition, training and career development, customer orientation, fairness and treatment of employees, and quality of worklife. Results are expected in the spring of 2002.

Through the review of the survey data, VA will address top-priority issues and identify creative and innovative ways to enhance the workplace and improve the delivery of high-quality benefits and services to veterans and their families.

Enterprise Architecture

In FY 2001, the Office of the Chief Information Officer accomplished the following in its responsibility for Enterprise Architecture:

➢ Established the Office of the Chief Architect, whose mission is to develop and implement an evolutionary high-performance *One VA* information technology architecture that (1) is aligned with VA's program/business goals and (2) enables data integration across the enterprise;

➢ Developed and issued the *One VA* Enterprise Architecture (EA) Strategy and Implementation Plan;

➢ Developed an EA Communications/Marketing Plan;

➢ Organized and developed the Information Technology Board;

➢ Organized the EA Working Group from VA's National Information Technology Board participants;

➢ Participated in the OI&T Continuity of Operations/Continuity of Government Planning, Command and Control Planning, and Network Redesign;

➢ Began development of a user's guide for EA field implementation.

Information Security Program

The Office of Cyber Security accomplished the following during FY 2001:

➢ Developed and issued a revised VA Information Security Management Plan. The Plan identified a number of security enhancement actions that are being accelerated to improve enterprise-wide information security.

➢ Established a central security fund to consistently pursue departmentwide security efforts, with emphasis on security controls that correspond to significant shared risks across the Department.

➢ Implemented an enterprise-wide, integrated anti-virus solution that will remove most of the manual interventions that presently plague rapid distribution of new anti-virus updates to more than 150,000 VA desktops and servers at over 800 locations.

➢ Launched a major contract to develop a certification and accreditation program to bring discipline, formality, and technical excellence to the security planning activities of VA offices during the design of systems and applications.

➢ Provided all VA facilities access to a single security incident response service to which they may report security incidents and receive advice related to scope, effect, and suggested remedies.

➢ Established national programs in security training and education of computer professional staff employing commercial sources of Web-based study curriculums and the satellite bandwidth available through the VA Learning University.

➢ Began revamping security policies into usable frameworks.

➢ Developed and submitted to the Office of Management and Budget the Government Information Security Reform Act (GISRA) Report and corrective action plans.

Program Evaluation

During FY 2001, Systems Flow, assisted by ORC Macro International, Economic Systems, and Hay Group, completed a comprehensive evaluation of the *Benefits for Survivors of Veterans with Service-Connected Disabilities*. The evaluation, which involved surveying 5,500 servicemembers, veterans, and dependents, focused on the outcomes of the Dependency and Indemnity Compensation (DIC) program and four insurance programs: the Servicemembers' Group Life program (SGLI), the Veterans' Group Life Insurance program (VGLI), Service Disabled Life Insurance (S-DVI), and the Veterans' Mortgage Life Insurance program (VMLI). The 2-year, $1.4 million study addressed issues raised in the Veterans Programs Enhancement Act of 1998, Public Law 105-368, Section 303, and responded to 24 specific research tasks such as comparing VA and non-VA benefit programs, analyzing family household income and expenses before and after a veteran's death, and the effect on the surviving spouse of providing care to

the disabled veteran. The evaluation generally concluded that the DIC and insurance programs are meeting the statutory intent of Congress and the income needs of survivors. Nevertheless, the evaluation's findings and recommendations identified the need for several program enhancements already being planned, as well as the implementation of the following initiatives:

➢ Raising the SGLI coverage amount to $250,000;

➢ Providing an optional family coverage plan for SGLI;

➢ Reducing VGLI premium amounts;

➢ Improving outreach to people eligible for VMLI coverage, including a special outreach to disabled persons leaving military service.

Budget Account Restructuring

VA and OMB established a joint working group to identify options for restructuring the Department's budget accounts. The VA/OMB working group developed four account restructuring options. Using the best features of each of these options, they proposed a new account structure based on identifying the costs associated with nine VA programs: medical care, research, compensation, pension, education, housing, vocational rehabilitation and employment, insurance, and burial. Medical education, which previously was identified as a separate program, will be included as a subset of the medical care program. We have drafted sample appropriations language based on the proposed account structure. OMB is reviewing the language for appropriateness. Among the benefits of budget account restructuring are to:

➤ more readily determine program costs;

➤ shift resource debates from inputs to outcomes and results;

➤ eventually make resource decisions based on programs and their results rather than on other factors;

➤ improve planning, simplify systems, enhance tracking, and focus on accountability;

➤ prioritize capital investments against recurring expenditures.

In January 2001, we met with staff from the Senate and House Appropriations Committees to inform them of our proposal and to get their feedback on its utility. They expressed support for the concept of restructuring and simplifying VA's budget accounts. So as to be able to use the new budget account structure in formulating our FY 2004 budget, we will continue to work with our stakeholders in addressing specific implementation issues associated with this proposal.

The core Financial and Logistics System (coreFLS) will support budget account restructuring. CoreFLS will replace VA's core accounting system (Financial Management System) and up to 33 interfacing applications. CoreFLS will allow the Department to better align its resources with program activities and improve automated analytical and reconciliation tools. As with the new budget account structure, full implementation of coreFLS is scheduled for FY 2004.

Capital Asset Management

In July 2001, Secretary Principi established a Department-level capital asset management function, the Office of Asset Enterprise Management (OAEM). Capital asset management is a business strategy that seeks to maximize the functional and financial value of capital assets through well thought out acquisitions, allocations, operations, and dispositions. The OAEM develops and promulgates capital asset policies; establishes and analyzes VA's capital asset portfolio; establishes and coordinates the Department's future investment strategy; and establishes a performance management system to oversee portfolio performance. This comprehensive, corporate-level approach to capital asset management helps ensure VA links its asset decisions closely to its strategic goals, elevates awareness of its assets, and employs performance management techniques to monitor asset performance on a regular basis.

One of OAEM's responsibilities is overseeing VA's Enhanced-Use Lease Program. The Enhanced-Use Lease Authority authorizes VA to find cost-effective alternatives to traditional means of acquiring and managing its facility and capital holdings. It permits the long-term out-lease of underutilized VA property to non-VA users for uses compatible with VA programs in return for obtaining facilities, services and/or money for VA requirements that would otherwise be unavailable or unaffordable.

This program has significantly reduced costs to the Department and provided corresponding benefits to veterans, employees and the local community. To date, 20 Enhanced-Use leases have been awarded and over 150 potential projects have been studied, with 60 currently in development. These projects address a broad array of initiatives including mixed-use development projects, residential care and temporary lodging facilities, energy plants, elder care facilities, child development centers, and parking facilities.

Effective capital asset portfolio and performance management requires that VA establish a comprehensive and integrated capital asset management system (CAMS). Currently, VA has

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several non-integrated separate systems, processes, and procedures that serve discrete internal organizational components to track capital assets. In April 2001, the Strategic Management Council initiated the Capital Asset Management Working Group, led by the Office of Information and Technology and the Office of Management, to recommend a single, unified approach to asset control throughout the Department. Findings were reported to the Information Technology Board on the analysis of existing VA systems and the market research of existing and emerging technologies. This research culminated in live product demonstrations of four potential solutions meeting VA requirements. A recommendation and decision for a CAMS solution is expected in FY 2002.

Making Greater Use of Performance-based Contracts

The intent of this management reform is to convert service contracts that are awarded and administered using traditional specifications into an acquisition process that utilizes performance-based contracting. The use of performance-based contracts permits the Government to receive an enhanced level of service at a reduction in overall costs. This enhancement occurs as the result of increasing the flexibility of the contractor to perform the work, while reducing the administrative costs of operating such contracts.

VA has made progress in terms of converting existing and new service contracts at both the field station and national contract levels into performance-based contracts. In addition, the Department demonstrates continued support for performance-based contracting by providing ongoing continuing education on this subject to its contracting officers and allied acquisition professionals.

To more fully monitor the Department's level of success in converting to this performance-based contract approach, a cyclical reporting mechanism has been established through the Federal Procurement Data System. Through this system, the Department will be able to analyze the types of conversions, the dollars obligated, and the level of conversion to performance-based contracts.

In FY 2001, VA prepared and administered contracts for pharmaceuticals, medical equipment and supplies, and subsistence for federal agencies. These contracts are managed as Federal Supply Schedules, national contracts, and competitive contracts for special purchases; all reflect savings from commercial prices. The savings allow VA to best utilize its annual appropriations. Other federal agencies are also able to take advantage of these contracts. In addition to the savings from commercial prices, discounts are negotiated and competed on items VA purchases in high volumes. These contracts reflect the best value available to VA. The general public receives benefits through sound management practices of purchasing the best possible product at the lowest price. VA also provides support to the Centers for Disease Control and Prevention and other agencies in the Department of Health and Human Services in times of emergency. On September 11, 2001, VA provided support to make certain that emergency pharmaceuticals and medical supplies were delivered to New York City in support of the rescue operations.

Procurement Reform

VA spends more than $5 billion annually for pharmaceuticals, medical and surgical supplies, prosthetics, information technology, construction, and services. VA's acquisition system is vital, not

only because of its magnitude, but because of its critical role in ensuring VA can deliver timely services to our Nation's veterans in an efficient and cost-effective manner.

To optimize the performance of VA's acquisition system, the Secretary of Veterans Affairs established a Procurement Reform Task Force in June 2001. Task Force members were charged with reviewing VA's entire acquisition system and processes, and recommending specific improvements to strengthen the system's performance and effectiveness.

To meet this challenge, the Task Force decided to focus its efforts on areas that offer substantial near-term savings and have high potential for sustainable improvements. In addition, the Task Force sought to address key VA-wide issues that affect the effectiveness of the acquisition system. Two areas were excluded from the scope of the Task Force's work: information technology acquisition because this issue is being addressed separately; and pharmaceutical purchases because this area has received considerable management attention and improved so significantly. All other acquisitions fall within the scope of the Task Force's review. To

optimize VA's acquisition system, the Task Force established the following five major goals:

➢ Leverage purchasing power;

➢ Standardize commodities;

➢ Obtain comprehensive VA procurement information;

➢ Improve VA procurement organizational effectiveness; and

➢ Ensure a sufficient and talented VA acquisition workforce.

Task Force members consulted extensively with other government agencies and private-sector organizations, as well as with VA staff, to identify best practices and innovation opportunities. When finalized and approved by the Secretary in FY 2002, the Task Force's recommendations will provide a solid foundation to improve the efficiency, cost-effectiveness, and accountability of VA's acquisition system. The Task Force has briefed VA's Strategic Management Council, chaired by the Deputy Secretary. Following the Secretary's approval, the Task Force's recommendations will be implemented.