

PRESIDENT'S MANAGEMENT AGENDA

Strategic Management of Human Capital
Competitive Sourcing
Improved Financial Performance
Expanded Electronic Government
Budget and Performance Integration
Improved Coordination of VA and DoD Programs and Systems

At VA, we conduct our operations using sound business principles. The Department has taken a number of steps to support management reforms in the areas delineated in the President's Management Agenda, which will allow us to achieve our goals while managing public resources with prudence.

Strategic Management of Human Capital

The Department has developed a comprehensive workforce planning initiative that will enable VA to remain a competitive employer and provider of quality services to America's veterans. As part of this initiative, VA developed a Departmental Workforce Analysis and 5-Year Restructuring Plan that details demographics, skill assessments, human capital challenges and accomplishments, and strategies that demonstrate VA's commitment to becoming more citizen-centered.

In order to address VA's human capital challenges, we have developed the Department of Veterans Affairs Workforce and Succession Plan. This plan articulates VA's corporate vision for workforce and succession planning and identifies specific strategies to address recruitment, retention, and development issues. Further, VA launched the Departmental Workforce

and Succession Planning Intranet Homepage, which is an employee-focused, information-rich communication tool that provides workforce and succession planning data, tools, best practices, and accomplishments.

These efforts supplement the already extensive workforce planning efforts each of VA's business lines have undertaken this year, including an enhanced focus on the recruitment of new employees, leadership development programs at all organizational levels, and the integration of workforce planning into the strategic planning process.

In June 2001, VA established a national veterans employment program to promote the hiring of veterans in both the public and private sector. The program focuses on ensuring that veterans and federal hiring officials are aware of statutory preferences extended to veterans and how special hiring authorities can be used to employ veterans. Information (including bilingual brochures and pamphlets) concerning the veterans' employment program and veterans' preference guidelines is being distributed to veterans service organizations, community-based groups, and military transition centers around the country. Information concerning the program will also be included on VA Web sites.

In an effort to effectively manage its human capital, VA embarked on developing a comprehensive childcare tuition assistance program for all eligible employees effective January 1, 2001. The purpose of the program is to assist lower income employees in offsetting the high cost of childcare. To be eligible for this program, a VA employee must be full-time or part-time with an income of less than \$60,000. Children must be age 13 or younger; however, children with disabilities are accepted through the age of 18. The care provider must be licensed by the state and/or regulated by the local regulating authorities. Provider coverage includes center-based care, home care, and before/after school care.

The following chart shows the percentage of the total childcare costs VA will pay based on total family income.

If Total Family Income is:	Then VA Will Pay This Percentage of Child Care Costs:
\$60,000 and Over	0
\$50,000 - \$59,999	25
\$35,000 - \$49,999	30
\$25,000 - \$34,999	40
\$24,999 and Under	45

Example: Based on the income thresholds in the model above, if a family's total family income is \$39,000 and total childcare costs are \$6,500, VA will pay 30 percent (\$1,950) and the family pays the rest (\$4,550).

As of October 1, 2001, over 1,081 employees (with over 1,700 children) have enrolled. The VA program has been showcased by the Office of Personnel Management in its monthly publication of "FOCUS on Federal Work/Life and Wellness Programs" and was noted as having the most comprehensive program across Government. VA leads the Federal Government with the highest number of program participants.

An Intranet survey of agency employees on the VA Web site revealed that 89 percent of the eligible employees indicated that the availability of tuition assistance for childcare is a factor in their "decision"

to stay employed with VA. This program makes it possible for VA to attract, recruit, and retain a skilled and competent workforce.

Competitive Sourcing

Over each of the past 5 years, VA as a whole has steadily increased its contractual services spending while decreasing the number of full-time employees within the Department. In addition, VA's 2001 FAIR Act inventory identifies approximately 85 percent of VA's workforce as being engaged in commercial activities. This is by far the highest percentage of a total agency workforce deemed to be commercial within the President's Cabinet.

VA utilizes competitive sourcing and the FAIR Act as part of its basic business management approach, which is predicated on VA's efforts to deliver timely and high-quality service to our Nation's veterans and their families. As part of its normal business operations, VA continuously assesses the demand for benefits and services from veterans and ensures that it has the capabilities to meet these needs. This market-based analysis often results in contracts for medical care and other services in specific geographical areas when it is determined to be more cost effective to obtain the services from the private sector than to hire doctors, nurses, cemetery maintenance workers, and other skill sets. It should be noted that this approach does not focus on moving a certain established number of jobs from the public sector to the private sector - but rather, on providing veterans and taxpayers the best value possible.

The Veterans Health Administration (VHA), which represents about 97 percent of VA's total commercial activities, has increased the amount of contract services to \$2.6 billion - a 32 percent increase over the last 5 years. VHA's total contract service expenditures equate to approximately 43,000 full-time employees. One of the key factors

contributing to VHA achievements in competitive sourcing is the transformation of the health care delivery approach, moving increasingly from inpatient to outpatient care and toward the use of community-based outpatient clinics (CBOCs) to improve access for veterans. For each CBOC opened, VA determines whether it is more cost effective to operate the facility with VA employees. Out of 609 operating CBOCs, 146 are staffed with contract personnel.

A similar strategy has been applied when VA opens a new cemetery. The National Cemetery Administration (NCA) currently contracts 26 of 120 national cemeteries for full maintenance.

The Veterans Benefits Administration (VBA) is currently conducting a comprehensive A-76 study that is examining the property management function. This study involves a competitive sourcing of close to 9 percent of VBA's identified commercial activities. VBA will complete this study in 2002.

We are committed to continuing this approach of strategically identifying opportunities for competitive sourcing. The Deputy Secretary charged the Office of Policy and Planning with establishing and coordinating a working group to develop a more streamlined competitive sourcing process for VA. The working group identified areas of opportunity for future competitive sourcing and developed a tracking system to assess progress and outcomes. The working group also developed a proposed three-tier streamlined process, with more focus on cost-benefit analysis and less focus on solicitation to make the management decision about whether to contract out or retain the work in-house. The proposed tracking system will enable VA to document competitive sourcing decisions in support of providing timely and high-quality service to our Nation's veterans and their families.

Improved Financial Performance

VA received an unqualified opinion on the Department's financial statements from the auditors in FY 2001, continuing the success first achieved in FY 1999. Below are some ways the Department improved its financial performance in FY 2001.

Electronic Business Solution

E-Travel – VA began implementing a new electronic travel system, known as e-travel. This system will allow travelers or travel arrangers to electronically prepare and submit travel information using a Web-based system. They will begin by logging on to the e-travel system through the Intranet from a PC, laptop, or hand-held device to create an online travel request. Through the e-travel system, all VA travelers or travel managers will access an on-line booking engine for trip planning purposes, including access to information on available transportation and lodging options.

Once preliminary travel plans are made, the travel request is electronically routed to the supervisor for authorization and to approving officials for final approval. The electronic routing process includes electronic signature approval and e-mail notification of the request throughout the process. When the travel is approved, travel authority data will be sent from the e-travel system to the Financial Management System. Upon implementation, data will be sent from the e-travel system to the core Financial and Logistics System (coreFLS) to be obligated and to the booking engine for confirmation and ticketing of held reservations. Upon completion of the trip, travelers can easily and immediately submit their travel vouchers.

E-travel will provide a departmentwide system that will reduce cycle time for the travel management process, centralize travel and budget information

online, reduce delinquency rates, increase dollar savings from prompt payment of travel card bills, and reduce paper with an end-to-end process.

Debt Management Center (DMC)

Cross-servicing Program – During FY 2001, the DMC began referring debts over 180 days delinquent to the Department of the Treasury (Treasury) in compliance with the Debt Collection Improvement Act of 1996. Throughout the year, the DMC referred 83,663 accounts valued at \$303 million for collection by Treasury and their private collection agencies. Collections from cross-servicing efforts totaled \$7,874,164 for FY 2001. Treasury recognized the DMC with a Certificate of Appreciation for their efforts in developing an automated process for referring and updating accounts for cross servicing.

The DMC increased collections/offsets by 3 percent over last fiscal year. Collections/offsets increased from \$302 million in FY 2000 to \$312 million in FY 2001, despite a decrease of 19 percent in new debt established (from \$506 million in FY 2000 to \$426 million in FY 2001). Operating expenses were reduced from \$6,143,452 in FY 2000 to \$6,031,945 in FY 2001.

Successful initiatives achieved in FY 2001 include:

Treasury Offset Program – The Debt Collection Improvement Act of 1996 requires agencies to refer delinquent debts to Treasury for offset under the Treasury Offset Program. Under this program, most federal payments can be offset to satisfy delinquent federal debts. VA's Debt Management Center referred 445,017 accounts valued at \$229 million to Treasury for offset during FY 2001. Collections from the effort totaled \$39 million through October 2001 as compared to \$16 million through a comparable period in FY 2000.

Enhanced Imaging/Retrieval System – The DMC has moved from film/fiche media to magnetic media for storage of archived material. With film/fiche, retrieval of images was largely a manual task, sometimes taking hours or days for a clerk to find a particular image and print it. Through investments in hardware and software, the bulk of the imaging and retrieval system has evolved into a largely automated system with desktop retrieval for most employees. Hours of time simply walking to the former retrieval devices have been saved. Thousands of dollars are saved each year in filming costs and more will be saved when the DMC completes a project to convert audit trail records from the Benefits Delivery Network.

Remittance Processing – Until June 2000, the St. Paul Regional Office with older, generally unserviceable equipment, was in the business of processing collections. Regional office costs for rent and FTE made the DMC's process more cost beneficial. The DMC assumed responsibility for remittance processing in June 2000. The DMC estimates that it saves fifteen to twenty thousand dollars each month in what it would have paid for similar services provided by the regional office.

Expanded Electronic Government

VA's goal is to develop an agency-wide architecture with a uniform approach addressing electronic forms development, Web-based user interface, identification and authentication, authorization and access control, electronic signature, security, and data interchange with internal business processes and systems. Within the next 2 years, VA's Enterprise Architecture should be complete with secure computer and information infrastructure, and VA's currently fragmented telecommunication network will be integrated and modernized. VA expects to use the Internet as a primary means for conducting business with VA customers as well as other electronic media, including telephones, kiosks, and various information call response centers.

In December 2000 and October 2001, VA submitted status reports to OMB on implementation of the Government Paperwork Elimination Act (GPEA). In the December report, VA provided a list of over 216 OMB-approved forms with indicators of which forms were feasible or practicable for electronic conversion including those that were: 1) at high-risk, 2) inter-agency related, and 3) forms requiring electronic signatures. The October 2001 report reflected VA's progress, as follows:

- VA conducted a departmentwide assessment of business practices and drafted a GPEA implementation plan. The plan outlined preliminary findings and recommendations to increase the probability of a successful GPEA implementation. It also provided strategic direction on how VA should: 1) establish information collection priorities, 2) develop data and form standards, 3) select technologies for electronic signatures and authentication, 4) use Public Key Infrastructures, and 5) develop policies for electronic records management, electronic data interchange standards, and electronic rule-making.
- In September 2001, VHA initiated a study to find a Web-enabled commercial product that could support the delivery and management of on-line electronic forms via the Internet and VA's Intranet. Staff from VA's Office of Information and Technology, Veterans Benefits Administration, and Office of Acquisition and Materiel Management reviewed the results and recommended drafting a concept paper for departmentwide concurrence and approval. Implementation of this enterprise-wide software solution for electronic submission and receipt of information (on VA's 4,294 internal and public use forms) will be the primary means for conducting business with VA customers over the Internet.
- VA has taken steps to expand the use of Public Key Infrastructure (PKI) as an identification and authentication, digital signature, and encryption solution for the VA enterprise. VA's current PKI uses a commercial Certificate Authority. In the near term, VA will integrate PKI into evolving enterprise-wide applications upon deployment. Additionally, PKI functionality will be incorporated into VA applications accessed by veterans to provide digital certificates for veterans. These initiatives will focus on eliminating fraud and improving privacy of veteran data.
- A technical report was completed in August 2001, which will assist VA administrations and staff offices in formulating a set of evaluation criteria and a method to rank and prioritize information collections. A business process mapping schema and techniques for identifying migration and risk analyses were also developed. The model will be prototyped within VHA using an initial set of transaction forms.
- The CIO's office participated in the OMB Quicksilver Task Force Project, which resulted in the selection of over 23 electronic government initiatives. VA is partnering with several lead agencies to plan, develop, and implement the following electronic government initiatives: 1) USA Services, 2) E-Loans, 3) Eligibility Online, 4) Federal Asset Sales, 5) HR Integration, 6) e-Records Management, 7) Health Informatics, 8) Integration Acquisition, and 9) e-Vital. These initiatives are closely aligned with VA management and agency performance. As a result, VA offices are developing e-government and system modernization strategies categorized under OMB's customer groupings: Government to Citizen (G2C), Government to Business (G2B), Government to Government (G2G), and Internal Effectiveness and Efficiency (IEE).

Budget and Performance Integration

During FY 2001, VA made three significant advances toward integrating budget and performance information. First, we achieved agreement with our stakeholders on a revised budget account structure that will allow us to more readily determine full program costs. Second, the Department progressed in design of the core Financial and Logistics System (coreFLS), which will allow us to better align resources with program activities and improve automated analytical and reconciliation tools. Third, we worked with OMB to identify three performance-based budget pilots to test the concepts of integrating performance and budget information.

Improved Coordination of VA and DoD Programs and Systems

The President has directed VA and DoD to better coordinate benefits, services, information, and infrastructure to ensure the highest quality of health care and efficient use of resources. VA is committed to strengthening the cooperative relationship we have with DoD.

Executive leadership of the two Departments have been meeting for several years to improve and expand sharing. Results of this national cooperation include progress in the joint development of clinical practice guidelines; promotion of patient safety; and combining the military's discharge physical with VA's disability compensation examination for servicemembers applying for VA compensation benefits. We are also pursuing several joint medical technology assessment initiatives.

VA is planning to conduct an analysis of alternatives to determine the best way to use the Defense Eligibility and Enrollment System (DEERS) to create a central enrollment and eligibility database for VA. The Deputy Secretary met with the Under

Secretary of Defense in February 2002 to discuss how to improve coordination and maximize resources for the two departments.

The VA/DoD Executive Council, co-chaired by VA's Under Secretary for Health and DoD's Assistant Secretary for Health Affairs, was recently reinvigorated. In addition to ongoing collaboration in the areas mentioned above, VA and DoD have initiated new working groups to look at improving cooperation in the areas of financial management, benefits policy, geriatrics, and facility utilization and resource sharing. We will have some of our top clinical and policy experts reviewing our current interactions and recommending changes.

The two Departments have made substantial progress in increasing joint procurement activities. The foundation for this progress was established in December 1999 when VA and DoD signed a Memorandum of Agreement (MOA) to combine their purchasing power to eliminate redundancies. As of November 1, 2001, there were 55 joint VA/DoD contracts and 3 blanket purchase agreements (BPAs) for pharmaceuticals. VA's cost avoidance resulting from these contracts and BPAs was approximately \$85 million in 2001. DoD cost avoidance resulting for all national contracts was over \$100 million in 2001. An additional eight contracts were awarded with discounts off the lowest VA Federal Supply Schedule (FSS) price, ranging from 0.19 percent to 53.75 percent during FY 2001.

The next major phase of the MOA implementation is underway. VA and DoD will convert DoD's Distribution and Purchasing Agreements to FSS for medical/surgical products. The Veterans Health Administration's Office of Logistics is working with the VA National Acquisition Center and DoD counterparts to facilitate shared acquisition strategies through product standardization committees.

In May 2001, the President established a task force to improve health care delivery to our Nation's veterans through better coordination between VA and DoD. The mission of the task force is to:

- identify ways to improve benefits and services for DoD military retirees who are also beneficiaries of VA;
- review barriers and challenges that impede VA and DoD coordination, including budgeting processes, timely billing, cost accounting, information technology, and reimbursement;
- identify opportunities for improved resource utilization through partnership to maximize the use of resources and infrastructure.