



THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

November 15, 2011

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) 2011 Performance and Accountability Report*. This report highlights our accomplishments in improving the timeliness, accessibility, and quality of health care and benefits service delivery that our Veterans have earned through their sacrifice and service to our country.

This past year VA has made progress in areas of significance for Veterans and the American people. On the path to ending Veteran homelessness by 2015, more than 26,000 homeless Veterans were provided with permanent housing through our voucher program. We processed more than 1 million disability claims for the second year in a row in a concerted effort to eliminate the claims processing backlog and increased the national accuracy rate for pension maintenance claims to 97 percent. While last year 99 percent of primary health care appointments were completed within 30 days of the patient's desired date, that goal has been pushed to just 14 days, and VA achieved that window 94 percent of the time. We continued to increase access to burial benefits through funding the establishment of four new State Veterans Cemeteries. VA also continued to make progress in improving its information security posture. This has resulted in a more comprehensive security program that better protects sensitive information. VA continued to excel in financial stewardship of VA resources as demonstrated by receiving our 13th consecutive unqualified (clean) audit opinion on our consolidated financial statements.

Our work continues on the key challenges facing the Department and our strategies to address them. We will continue to improve the quality of our programs and service delivery, optimize our efficiency, and exceed the expectations of Veterans, their families, and survivors.

We are focused on transforming VA into a 21st century organization that is people-centric, results-driven, and forward-looking while fulfilling our Nation's enduring commitment to Veterans. We continue to implement our strategies so that Veterans receive the services and benefits they deserve. We hold ourselves to the same high standards of performance that the Nation and its Veterans do. The linkage between our goals, objectives, strategies, and programs has never been clearer, and our employees' performance is evaluated carefully on the basis of success against the Department's plans.

Every VA employee is charged to be an advocate for Veterans. We are all committed to providing Veterans and their families with the very best health care and services. The Nation has depended on our Veterans, and VA's employees want Veterans to know they can depend on us whenever, and wherever, they need the care and services VA provides.

Sincerely,

A handwritten signature in black ink, reading "Eric K. Shinseki".

Eric K. Shinseki



Executive Summary

Introduction

In 2011, with more than \$132 billion in obligations and approximately 291,000 full-time equivalent employees, VA took numerous actions that helped improve the quality of life for America's Veterans and their families. Our major achievements are summarized below.

Implementing Major Initiatives

VA has 16 major initiatives that continue to serve as a platform to transform VA into a 21st century organization that is people-centric, results-driven, and forward-looking. Each major initiative is designed to solve a key problem facing the Department and/or the Veterans we serve. Information on how well VA is doing on specific initiatives begins on page I-68.

Medical Services: *Delivering High-Quality Health Care*

In 2011, VA maintained the largest integrated health care system in America. Throughout the year, VA implemented new innovative practices to improve Veterans' access to health care, such as telemedicine and mobile clinics, to provide care to more than 6 million unique patients. Our commitment to delivering timely, high-quality health care to America's Veterans while controlling costs remains a top priority.

Key performance results for 2011 include:

- **Patient Access:** 94 percent of primary care appointments were completed within 14 days of desired appointment date.
- **Quality of Health Care:** VA continues to maintain high performance on nationally recognized industry standards such as the Clinical Practice Guidelines Index (CPGI) and the Prevention Index (PI). Compared to last

year's ratings, the CPGI remained high at 91 percent, and the PI improved to 92 percent.

- **Rural Health:** Since its inception in 2007, the Veterans Health Administration's Office of Rural Health (ORH) has significantly expanded health care access to Veterans residing in rural and highly rural areas by supporting over 500 projects/programs across the country and in every VISN. From October 1, 2009, to December 31, 2010, more than 416,000 rural Veterans were impacted by ORH projects. ORH has supported the rural expansion of mental health programs, the home-based primary care program and transportation programs, health literacy projects, and rural provider education and training programs. In addition, ORH has supported the opening of new VA health care facilities in rural areas and has increased access to specialty care by supporting innovative models of care that utilize telehealth technologies.
- **Suicide Hotline and Suicide Prevention:** In 2011, the National Veterans Suicide Prevention Hotline was renamed the Veterans Crisis Line to encourage Veterans and their families and friends to place calls at the first signs of crisis. People who know a Veteran best may be the first to recognize emotional distress and reach out for support well before a Veteran is at risk of suicide.

To make sure all Veterans and their loved ones are aware of the Veterans Crisis Line, VA is coordinating with communities and partners nationwide to let Veterans and their loved ones know that support is available whenever they need it.

Through July 2011, 81,355 Veterans had called the Veterans Crisis Line. Over 9,400



callers identified themselves as family or friends of Veterans, and 1,824 were identified as active duty Servicemembers. There have been more than 5,526 rescues of actively suicidal Veterans, and local community rescue services were dispatched to assist them.

In addition to these calls, 20,000 "chatters" worked with VA counselors on a one-on-one basis via the Online Chat Service.

- National Caregiver Support Line Opened: The VA Caregiver Support Line opened February 1, 2011, at the Canandaigua VA Medical Center campus. This support line serves as a resource/referral center for caregivers, Veterans, and others seeking caregiver information; provides referrals to local VA Medical Center Caregiver Support Coordinators and VA/community resources; and provides immediate access to emotional support resources. The Support Line is also available to respond to inquiries about the new caregiver benefits associated with Public Law 111-163, Caregivers and Veterans Omnibus Health Services Act of 2010.
- Homeless Veterans: Program enhancements under VA's Plan to Eliminate Homelessness Among Veterans are projected to annually provide housing, health care, benefits, employment, and residential stability to more than 300,000 Veterans and their families through 2015. In 2011, more than 97,000 Veterans are projected to be served by VA outreach initiatives (based on VA Monthly Homeless Report), a 7 percent increase from the previous year. Through the Supportive Services for Veteran Families, \$59.5 million in grants were distributed to 85 community agencies in 2011 to prevent Veterans and their families from falling into homelessness. In partnership with the Department of Housing and Urban

Development, VA currently has more than 25,000 Veterans actively housed in permanent housing as of August 2011. These Veterans were also provided with dedicated case managers and access to high quality VA health care.

- Telehealth Programs: VA's telehealth programs are the largest and most sophisticated in the Nation. These programs' dedicated mission is to make care accessible to Veterans. Every day in 2011, home telehealth services supported 60,000 Veterans—helping people with chronic medical and mental health conditions to live independently in their own homes and local communities. This number represents a 30 percent increase over 2010. VA's Clinical Enterprise Videoconferencing Network (CEVN) interconnects 2,500 care settings in VA (clinician's offices, ambulatory care clinics, and VET Centers) and through the third quarter of 2011, CEVN provided telemental health care to 44,548 Veterans, a growth of 18 percent in the current year. Telemental health delivers services to these Veterans in non-stigmatizing settings. Over the same time, telehealth-based services to rural areas increased by 23 percent making VA services more convenient and accessible to rural Veteran patients by lessening their need to travel to care. Additional telehealth initiatives include: Internet protocol (IP) video into the home, telepathology, teledermatology, tele-intensive care, interactive voice response (as a mobile application), and ongoing expansion of all telehealth services as part of VA's Transformation Agenda.
- Graduate Medical Education (GME) Enhancement: VHA conducts education and training programs to enhance the quality of care provided to Veterans within the VA health care system. Through its partnerships with affiliated academic



institutions, VA conducts the largest education and training effort for health professionals in the Nation. In 2011, 36,747 medical residents, 20,516 medical students, 239 Advanced Fellows, and 1,267 dental residents and dental students received some or all of their clinical training in VA. Despite predicted shortages in the U.S. physician workforce, VA is currently the only Federal agency that is expanding funded resident positions.

Benefits: Ensuring a High Quality of Life After Military Service

VA is providing compensation and pension benefits to over 4.1 million Veterans and beneficiaries. In 2011, VA received over 1.3 million claims for disability benefits and processed more than 1,032,000 of these claims.

Despite the 10 percent increase in workload from 1,192,346 in 2010 to 1,311,091 in 2011, VA achieved a number of significant positive performance results in the benefits delivery area:

- Agent Orange/Nehmer Claims Processed: VA completed almost 158,000 of the more than 220,000 Agent Orange claims. Since the publication of the new regulation establishing the presumptive conditions on August 31, 2010, the Veterans Benefits Administration (VBA) has granted approximately 89,000 claims for the three new presumptive conditions for a total of \$2.21 billion dollars in retroactive payments.
- Joint VA/Department of Defense (DoD) Integrated Disability Evaluation System (IDES) Program: VA and DoD worked together to increase the number of sites for the IDES program from 27 to 115 within the United States and Puerto Rico in 2011. IDES simplifies the process for disabled Servicemembers transitioning to Veteran

status, improves the consistency of disability ratings, and improves customer satisfaction. Currently, VA's portion of the integrated process was reduced from 182 days to 118 days.

- Seamless Transition: VA received 61,168 pre-discharge claims in 2011. VA received 30,893 claims through the Benefits Delivery at Discharge (BDD) program and 30,275 claims through the Quick Start program. Both programs provide expedited claims processing, facilitating faster receipt of benefits.
- Quality: VA improved to a 97 percent national accuracy rate for compensation maintenance claims in 2011.
- Pension and Fiduciary Service: To increase oversight and delivery of benefits to our Veterans and beneficiaries most in need and most vulnerable, VA created a new Pension and Fiduciary Service.
- Insurance: VA issued life insurance policies to over 38,000 Veterans, many of whom are disabled and would not have been able to purchase life insurance in the commercial insurance industry due to their impaired insurability resulting from military service.
- Education: VA provided education benefits to approximately 924,000 students in 2011. The number of students receiving education benefits continues to increase since the implementation of the Post-9/11 GI Bill, with claims completed increasing 20 percent over the 2010 level to approximately 3.4 million in 2011.
- Vocational Rehabilitation and Employment: VA rehabilitated over 7,748 Veterans in 2011, providing nearly 6,300 of them with the required tools and skills needed to obtain and maintain employment. Nearly 1,500 Veterans were provided with assistance in gaining independence in daily living.
- Housing: In 2011, VA guaranteed approximately 357,600 loans to Veterans.



Of these loans, 186,600 were for the purchase of a home and 171,000 were for the refinance of a mortgage on a home loan. In 2011, VA also provided 1,235 Specially Adapted Housing grants to severely disabled Veterans and Servicemembers to construct an adapted dwelling or modify an existing one to meet their special needs.

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 2011, VA maintained more than 3.1 million gravesites at 164 properties, including 131 national cemeteries and 33 other cemetery installations.

Key performance results for 2011 are as follows:

- **More Veterans Served by Burial Option:** 89 percent of Veterans are served by a burial option within a reasonable distance (75 miles) of their residence—up from 88.1 percent in 2010. This increase resulted from the following:
 - **Opening of 4 New State Veterans Cemeteries:** VA funded the establishment of four new State Veterans Cemeteries to serve Veterans in the areas of Alliance, Nebraska; Dublin, Virginia; Greenup, Kentucky; and, Newton, Mississippi.
- **Timeliness:** VA achieved a 93 percent threshold of the proportion of graves in national cemeteries marked within 60 days of interment.
- **Quality:** 98 percent of survey respondents rated national cemetery appearance as "excellent."

Finance: Ensuring Proper Stewardship of Taxpayer Dollars

VA is extremely proud to have obtained an unqualified audit opinion on our financial statements for the 13th consecutive year. Over the past year, VA was also successful in remediating four out of five significant deficiencies. VA has made progress towards remediating the one remaining material weakness, "Information Technology (IT) Security Controls," and continues to aggressively implement changes to resolve the outstanding issues.

In 2011, VA successfully completed an important financial management priority initiative—1358 Obligations. New software functionality was implemented to enforce segregation of duties roles and mandatory population of data fields. It also defined specific approved uses for 1358s. These enhancements met a Congressional mandate for strengthening internal controls over the authorization and purchase of goods and services.

VA continued to make substantial progress on its implementation of the American Recovery and Reinvestment Act (Recovery Act) of 2009. More than 98 percent of all contract awards for Recovery Act projects were competitively bid. In addition, Veteran-owned small business and Service Disabled Veteran-owned small business awards totaled 76 percent of all Recovery Act-awarded contract dollars. In 2011, VA continued to use Recovery Act funds to improve its medical facilities and national cemeteries, as well as to provide grants for State nursing homes and domiciliary facilities. Following the successful obligation of 100 percent of VA's Recovery Act funds (totaling \$1.8 billion, including one-time payments to Veterans) in July 2010, VA concentrated efforts during 2011 to increase outlays. As of September 2011, VA has made outlays totaling 85 percent.



Major Accomplishments

Homelessness

HUD-VASH: At the end of August 2011, the Department of Housing and Urban Development and VA's Supportive Housing Program (HUD-VASH) had 25,659 Veterans actively housed under the program, and staff hiring was at 91 percent of the 2008-2010 staffing level goal. Facilities are in the process of hiring or contracting for case manager positions. Additionally, grant awardees for the Project-Based Vouchers have been selected. Through a competitive process, HUD awarded 676 additional Project-Based Vouchers to 29 sites in June 2011.

SSVF: The new Supportive Services for Veteran Families (SSVF) program awarded \$59.5 million to 85 community agencies in 40 states and the District of Columbia. VA estimates that 22,000 Veterans will be provided much-needed homelessness prevention services in 2012.

HOMES: VA launched the Homeless Operations Management and Evaluation System (HOMES) in April 2011. HOMES is an online data collection and case management system that tracks homeless Veterans as they move through VA's system of care.

HVSEP: In 2011, VA provided funding to hire 407 homeless or formerly homeless Veterans as vocational rehabilitation specialists through the Homeless Veterans Supported Employment Program (HVSEP) using Schedule A hiring authority. To date, 355 (88 percent) have been hired and trained in Supported Employment (SE) service provision and are providing SE services to other homeless Veterans.

Community Resource and Referral Centers: In 2011, VA provided funding for 15 Community Resource and Referral Centers (CRRC) in urban

locations. The CRRCs will be co-located in partnership with services from local, community, and Federal entities. This unique community-based approach will allow for direct assistance as well as referral to permanent and transitional housing services to Veterans who are homeless or at-risk of homelessness. All CRRCs are expected to be fully operational by the beginning of 2012.

Support for Caregivers

With the backing and support of Congress in 2011, VA began implementing a comprehensive Family Caregiver program that provides a monthly stipend to help off-set the significant financial impact on families with severely injured post 9/11-eligible Veterans. VA partnered with Easter Seals to develop a required core curriculum, which is available in many formats (classroom, correspondence, and online), to train caregivers of severely injured Veterans on skills that will enhance their capabilities and help them provide better care and support to their loved one. Since May 2011, more than 2,000 families Nationwide have applied for the new services, and as of July 2011, over 1,148 caregivers had completed the required training and were receiving monthly payments from VA. Caregiver Support Coordinators are now located at every VA Medical Center, and support for all caregivers is available via the national Caregiver Support Line (855-260-3274) or Web site:

www.caregiver.va.gov.



Rural Health

In June 2011, the White House Rural Council (WHRC) was established through an Executive Order signed by President Barack Obama. The WHRC will provide a forum for representatives from more than 24 Federal agencies to develop policy recommendations 'to promote economic prosperity and quality of life in rural America,' and to increase the effectiveness of Federal engagement with rural stakeholders, such as health care providers. According to the White House press release, 2 of the top 10 priorities include, 'improving access to quality health care through expansion of health technology systems' and 'increasing broadband opportunities in rural America.' The effort to coordinate Federal programs for rural America is counting on health care technology and broadband Internet to help improve access to care and support economic development for people in rural areas. VA and VHA's ORH will be active participants in the Council and are recognized leaders in the use of telehealth technology and innovative models of care to increase access to primary and specialty care in rural areas.

Telehealth and Videoconferencing

Telehealth uses information and telecommunication technologies to provide health care services when the patient and practitioner are separated geographically. In 2011, VA spent \$158 million expanding telehealth to

- Increase access for Veterans, especially in rural and underserved areas.
- Support VA's patient-aligned care team model.
- Provide care to Veterans by expanding existing telehealth programs and implementing new telehealth services for specialty care and mental health and prevention.

- Transform health care delivery, making the home and local community the site of care when appropriate and the Veteran patient's preference.

Blue Button

In August 2010, President Barack Obama announced at the national Disabled American Veterans Conference that for the "first time ever, Veterans will be able to go to a VA Web site, click the Blue Button, and download or print their personal health records." The President added that this type of 21st century innovation provides Veterans and Servicemembers with access to their records when they need them and will allow them to share their records with doctors outside of VA.

VA's Blue Button became operational at the end of August 2010, and the initiative was made nationally available in October 2010. The Blue Button is easy to use and helps Veterans become active partners with their health care teams, which may potentially lead to better care coordination and use of time when visiting their health care provider. Patients can become more engaged in managing their health care and share in the decision-making process.

For VA patients who have completed the In-Person Authentication process on My HealthVet, accessible information includes their VA prescription history and VA Wellness Reminders. Other potential benefits of the Blue Button include increased satisfaction with health care services and improved patient/clinician communication.

"With the Blue Button, Veterans partner with their health care teams by becoming better informed and more involved," said VA Secretary Shinseki. "Sharing their personal health information leads to potentially safer care when the health care team knows all about the



Veterans' health and health history," he explained.

Claims Backlog

The VBA Claims Transformation Plan is a series of business process and technology-centered improvements designed to eliminate the claims backlog and achieve our goal of processing all claims within 125 days with 98 percent accuracy by 2015. The initiatives are helping VBA deliver more timely and accurate benefits and services. As VBA works toward a paperless claims processing system, it is also focused on improving customer service and greater access for Veterans to services.

- The Veterans Benefits Management System (VBMS) initiative is the cornerstone of VA's claims transformation strategy.
- The Veterans Relationship Management (VRM) initiative engages and empowers Veterans and other claimants with seamless, secure, and on-demand access to benefit and service information.
- VBA established a Design Team to leverage the experience of the most technically skilled subject matter experts across the organization. The team devotes its efforts on re-engineering a specific process to increase productivity and improve quality towards its goal of 98 percent accuracy.
- The Integration Lab (I-Lab), fielded in 2011 at the Indianapolis Regional Office, demonstrated efficiencies by organizing a regional office into integrated cross-functional teams that work claims from start to finish.
- Additional initiatives include standardized VA examination questionnaires to ensure that accurate medical evidence necessary in the disability evaluation process is obtained from both VA and private medical examiners. Disability Evaluation calculators are now used to guide claims processors in determining the proper evaluation to assign

to a disability per regulatory criteria. Also, rules-based automated processing of dependency and pension claims is evolving with personalized self-service functionality via eBenefits.

How VA is using IT to improve access and claims processing—VRM and VBMS

VRM

The VRM initiative provides Veterans, their families, and survivors with direct, easy, and secure access to the full range of VA programs through an efficient and responsive multi-channel program including phone and Web services. VRM provides VA employees with up-to-date tools to better serve VA clients and empowers clients through enhanced self-service capabilities.

During 2011, VRM accomplished the following:

- Implemented the VBA National Queue (call routing)—calls are now routed based on agent skills to the first available agent equipped to best answer the call type.
- Implemented Call Recording for the VBA National Call Centers (NCC)—all inbound calls are recorded for standardized quality assurance reviews.
- Completed a Customer Relationship Management (CRM) prototype to refine requirements for CRM that will enable the capture of caller history, streamline data access, facilitate first contact resolution, and provide personalized service to Veterans.
- Issued eBenefits releases (v2.5, v2.6, and v3.1), which enhanced self-service access to information and services through the Web. Examples of capabilities introduced included: providing access to the Post 9-11 GI Bill application, the ability to generate official VA letters; access to 10-10EZ form to apply for health benefits; the ability to apply for a Veteran's Group Life Insurance



(VGLI) policy or view and update information for an existing policy; and early notification of benefits based on business-defined life triggers.

VBMS

VBMS is VBA's business transformation initiative supported by technology that is designed to dramatically improve benefits delivery. The centerpiece of VBMS is a paperless claims processing system and workload management to eliminate the backlog and provide Veterans with timely and high quality decisions.

During 2011, VBMS was deployed to the Salt Lake and Providence regional offices (RO), with a focus on enhancing VBMS Establishment, Workflow, Rating, and e-Folder applications.

GI Bill

VA developed an end-to-end claims processing solution that uses rules-based, industry-standard technology for delivery of the Post-9/11 GI Bill. The Long-Term Solution (LTS) will be delivered in multiple phases, five of which have already deployed. Additional releases will deploy end-to-end processing capabilities and provide other automation support enhancements. With the deployment of the LTS and additional streamlining procedures, VBA has improved the average processing time from 39 to 24 days for original claims and from 16 to 12 days for supplemental claims in 2011.

In July 2011, VA launched an online campaign to highlight the changes made to the Post-9/11 GI Bill by Public Law (P.L.) 111-377. Changes included adding on-the-job and apprenticeship training, flight training, correspondence courses, and non-college degree programs as eligible under the Post-9/11 GI Bill. The Web-based advertising was targeted at states with high Post-9/11 Veteran unemployment rates.

Change in Burial Policy

VA has implemented a number of new burial policies targeting increased access and availability of burial options for our Nation's Veterans. These new policies include:

- Lowering the unserved Veteran population threshold to establish a new national cemetery to 80,000. This will result in 5 new national cemeteries and provide a burial option to an additional 500,000 Veterans and their families.
- Establishing "Urban Initiative" locations to improve travel time and access in densely populated metropolitan areas currently served by a national cemetery. Five locations have been identified for this initiative.

Tribal Organization Cemeteries

VA's first grant to establish a Veterans cemetery on tribal trust land, as authorized in P.L. 109-461, was approved in 2011. The nearly \$7 million grant was awarded to the Rosebud Sioux Tribe for the construction of a Veterans cemetery in White River, South Dakota. The project will develop approximately 14.4 acres on the Rosebud Indian Reservation. This cemetery will provide improved service for Veterans and their families of the Rosebud Sioux Tribe who currently live 169 miles from the nearest national cemetery, Hot Springs National Cemetery in Hot Springs, South Dakota, which is closed to first interments.

Assistance to Arlington National Cemetery

In 2011, the National Cemetery Administration (NCA) provided significant assistance to Arlington National Cemetery (ANC). In October 2010, NCA's Director of Field Programs Patrick K. Hallinan was named the superintendent of ANC. Other NCA staff, including cemetery directors, cemetery foremen, and office personnel, also provided assistance to ANC in 2011 through a series of temporary detail



assignments. In addition, NCA has entered into an agreement with ANC to provide training to ANC employees through NCA's National Training Center in St. Louis.

VLER

There were a number of accomplishments through Virtual Lifetime Electronic Record (VLER) in 2011. For example,

- The Nationwide Health Information Network (NwHIN) Direct v1.0 software release helped expand the service of NwHIN to allow for the delivery of simple, secure, scalable, standards-based encrypted health information directly to known trusted recipients over the Internet.
- The Clinical Health Data Repository (CHDR) 2.0 release incorporated features requested by VHA Identity Management, clinicians, and others. It enables improved information and resource sharing between the Department of Defense (DoD) Military Health System (MHS) and VHA.
- VLER's bidirectional health interchange improved the capability to view DoD patient information reducing the amount of time required to identify and treat Veterans and Servicemembers with traumatic head injuries and post-traumatic stress disorder.
- VLER's health information exchange pilot operated at 12 sites across the Nation at the end of fiscal year 2011, 2 more than originally planned.
- VLER's Veterans Tracking Application (VTA) improved data collection and reporting capabilities to track disability evaluation claims. New business functions were implemented to enhance Veteran outreach programs for education and casualty benefits.
- Developed initial architecture to exchange VLER health and benefits data in order to provide on-the-fly synchronization of health, benefits, and personnel data securely and appropriately between all data

producers and consumers among DoD, VA, and external partners.

Data Security

VA continued to make progress in improving its information security posture in 2011. This has resulted in a more comprehensive security program that better protects sensitive information. In 2011, VA improved its controls over remote access to its systems and information by continuing to eliminate the use of the One VA Virtual Private Network (VPN). Remote users are now required to use VA's Remote Enterprise Security Compliance Update Environment (RESCUE) software to connect to its network; RESCUE assesses and corrects system configurations and scans for malware upon connection. Ninety percent of VA's One VA VPN remote users have been transitioned to VA's RESCUE software for remote network connectivity.

During 2011, VA also continued work on remediation of the IT security controls material weaknesses by developing enterprise-wide plans for remediation. Furthermore, VA performed vulnerability scanning to address in real time the continual and ever-changing threats to its information systems. This has already yielded positive results in Federal Desktop Core Configuration compliance.

Freedom of Information Act (FOIA)

VA has made significant progress in compliance with eGOV, the OPEN Government Act, and overall transparency as mandated by the White House. VA continues to be responsive to all FOIA requests and strives to maintain the lowest backlog in the Federal Sector based on total workload. VA submitted the FOIA (RIN AN72) final rule to the Office of the Federal Register for publication.



T-4

The Technology Acquisition Center awarded 14 major contracts for an estimated program ceiling of \$12 billion in support of the Transformation 21 Total Technology (T4) program. The T4 program is intended to provide IT solutions in support of the Office of Information and Technology. The 5-year program will help VA transform into a 21st century organization and meet VA's long-term technology needs. T4 will enable VA to provide Veterans with high quality services and health care. Services shall include total IT solutions encompassing the entire life-cycle of a system, including but not limited to program management and strategy planning, systems/software engineering, enterprise network, cyber security, operations and maintenance, and IT facilities.

Top 3 Acquisition Accomplishments

Federal Supply Schedule Forums

With over \$10 billion in sales, the VA Federal Supply Schedule (FSS) Service provides Federal customers with access to more than 1 million commercial medical equipment items, supplies, pharmaceuticals, and services at volume discount pricing. The VA FSS Service currently manages nine multiple award schedule programs and offers program advantages such as competition, opportunity, and ease of use. After the success of the Supplier Relationship Transformation (SRT) Industry Forums, VA decided to host two FSS Forums in October 2010 to solicit feedback on VA FSS processes including schedule holder recommendations for improvement to the service.

SRT Forums

To date, VA has hosted five SRT Industry Forums in an effort to identify opportunities for improvements in the acquisitions process and any barriers in our relationships with the supplier community. The forums are staffed by experienced facilitators who guide industry-

oriented focus group and panel discussions.

These breakout sessions provide a unique opportunity for suppliers to engage in one-on-one discussion with VA personnel. When each forum concludes, feedback is provided to VA acquisition leadership.

Supplier Relationship Transformation/Supplier Perception Survey

With annual expenditures approaching \$20 billion for supplies and services, VA is one of the largest procurement agencies in the Federal Government, with a complex mix of functions required to support VA's mission. VA also has a Governmentwide role in the provision of acquisition and supply management for medical supplies and services. Delivering this support to the growing and ever-changing population of Veterans requires cutting-edge information technology, innovative and improved acquisition processes, a far-reaching transformation of the VA workforce, and end-to-end innovations in supply chain management. Suppliers awarded VA a top score in their commitment to VA for a long-term business relationship. Overall positive ratings on the Supplier Perception Survey indicate VA has avoided many of the pitfalls and stereotypes which befall acquisition in Federal agencies. Suppliers believe that VA:

1. Stresses quality over price.
2. Refuses to stretch payables to the limit.
3. Is invested in maintaining long-term business relationships.
4. Places a high value on past performance.
5. Has confidence in a supplier's technical competency.
6. Has a genuine interest in continuous improvement activity.
7. Demonstrates trust in suppliers.

Hiring Veterans

The Office of Human Resources and Administration at VA established the Veterans Employment Services Office (VESO) to focus on



the recruitment, retention, and reintegration of qualified Veterans into VA's workforce. VA employs more than 100,000 Veterans. In November 2011, VESO launched **VA for VETs**, which includes a comprehensive career development program that helps Veterans launch or advance their civilian careers at VA. The program integrates seasoned career coaches with existing technology to provide real-time, on-demand support services tailored to the needs of each Veteran. From dynamic job searches and military skills translation to professional development and deployment lifecycle support, VA for VETs offers something for every Veteran. This program can be leveraged and serve as the platform for other agencies to increase the number of Veterans employed in the Federal Government.

Telework

VA considers telework to be an effective alternative work arrangement that benefits managers, employees, the Department, and, ultimately, the Nation's Veterans. Teleworking allows over 11 percent (35,000) of VA employees to work from an approved alternative workplace setting, such as their home or a satellite location, for all or part of their regular tour of duty and/or work week. Subject to eligibility, suitability, and permissibility, telework is a voluntary, mutually agreed-upon option for VA employees. As a human capital management tool, telework may be used to attract, recruit, and retain the best employees. Teleworking at alternate facilities usually equates to less in-office interruptions, resulting in increased productivity and faster service to the Veteran customers. Additionally, telework may be used as a reasonable accommodation for individuals having disabilities that affect mobility or pose related challenges. It also helps employers retain top-performing employees who are seeking work-life balance of a reduced commute, decreased stress level, and increased job satisfaction.

Overall, telework within VA facilitates a smooth and continuous transition of institutional knowledge, technical competencies, and employment of the "best of the best" employees to better serve the Nation's Veterans.

Outreach through Social Media (Facebook, Twitter, VA's Blog)

VA had a number of online communication-related achievements in 2011. Specifically, VA reconstituted its Web Governance Board, which oversees the standardization of VA's external Web operations—making it easier for Veterans and their families to navigate VA's Web sites. With respect to social media, the Department published a policy that provides guidance to VA employees on the use of social media—making it easier for VA staff to communicate directly with those they serve. VA also began overseeing the use of Facebook and Twitter at all 152 VA Medical Centers—a strategy that allows the Department to communicate with Veterans in their own communities. VA also launched its first blog, VAntage Point. VA's videos on YouTube have been viewed over 540,000 times and, through Flickr, its 9,000 photos have been viewed over 583,000 times.

Contingency Plans for Emergencies—Care for Veterans

In September 2011, VA's Continuity Coordinator signed the Department's Master Continuity Plan. The Continuity Plan encompasses VA's Administrations' and Staff Offices/Organizations' plans and procedures for continuity responses to emergencies. This plan helps to fulfill VA's strategic goal to raise readiness to provide services and protect people and assets continuously and in time of crisis as well as to enhance the preparedness to meet emergent national needs.

In July 2011, VA's Continuity Coordinator signed the Department's Devolution Plan. This plan



ensures the continuation of VA essential functions in the event that the National Capitol Region facilities are incapacitated and personnel are unavailable or incapable of deploying to their primary continuity facility. Members of VA's Devolution Emergency Response Group are trained, and they used the Devolution Plan during the Eagle Horizon 2011 Exercise.

Reconstitution Planning

In August 2011, VA's Continuity Coordinator signed the Department's first Reconstitution Plan. The Reconstitution Plan ensures the effective transition and phase-down of continuity operations at the continuity facility or devolution site and the transfer of essential functions back to the current or new/temporary replacement operating facility following a Continuity of Operations incident. The Federal Emergency Management Agency incorporated VA's Reconstitution Plan in their Reconstitution Workshop. Staff members from Federal Departments and agencies in addition to State and local representatives who are developing their own Reconstitution Plans participated in the Workshop.

VA/DoD Collaboration

In 2011, the Office of VA/DoD Collaboration assisted in the expansion of IDES from 27 to 115 sites within the United States and Puerto Rico, while reducing VA's portion of the integrated process from 182 days to 118 days. Additionally, VA and DoD developed a common set of criteria for performing separation health assessments for eligible Servicemembers who are leaving the military. VA and DoD also successfully partnered to facilitate the coordination for the development of a joint VA-DoD integrated Electronic Health Record (iEHR) and for the continued development of VLER.

Focus on Women Veterans

VA's Center for Women Veterans sponsored the 2011 National Training Summit on Women Veterans (Summit). Nearly 700 participants—women Veterans; women Veterans advocates from across the Nation; active, Reserves, and National Guard women Servicemembers; representatives from Veterans Service Organizations and nonprofit agencies; and VA staff who care for women Veterans—converged upon Washington, DC, on July 15-17, 2011, to collaborate and discuss issues facing women Veterans and women Servicemembers. A first ever, one-day training day for VA staff members who provide care and services to women Veterans was held on July 15.

The purpose of the Summit was to inform and educate participants on VA's enhancements to benefits and services and DoD's initiatives for women Servicemembers as well as to provide an exchange of information with stakeholders and providers to resolve women Veterans' issues and concerns.

The Summit included workshops designed to exchange views between VA and stakeholders on the effectiveness of VA initiatives across a range of women Veterans issues including health care, mental health programs, research, Guard and Reserve support, outreach, and post-deployment Operation Enduring Freedom/Operation Iraqi Freedom/Operation New Dawn (OEF/OIF/OND) women Veteran health trends as well as customer focused, personal development training tailored by the VA Learning University for this event.

VA reached out to those who could not attend by hosting a live blog. The Summit was also featured on VA's blog VAntage Point.

Going Green

By the close of 2011, over 70 megawatts of renewable power were operating, under



construction, or awarded. More than half of VA's fleet of over 15,000 vehicles was alternatively fueled. Twenty-five electric vehicles have been ordered for a pilot study. 178 facilities have been assessed for sustainability, and 11 campuses will be third-party certified as sustainable facilities in 2012. A business process is in place to evaluate all energy initiatives to ensure maximum return to the taxpayer. VA updated its environmental compliance policy to ensure that we continually reduce our environmental footprint and move ever closer to becoming a fully sustainable organization. VA's green accomplishments translate to cost-savings and operational efficiencies that are rededicated to improving care for our Nation's Veterans and their families.

Implementation of the Veterans Small Business Verification Act

The Act required that small businesses listed in the Vendor Information Pages (VIP) database (available at www.VetBiz.gov) of Veteran-owned small businesses and service-disabled Veteran-owned small businesses must be verified as owned and operated by Veterans, service-disabled Veterans, or eligible surviving spouses. This requirement included businesses already in the database and those wishing to be listed.

By September 4, 2011, every business in the database had been officially verified for ownership and control.

National Veterans Small Business Conference

VA, in partnership with the Veteran Federal Interagency Council, hosted the National Veterans Small Business Conference for 2011. This was the largest Veterans' business event in the country, with over 4,300 participants. This year's conference was ground-breaking in that it offered unprecedented opportunities for Veteran business owners to connect directly

with procurement decision-makers. VA alone brought more than 200 program and procurement managers to meet with small businesses. The event also offered far greater opportunities for small businesses to receive necessary training that built their capacity to add value to Federal agencies. The number of training sessions increased fivefold from previous years.

VA Achieves Small Business Goals

VA exceeded its goals for small business contracting and leads the Government in contracting with Veteran-owned and service-disabled Veteran-owned small businesses. In addition, VA achieved a score of A on the Small Business Administration's scorecard.



VA Online: *Fast and Easy Access to Information*

The table below provides links to several Web sites that provide information for and about Veterans.

<i>What Information Do You Need?</i>	<i>Web Site</i>
<i>VA's Home Page</i>	http://www.va.gov/
<i>VA's Budget Submission</i>	http://www.va.gov/budget/products.asp
<i>Health Care in VA</i>	www1.va.gov/health/index.asp
<i>Managing My Health as a Veteran</i>	www.myhealth.va.gov
<i>Mental Health Services</i>	www.mentalhealth.va.gov
<i>National Center for Post Traumatic Stress Disorder</i>	www.ptsd.va.gov
<i>Medical Research in VA</i>	www.research.va.gov
<i>Clinical Training Opportunities and Education Affiliates</i>	www.va.gov/oaa
<i>Veterans Benefits</i>	www.benefits.va.gov
<i>Online Benefits</i>	www.ebenefits.va.gov
<i>Burial and Memorial Benefits for Veterans</i>	www.cem.va.gov
<i>Opportunities for Veteran-Owned Small Businesses</i>	www.VetBiz.gov
<i>BVA</i>	http://www.bva.va.gov/
<i>Minority Veterans</i>	www.va.gov/centerforminorityVeterans/
<i>Women Veterans</i>	www.va.gov/womenvet
<i>Survivors Assistance</i>	www.va.gov/survivors
<i>Operations, Security and Preparedness</i>	www.osp.va.gov
<i>Recently Published VA Regulations</i>	www.va.gov/VA_Regulations
<i>Federal Legislation Concerning Veterans</i>	www.va.gov/oca/Vet_Legis.asp



<i>What Information Do You Need?</i>	<i>Web Site</i>
<i>VA's Social Media Sites</i>	http://www.va.gov/opa/SocialMedia.asp
<i>Human Resources Administration</i>	http://www.va.gov/vecs/
<i>Reports, Surveys, or Statistics Regarding the Veteran Population</i>	www.va.gov/vetdata/
<i>Freedom of Information</i>	http://www.foia.va.gov/
<i>Privacy Policy Information</i>	http://www.va.gov/privacy/
<i>VA Directives and Handbooks</i>	http://www.va.gov/vapubs/
<i>Office of Construction & Facilities Management</i>	http://www.cfm.va.gov
<i>Green VA</i>	www.green.va.gov
<i>Center for Faith-based and Neighborhood Partnerships</i>	http://www.va.gov/cfbnpartnerships/



VA History: A Brief Overview

1789	Federal pension established for Revolutionary War Veterans
1811	First Federal medical facility to care for Veterans created
1862	Congress began a limited compensation program, covering only diseases incurred while in service
1862	Congress established the National Cemetery System
1917	Congress began a comprehensive benefit system, covering <i>Compensation, Insurance, and Vocational Rehabilitation</i> benefits (Vocational Rehabilitation benefits were established retroactively to 1917 by the 1918 Vocational Rehabilitation Act)
1930	Congress created the Veterans Administration
1944	Congress passed the Servicemen's Readjustment Act, the "GI Bill of Rights," providing educational and home loan assistance to Veterans
1944	Congress passed the Veterans' Preference Act, giving Veterans hiring preference where Federal funds were spent
1973	Congress transferred responsibility of the National Cemetery System from the Army to VA
1989	A law giving Cabinet-level status to the Veterans Administration and renaming it the Department of Veterans Affairs goes into effect
1992	Congress passed the Veterans Health Care Act, providing authority for a variety of gender-specific services and programs to care for women Veterans
2009	Congress passed the Post-9/11 GI Bill, helping make education more affordable for Veterans and their families

For more information, please see [Web](#)

http://www1.va.gov/opa/publications/archives/docs/history_in_brief.pdf



Frank Woodruff Buckles: The Last Doughboy



Frank Buckles, the last known American Veteran of World War I, at his farmhouse in West Virginia, surrounded by his beloved books.

Frank Woodruff Buckles, the last known American Veteran of World War I, died peacefully at his beloved farm in Charles Town, West Virginia, on February 27, 2011, at the age of 110. “We have lost a living link to an important era in our Nation’s history,” said VA Secretary Eric K. Shinseki. “But we have also lost a man of quiet dignity, who dedicated his final years to ensuring the sacrifices of his fellow ‘Doughboys’ are appropriately commemorated.” In his later years, Buckles became an advocate for the expansion of a little known memorial to World War I Veterans from the District of Columbia into a National World War I memorial.

Buckles was buried with full military honors at Arlington National Cemetery on March 15, near the gravesite of “his” general, General

John “Black Jack” Pershing. Before the burial, his body lay in honor inside Arlington’s Memorial Amphitheater Chapel while hundreds filed past to pay their respects. After the public viewing was over, President Obama and Vice President Biden arrived to pay their respects. More than 4.7 million Americans served in the military during World War I. Here is the story of the last known Doughboy.

In 1917—more than 90 years ago—the United States entered the Great War in Europe. Sixteen-year old Frank Buckles decided he wanted in, too. He fibbed about his age, shopping around until finally he found a recruiter who believed him when he said his home state of Missouri did not keep birth records when he was born. Soon, young Buckles was “Over There,” in England. His ultimate goal was France, where the action was. It took him a while, but, eventually, he made it, thanks to some sage advice. “An old sergeant told me, ‘If you want to get to France in a hurry, then join the ambulance service. The French are big for ambulance service,’” Buckles recalled.

Being an ambulance driver, Buckles did not see combat, but he saw plenty of casualties. And after the armistice, he delivered German POWs back to Germany, a foreshadowing of his own fate 20 years later. After 2 years in the Army, Buckles set out to see the world. For the next 20 years, he lived the life of a merchant seaman. By 1941, the shipping business had taken Buckles to the Philippines, where he was when the Japanese invaded the islands. For the next 3 1/2 years, he was a prisoner of war at Los Baños, a former university campus that had been converted into an internment camp for more than 2,000 civilians. He kept himself and his fellow prisoners mentally sharp by focusing on the physical: every day, he led the group in rigorous calisthenics. Finally, in 1945, the Los Baños prisoners were rescued. When Buckles emerged from Los Baños, he was 50 pounds lighter than when he entered.

At war’s end, Buckles returned to the States. He married Audrey, a California girl, and they bought and restored a charming 18th-century stone farmhouse in the beautiful northeast corner of West Virginia, the Buckles’ ancestral homeland. After Audrey died in 1999, their daughter Susannah Flanagan



and her husband began spending much of their time helping to run the farm and care for Buckles. He was still out riding a tractor well past his 100th birthday.

In his last years, Buckles surrounded himself with family and friends, books, and mementos from a life filled with journeys and adventure. His private study was home to dozens of books about World Wars I and II. His larger library contained more than a thousand volumes.

When asked his secret to a long life, Buckles had a quick answer: "Be prepared." But the longer answer may lie in the independent way he always led his life. Frank Buckles neatly fit the profile that gerontologists point to as ideal: a life-long passion for reading and learning, an ongoing interest in foreign languages and culture, and physical fitness throughout his entire life.

Years ago, Buckles made a sentimental journey to his father's farm in Missouri, the place of his birth. There he spotted the old bell that his father rang the day he was born in 1901 and bought it on the spot. On his farm in West Virginia—110 years later—that same bell rang loud and clear for Frank Woodruff Buckles: a National Treasure.



2011 Performance and Accountability Report

Table of Contents

Secretary’s Letter

Executive Summary I-2
 Major Accomplishments I-6
 Web Access I-15
 VA History I-17
 Frank Woodruff Buckles: The Last Doughboy I-18

Part I. Management’s Discussion and Analysis

Performance Scorecard I-22
 Department Overview I-24
 Our Mission – *What We are Here to Do* I-24
 Our Programs I-24
 What We Do I-24
 Where We Are Located I-27
 Who We Serve I-28
 America’s Veterans – *A Demographic Profile* I-29
 Resources I-31
 Our Organization I-32
 Leadership and Governance I-33
 Performance Overview I-36
 Purpose of This Report I-36
 VA’s Strategic Planning Framework I-36
 How We Measure Performance I-37
 Key Features of the 2011 Report I-38
 2011 Performance: *A Department-Level Summary* I-39
 Cost to Achieve Performance Goals I-40
 Performance Summaries *by Integrated Objective* I-46
 Major Initiatives I-68
 Performance Shortfall Analysis I-87
 Financial Highlights I-95
 Management Controls, Systems, and Compliance with Laws and Regulations I-99
 VA Snapshot I-111

Part II. Performance Section

Performance Summaries *by Integrated Strategy* II-1
Integrated Objective 1 – Make it easier for Veterans and their families to receive the right benefits, meeting their expectations for quality, timeliness, and responsiveness II-1
 Strategy 1a Improve and integrate services across VA to increase reliability, speed, and accuracy of delivery II-1
 Strategy 1b Develop a range of effective delivery methods that are convenient to Veterans and their families .. II-19
 Strategy 1c Improve VA’s ability to adjust capacity dynamically to meet changing needs, including preparedness for emergencies II-28
 Strategy 1d Provide Veterans and their families with integrated access to the most appropriate services from VA and our partners II-32
 Strategy 1e Enhance our understanding of Veterans’ and their families’ expectations by collecting and analyzing client satisfaction data and other key inputs II-39



Integrated Objective 2 – Educate and empower Veterans and their families through proactive outreach and effective advocacy..... II-45

Strategy 2a Use clear, accurate, consistent, and targeted messages to build awareness of VA’s benefits amongst our employees, Veterans and their families, and other stakeholders..... II-45

Strategy 2b Leverage technology and partnerships to reach Veterans and their families and advocate on their behalf..... II-51

Strategy 2c Reach out proactively and in a timely fashion to communicate with Veterans and their families and promote Veteran engagement II-60

Strategy 2d Engage in two-way communications with Veterans and their families to help them understand available benefits, get feedback on VA programs, and build relationships with them as our clients II-63

Integrated Objective 3 – Build our internal capacity to serve Veterans, their families, our employees, and other stakeholders efficiently and effectively..... II-68

Strategy 3a Anticipate and proactively prepare for the needs of Veterans, their families, and our employees II-68

Strategy 3b Recruit, hire, train, develop, deploy, and retain a diverse VA workforce to meet current and future needs and challenges.....II-72

Strategy 3c Create and maintain an effective, integrated, Departmentwide management capability to make data-driven decisions, allocate resources, and manage results..... II-77

Strategy 3d Create a collaborative, knowledge-sharing culture across VA and with DoD and other partners to support our ability to be people-centric, results-driven, and forward-looking at all times II-85

Strategy 3e Manage physical and virtual infrastructure plans and execution to meet emerging needs II-90

Assessment of Data Quality..... II-95

VBA Quality Assurance Program (Millennium Act)..... II-101

Key Measures Data Table II-108

Performance Measures by Organization and Program II-118

OIG Major Management Challenges and GAO High-Risk Areas II-137

VA Snapshot II-208

Part III. Financial Section

Letter from the Chief Financial Officer III-1

Consolidated Financial Statements..... III-3

 Consolidated Balance Sheets..... III-3

 Consolidated Statements of Net Cost III-4

 Consolidated Statements of Changes in Net Position III-5

 Combined Statements of Budgetary Resources III-7

 Notes to Consolidated Financial Statements III-9

Independent Auditors’ Report..... III-63

Required Supplementary Stewardship Information (Unaudited) III-82

Required Supplementary Information (Unaudited)..... III-89

VA Snapshots III-91

Part IV. Other Accompanying Information

Summary of Financial Statement Audit and Management Assurances..... IV-1

Improper Payments Elimination and Recovery Act (IPERA) of 2010 IV-3

Definitions..... IV-33

List of Abbreviations and Acronyms IV-52

Key Report Officials..... IV-56

Notes: ⁽¹⁾ In this report, with the exception of table and chart titles, references to years (e.g., 2008, 2011) are fiscal years unless stated otherwise. ⁽²⁾ Questions about the report should be directed to VA’s Office of Performance Management at 202-461-6608.



Performance Scorecard

Color coding for 2011 Results
 ● Target Achieved
 ● Target Missed - Small Extent
 ● Target Missed - Great Extent

Integrated Objectives	Key Performance Measures (page references)	2010 Recap		2011 Recap				
		Targets	Results	Targets	Results	Target Achieved?		Improved From 2010? Yes/No/Same
						Yes	No	
Integrated Objective #1 MAKE IT EASIER FOR VETERANS AND THEIR FAMILIES TO RECEIVE THE RIGHT BENEFITS WHILE MEETING THEIR SERVICE DELIVERY EXPECTATIONS	Prevention Index IV (pp. II-3 and II-108)	89%	91%	93%	92%		No	Yes
	Clinical Practice Guidelines Index III (pp. II-4 and II-108)	86%	92%	92%	91%		No	No
	National accuracy rate - compensation entitlement claims (pp. II-5 and II-108)	90%	84%	90%	84%*		No	Same
	National accuracy rate - pension maintenance claims (pp. II-6 and II-108)	95%	96%	95%	97%*	Yes		Yes
	Percent of Compensation & Pension pending inventory that is more than 125 days old (pp. II-7 and II-108)	N/Av	36%	60%	60%*	Yes		No
	Average days to complete Education claims							
	Original claims (pp. II-8 and II-110)	24	39	23	24		No	Yes
	Supplemental claims (pp. II-9 and II-110)	10	16	12	12	Yes		Yes
	Default Resolution Rate (pp. II-10 and II-110) (** Corrected)	71.0%	76.3%	73.0%	83.0%	Yes		Yes
	Percent of graves in national cemeteries marked within 60 days of interment (pp. II-12 and II-110)	95%	94%	95%	93%		No	No
	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 (pp. II-11 and II-110)	90%	74%	90%	93%	Yes		Yes
	Percent of Veterans served by a burial option within a reasonable distance (75 miles) of their residence (pp. II-21 and II-110)	87.8%	88.1%	89.0%	89.0%	Yes		Yes
	Non-institutional, long-term care average daily census (pp. II-29 and II-112)	93,935	85,940	109,256	93,736*		No	Yes
	Percent of primary care appointments completed within 14 days of the desired date (pp. II-33 and II-112)	N/Av	93%	93%	94%*	Yes		Yes
Percent of specialty care appointments completed within 14 days of the desired date (pp. II-34 and II-112)	N/Av	93%	93%	95%*	Yes		Yes	



Performance Scorecard

Color coding for 2011 Results
 ● Target Achieved
 ○ Target Missed - Small Extent
 ○ Target Missed - Great Extent

Integrated Objectives	Key Performance Measures (page references)	2010 Recap		2011 Recap				
		Targets	Results	Targets	Results	Target Achieved?		Improved From 2010? Yes/No/Same
						Yes	No	
	Percent of new patient appointments completed within 14 days of the desired date (pp. II-35 and II-112)	N/Av	84%	85%	89%*	Yes		Yes
	Percent of respondents who rate the quality of service provided by the national cemeteries as excellent (pp. II-40 and II-112)	98%	95%	97%	95%		No	Same
	Percent of respondents who rate national cemetery appearance as excellent (pp. II-41 and II-114)	99%	98%	99%	98%		No	Same
Integrated Objective #2 EDUCATE AND EMPOWER VETERANS AND THEIR FAMILIES THROUGH OUTREACH AND ADVOCACY	Progress towards development of one new treatment for post-traumatic stress disorder (1 milestone over 1 year) (pp. II-54 and II-114)	94%	80%	100%	100%	Yes		Yes
	Percent of milestones completed leading to the use of genomic testing to inform the course of care (prevention, diagnosis, or treatment) of patients with mental illness (including PTSD, schizophrenia, and mood disorders) with mental illness (including PTSD, schizophrenia, and mood disorders) (pp. II-53 and II-114)	15%	25%	35%	35%	Yes		Yes
	Rehabilitation Rate (General) (pp. II-55 and II-114)	76%	76%	77%	77%*	Yes		Yes
	Rate of high client satisfaction ratings on services delivered (Insurance) (pp. II-65 and II-116)	95%	95%	95%	95%*	Yes		Same
Integrated Objective #3 BUILD OUR INTERNAL CAPACITY TO SERVE VETERANS, THEIR FAMILIES, OUR EMPLOYEES, AND OTHER STAKEHOLDERS	Percent of patients rating VA health care as 9 or 10 (on a scale from 0 to 10): - Inpatient (pp. II-87 and II-116)	TBD	64%	65%	64%		No	Same
	- Outpatient (pp. II-88 and II-116)	TBD	55%	57%	55%		No	Same

Notes: * Indicates partial or estimated actual data.



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 (VA). We care for Veterans, their families, and survivors – 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 all VA employees who are committed to providing the best medical care, benefits, social support, and lasting memorials that Veterans and their dependents deserve 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 physician 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 Veteran-Centered 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/

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/

Providing Fiduciary Services

Fiduciary services are provided to Veterans and beneficiaries, who, because of injury, disease, infirmities of age, or they are minor children, are unable to manage their financial affairs. This program provides for a selected fiduciary, normally a family member or caregiver, to manage the beneficiary's financial affairs to ensure all of his or her debts are paid.

Additionally, through the fiduciary program, periodic visits are conducted with beneficiaries to ensure they are being properly cared for.

Web:

<http://www.vba.va.gov/bln/21/Fiduciary/>

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 readjusting 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 Post-9/11 GI Bill, a new education program which provides financial support to individuals with at least 90 days of aggregate service on or after September 11, 2001, or individuals discharged with a service-connected disability after 30 days.

Web: www.gibill.va.gov

Delivering Vocational Rehabilitation and Employment Services

The Vocational Rehabilitation and Employment program focuses on providing individualized services to Veterans with service-connected disabilities to assist them 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

VA's Loan Guaranty program helps eligible Veterans, active duty personnel, surviving spouses, and members of the Reserves and National Guard in purchasing homes. VA also assists these borrowers in retaining their homes.



through joint servicing efforts with VA-guaranteed loan servicers via foreclosure avoidance services. In addition, VA offers Specially Adaptive Housing grants to Veterans and Servicemembers who have specific service-connected disabilities for the purpose of constructing an adapted dwelling or modifying an existing one to meet their special 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 VA as a result of foreclosure.

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

Meeting Insurance Needs

VA's 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 the option for the continuation of insurance coverage after a Servicemember's separation from service. The program continues to provide life insurance coverage to WWII and Korean War-era Veterans, and to Veterans who have lost or impaired insurability resulting from military service and therefore cannot obtain commercial insurance at standard (healthy) rates. In total, the program insures 7.1 million Veterans, Servicemembers, and their families.

Insurance coverage is made available in reasonable amounts and at premium rates 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 and their eligible family members with final resting places in national shrine cemeteries and with lasting tributes that commemorate their service and sacrifice 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: *Where We Are Located*

VA provides medical care, benefits, and burial services throughout the Nation. Shown below is a depiction of VA's geographical locations as of June 30, 2011. The map identifies 152 Medical Centers, 288 Vet Centers, 807 Community-based Outpatient Clinics (CBOC), 133 VA Community Living Centers, 6 Independent Outpatient Clinics, 98 Residential Rehabilitation Centers, 213 National and State Cemeteries, and 56 Regional Offices.



* Although State Veterans Cemeteries are included on the above map, they are not VA facilities *per se*. VA provides grants for the establishment of State-operated cemeteries, which provide a burial and memorial benefit to Veterans.

Note: Medical center figure includes facility at New Orleans damaged by Hurricane Katrina. Residential rehabilitation center figure includes facility along the Gulf Coast of Mississippi damaged by Hurricane Katrina.



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. The chart below describes who and how many participants are being served by VA.

Program	Year-to-Year Comparison		
	2010 Participants ⁽¹⁾	2011 Participants ⁽¹⁾	Percent Change
Medical Care			
Unique Patients	5,833,600	6,029,500	3.4%
Compensation			
Veterans	3,181,700	3,354,700	5.4%
Survivors/Children	344,900	355,500	3.1%
Pension			
Veterans	310,200	313,700	1.1%
Survivors	195,000	202,000	3.5%
Education⁽²⁾⁽³⁾			
Veterans/Servicemembers	574,800	663,000	15.3%
Reservists	97,600	92,500	-5.2%
Survivors/Dependents	127,600	168,400	32.0%
Vocational Rehabilitation⁽²⁾			
Program Participants	107,100	106,300	-0.76%
Housing			
Loans Guaranteed	314,000	357,600	13.9%
Specially Adapted Housing (SAH) Grants Approved	1,500	1,235	-17.7%
Insurance			
Veterans	1,450,800	1,367,800	-5.7%
Servicemembers/Reservists	2,433,500	2,417,500	-0.7%
Spouses/Dependent Children	3,272,000	3,284,000	0.4%
Burial			
Interments	111,800	117,400	5.0%
Graves Maintained	3,065,700	3,147,400	2.7%
Headstones/Markers (Processed)	355,600	372,700	4.8%
Presidential Memorial Certificates	803,700	779,700	-3.0%

⁽¹⁾ Whole numbers, rounded to nearest hundred.

⁽²⁾ Figures represent 12-month rolling data through September.

⁽³⁾ Does not represent unique participants. Some participants trained under more than one education program.



America's Veterans: A Demographic Profile

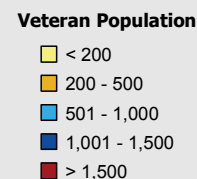
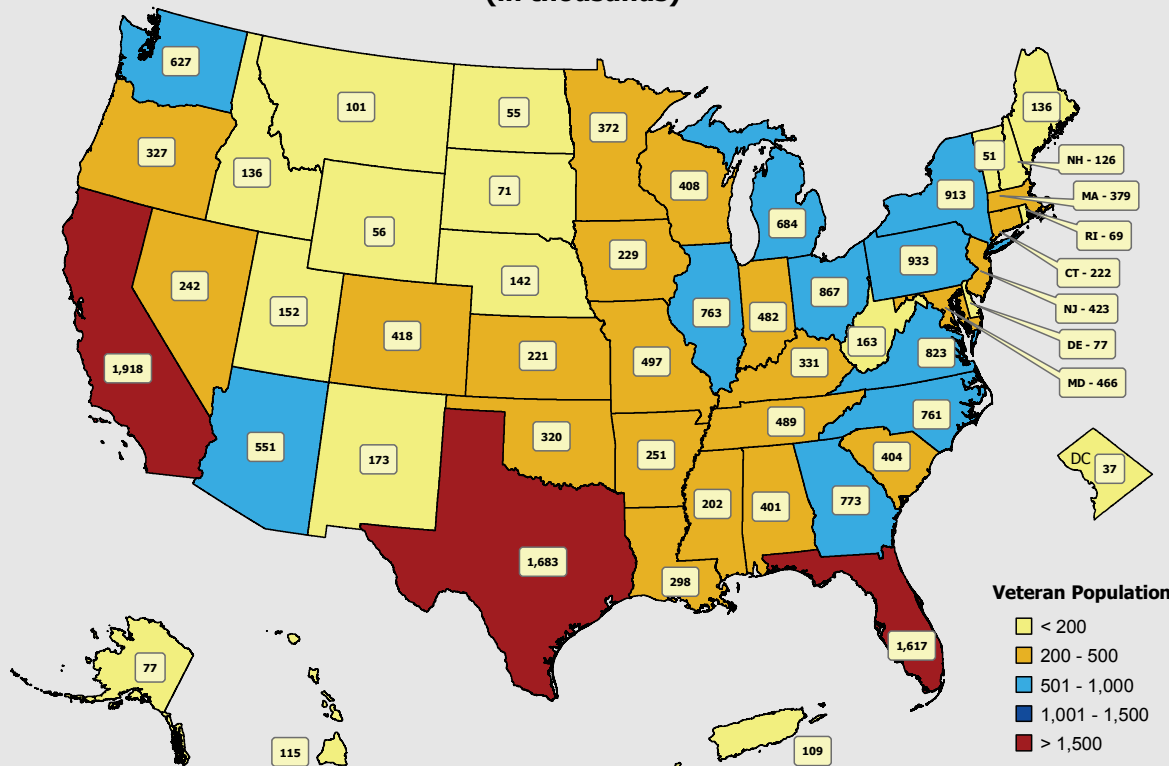
Beginning with our Nation's struggle for freedom more than 2 centuries ago, approximately 45 million men and women have served this country during wartime periods. The charts below provide various social and demographic information on today's Veteran population.

Data	Analysis																														
<p>Veteran Population Compared to Total U.S. Population (Millions)</p> <table border="1"> <caption>Veteran Population Compared to Total U.S. Population (Millions)</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>All Other Residents</td> <td>61.4%</td> </tr> <tr> <td>Dependents and Survivors</td> <td>34.4%</td> </tr> <tr> <td>Living Veterans</td> <td>22.2%</td> </tr> </tbody> </table>	Category	Percentage	All Other Residents	61.4%	Dependents and Survivors	34.4%	Living Veterans	22.2%	<ul style="list-style-type: none"> There are about 22.2* 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. There are an estimated 34 million dependents (spouses and dependent children) of living Veterans and survivors of deceased Veterans Together, Veterans, dependents, and survivors make up about 18 percent of America's population. <p>* Pie chart shows number of Veterans living in the United States proper.</p>																						
Category	Percentage																														
All Other Residents	61.4%																														
Dependents and Survivors	34.4%																														
Living Veterans	22.2%																														
<p>Veteran Population by Period of Service* (Thousands)</p> <table border="1"> <caption>Veteran Population by Period of Service (Thousands)</caption> <thead> <tr> <th>Period</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Peacetime</td> <td>5688</td> </tr> <tr> <td>World War II</td> <td>1712</td> </tr> <tr> <td>Korea</td> <td>2275</td> </tr> <tr> <td>Vietnam</td> <td>7391</td> </tr> <tr> <td>*Gulf War</td> <td>5939</td> </tr> </tbody> </table> <p>*The Gulf War figures include Veterans who have served in Operation Iraqi Freedom and/or Operation Enduring Freedom.</p>	Period	Total	Peacetime	5688	World War II	1712	Korea	2275	Vietnam	7391	*Gulf War	5939	<ul style="list-style-type: none"> Over 16.5 million (74 percent) of America's Veterans served during at least one wartime period. *(The sum of period of service will exceed number of all Veterans because Veterans who served in multiple periods are shown in each period.) Vietnam Era Veterans account for the largest segment of the Veteran population. About 77 percent of all women Veterans served during the post-Vietnam Era compared to 39 percent of men. By 2020, the number of women Veterans enrolled in VA's health care system is expected to increase by 35 percent to 751,805 compared to 558,817 in 2011. 																		
Period	Total																														
Peacetime	5688																														
World War II	1712																														
Korea	2275																														
Vietnam	7391																														
*Gulf War	5939																														
<p>Age Distribution of the Veteran Population By 5-Year Age Groups (Thousands)</p> <table border="1"> <caption>Age Distribution of the Veteran Population (Thousands)</caption> <thead> <tr> <th>Age Group</th> <th>Approximate Number (Thousands)</th> </tr> </thead> <tbody> <tr><td>20-24</td><td>300</td></tr> <tr><td>25-29</td><td>600</td></tr> <tr><td>30-34</td><td>900</td></tr> <tr><td>35-39</td><td>1000</td></tr> <tr><td>40-44</td><td>1400</td></tr> <tr><td>45-49</td><td>1800</td></tr> <tr><td>50-54</td><td>2000</td></tr> <tr><td>55-59</td><td>2100</td></tr> <tr><td>60-64</td><td>3000</td></tr> <tr><td>65-69</td><td>2800</td></tr> <tr><td>70-74</td><td>2000</td></tr> <tr><td>75-79</td><td>1800</td></tr> <tr><td>80-84</td><td>1500</td></tr> <tr><td>85+</td><td>1500</td></tr> </tbody> </table>	Age Group	Approximate Number (Thousands)	20-24	300	25-29	600	30-34	900	35-39	1000	40-44	1400	45-49	1800	50-54	2000	55-59	2100	60-64	3000	65-69	2800	70-74	2000	75-79	1800	80-84	1500	85+	1500	<ul style="list-style-type: none"> As of September 2011, the median age of all living Veterans was 62 years. Men's median age was 63; women's 49. The number of Veterans 85 and older totaled about 1,430,000, compared to 164,000 in 1990. By 2020, the number of Veterans 85 and older enrolled in VA's health care system is expected to increase by 12 percent to 796,171 compared to 710,641 in 2011.
Age Group	Approximate Number (Thousands)																														
20-24	300																														
25-29	600																														
30-34	900																														
35-39	1000																														
40-44	1400																														
45-49	1800																														
50-54	2000																														
55-59	2100																														
60-64	3000																														
65-69	2800																														
70-74	2000																														
75-79	1800																														
80-84	1500																														
85+	1500																														



Data

**Veteran Population by State
As of September 30, 2011
(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 Pennsylvania, New York, and Ohio. These States account for over 12 percent of the total number of Veterans living in the U.S.
- Together, these six States account for about 36 percent of the total Veteran population.
- Between April 1, 2000, and September 30, 2011, the total Veteran population decreased by 17 percent. The Veteran population increased in Alaska, Virginia, Nevada, and Georgia while decreasing by more than 30 percent in Massachusetts, New York, Rhode Island, and New Jersey.



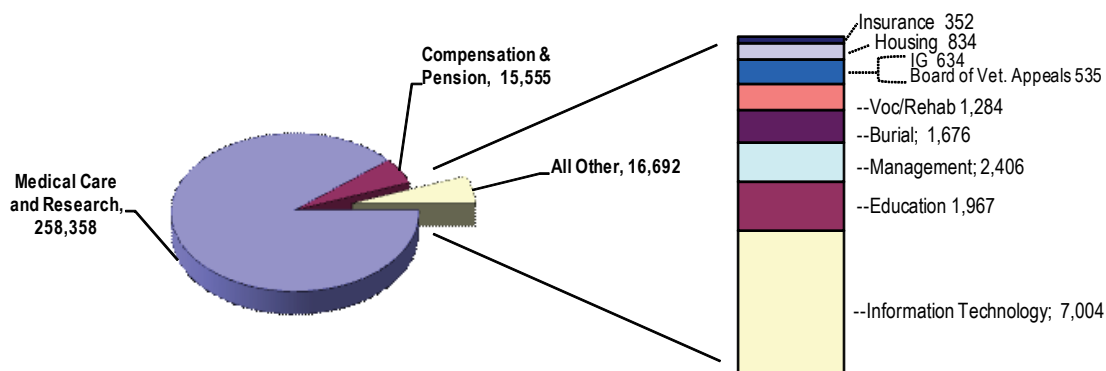
Resources: Our People

As of September 30, 2011, the Department employed about 291,000 full-time equivalent (FTE) employees nationwide. The charts below show the distribution of full-time equivalent employees by program area.

As shown below, more than 258,000 FTE support VA’s health care system, one of the largest in the world. Of the remaining FTE, approximately 20,000 are involved with providing compensation and pension as well as other benefits to Veterans and their families. About 1,700 provide burial and memorial services for Veterans and their eligible spouses and children, and about 10,500, located primarily in the Washington, DC area, provide policy, administrative, information technology, and management support to the programs.

Number of Full-Time Equivalent Employees

as of September 30, 2011

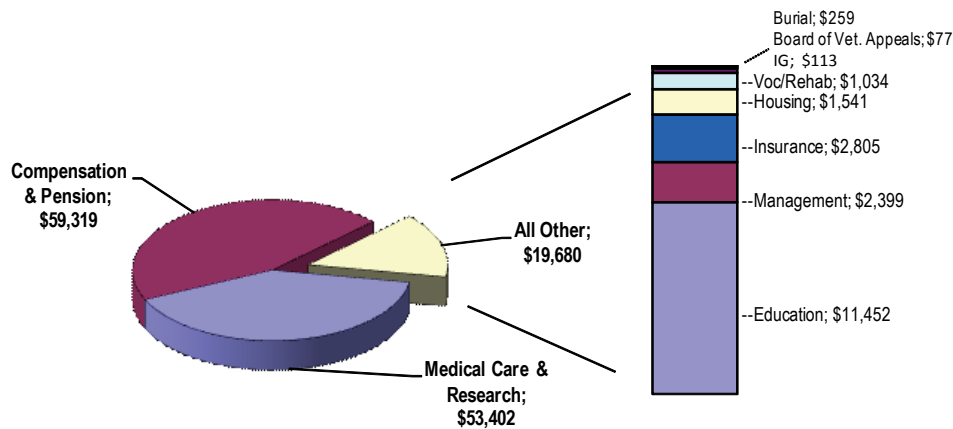


Resources: Our Budget

In 2011 VA obligated approximately \$132.4 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.

2011 Obligations

(\$ Millions)

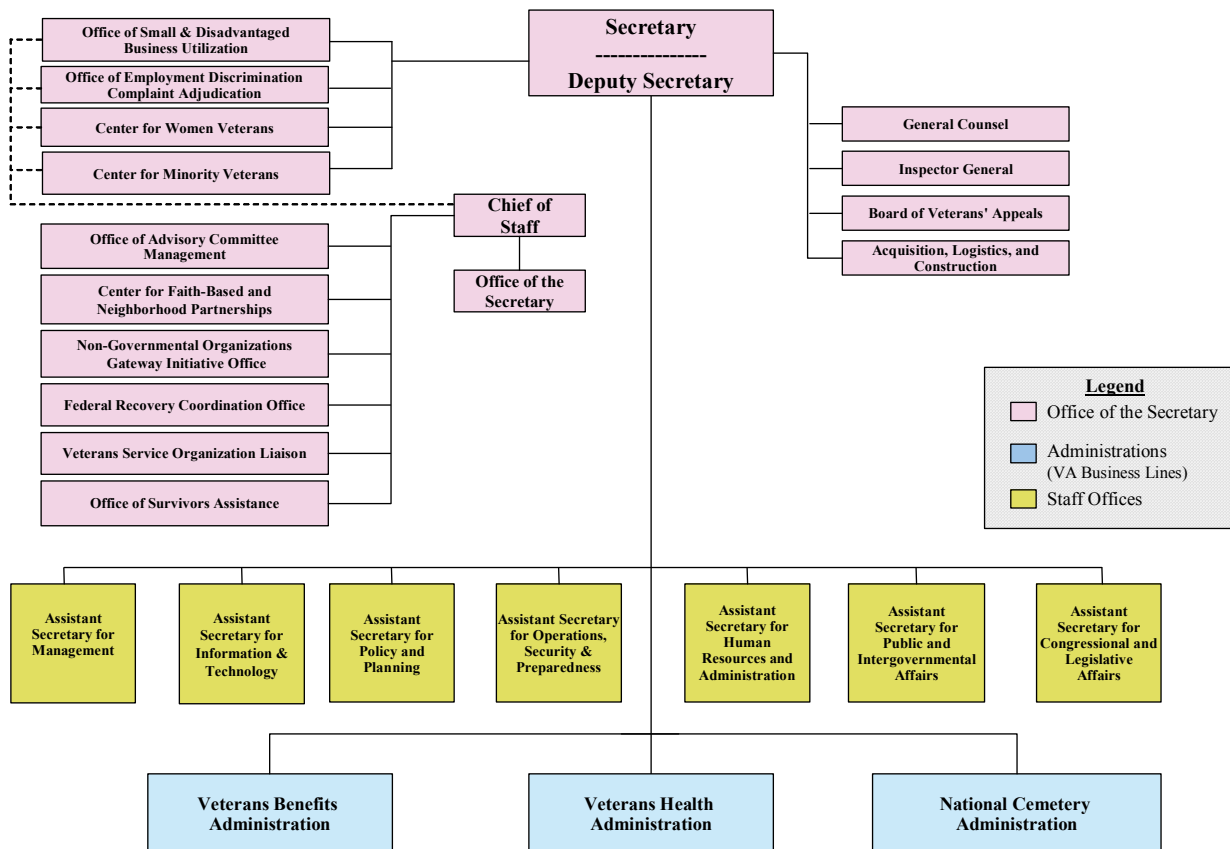


* The obligation information shown above does not tie to the Obligations Incurred amounts shown in the Financial Statements of Part III. The difference includes but is not limited to the fact that adjustments to prior-year expired funds are netted with Obligations Incurred in the Financial Statements.



Our Organization

Department of Veterans Affairs





Leadership and Governance

VA senior leadership makes policy decisions through various internal governing bodies. Five of the most critical are described below together with key actions they undertook in 2011. VA also implemented process improvements that increased the transparency, accountability, and efficiency of the Governance bodies. These improvements enabled the bodies to review an increased number of policy briefs in 2011.

Governance	Major 2011 Actions
VA Executive Board	
<p style="text-align: center;"><u>Membership</u></p> <p>The VA Executive Board (VAEB) is chaired by the Secretary and includes VA’s Deputy Secretary; Chief of Staff; Under Secretaries for Health, Benefits, and Memorial Affairs; Assistant Secretaries; General Counsel; and the Chair of the Board of Veterans’ Appeals.</p> <p style="text-align: center;"><u>Purpose</u></p> <p>The VAEB is the Department’s most senior management decision-making forum. The VAEB reviews, discusses, and, through the decisions of the Secretary, provides direction on Departmental policy, strategic direction, resource allocation, and performance in key areas.</p>	<p>The VAEB reviewed and approved the following:</p> <ul style="list-style-type: none"> • Veterans Benefits Administration (VBA) Reorganization • National Cemetery Administration (NCA) Reorganization • Office of Management (OM) Reorganization • Office of Policy and Planning (OPP) Reorganization • Leadership VA 2011 • Veterans Employment Services Office (VESO) • Fiscal Year (FY) 2013 Internal Budget
Strategic Management Council	
<p style="text-align: center;"><u>Membership</u></p> <p>The Strategic Management Council (SMC) is chaired by the Deputy Secretary and includes VA’s Chief of Staff; Assistant Secretaries; the Deputy Under Secretaries for Health, Benefits, and Memorial Affairs; the General Counsel; and Chair of the Board of Veterans’ Appeals.</p> <p style="text-align: center;"><u>Purpose</u></p> <p>The SMC serves as a collaborative and deliberative body that provides oversight and guidance on key strategic and operational issues that are likely to require action by VA decision-makers.</p>	<p>The SMC reviewed the following:</p> <ul style="list-style-type: none"> • VA Transparency Program: How VA Measures and Improves Health Care • Departmental Management Initiative • eBenefits Portal • Update on Office of Acquisition, Logistics, and Construction (OALC) Organizational Initiatives • NCA Reorganization • Data Governance Council Charter and Membership • Office of Management (OM) Reorganization • Office of Policy and Planning (OPP) Reorganization • VA Leadership Development Initiative • VESO • Update on Construction and Facilities Management (CFM) Reorganization • VA’s Validated Competencies • SES Performance Management System • Update on Strategic Capital Investment Planning (SCIP) 2013 Internal Budget



Governance	Major 2011 Actions
Senior Review Group	
<p style="text-align: center;"><u>Membership</u></p> <p>The Senior Review Group (SRG) is chaired by the VA Chief of Staff and includes VA's Principal Deputy Assistant Secretaries; the Chiefs of Staff for Health, Benefits, and Memorial Affairs; the Deputy General Counsel; and the Vice Chair for the Board of Veterans' Appeals.</p> <p style="text-align: center;"><u>Purpose</u></p> <p>The SRG serves as a collaborative and deliberative body that provides oversight and guidance on key strategic and operational issues, and makes recommendations on issues that should be considered as part of VA's governance process. Numerous governance meetings were conducted jointly in 2011 as SRG/SMC meetings.</p>	<p>The SRG reviewed the following:</p> <ul style="list-style-type: none"> • VA Transparency Program: How VA Measures and Improves Health Care • Departmental Management Initiative • eBenefits Portal • VBA Reorganization • Update on New Departmental Processing Time Goals for VA Regulations • Update on VAI2 • Update on OALC Organizational Initiatives • NCA Reorganization • Data Governance Council Charter and Membership • OM Reorganization • OPP Reorganization • Implementation of Planning, Programming, Budgeting, and Evaluation (PPBE) • VA Leadership Development Initiative • VA Telework Initiative • Leadership VA 2011 • Update on CFM Reorganization • VA's Validated Competencies • SES Performance Management System • VESO • VA Telephone Service Transformation • Update on SCIP • FY 2013 Internal Budget • Administrative Flexibility, Lower Costs, Better Results for State, Local, and Tribal Governments • Status of Key Acquisition Improvement Initiatives • IT Implications for Telework • Web Governance Board Charter • Strategic Planning in VA – Overview and Current Efforts



Governance	Major 2011 Actions
Operational Management Review	
<p style="text-align: center;"><u>Membership</u></p> <p>The Operational Management Review (OMR) is chaired by the Deputy Secretary and includes senior leadership from the Administrations and staff offices.</p> <p style="text-align: center;"><u>Purpose</u></p> <p>Monthly, the Executive Sponsor and Senior Program Managers for the Department’s Major Initiatives present their actual vs. planned status in regards to Cost, Schedule, and Performance. Major Initiative Lead Program Managers take this opportunity to raise awareness of issues and risks in meeting agreed-upon commitments and, when necessary, the principles discuss and make decisions on these issues that are critical to the successful execution of the initiatives. In addition, an overarching purpose of this monthly forum is to build VA’s capabilities and cross-Departmental coordination to promote and sustain long-term, effective execution.</p>	<p>Major actions achieved during 2011 included the following:</p> <ul style="list-style-type: none"> • Through the collective efforts of the Department’s Enterprise Program Management Office (ePMO) and OALC, there was coordinated collaboration to support the Major Initiatives with the timely development of actionable acquisition packages resulting in 100 percent being actionable by the required deadline. • Through the collaboration of ePMO, VHA, and OIT, VA established a prioritization process to inform decision-making at the senior leadership level regarding funding for key IT projects in support of the Department’s Major Initiatives. • OMR facilitated the redesign of the Major Initiative planning process to be more consistent with accepted program management best practices and to better align the planning and budget formulation processes. • In coordination with VA’s Acquisition Academy, OMR continued to provide tailored program management training to Major Initiative Executive Sponsors, Senior Program Managers, and Initiative team members, resulting in more robust planning for 2012.
Monthly Performance Reviews (MPR)	
<p style="text-align: center;"><u>Membership</u></p> <p>MPRs are chaired by the Deputy Secretary and are attended by the Department’s senior leadership.</p> <p style="text-align: center;"><u>Purpose</u></p> <p>MPR meetings are designed to help senior leadership focus on top Congressional, Presidential, and Secretarial priorities and discuss mission-critical issues within the context of performance, budget, and workload targets and associated results.</p>	<p>Once a month, all VA Administrations and Staff Offices reported on progress made on established monthly and/or fiscal year-to-date financial and program performance goals within a Balanced Scorecard strategic framework. This framework is tied to key metrics, strategic goals, and major/supporting initiatives. As a result, performance is assessed by reviewing various organizations within VA as a single enterprise with multiple organizations working as integrated components with specific measureable goals.</p> <p>With the increased importance of performance as a key element of the budget formulation and execution processes, VA stood up the Office of Performance Management and appointed a full-time Performance Improvement Officer (PIO) to lead performance improvements in VA. The functions of the PIO include:</p> <ul style="list-style-type: none"> • Advising the Chief Operating Officer in selecting agency goals. • Overseeing the implementation of the agency strategic/performance planning. • Reporting requirements and conducting regular reviews of agency performance. • Developing and using performance measures in personnel performance appraisals within the agency. • Ensuring that agency progress toward the achievement of all goals is communicated to leaders, managers, and employees in the agency and Congress and is made available on the Web.



Performance Overview

Purpose of This Report

VA’s 2011 Performance and Accountability Report (PAR) describes VA’s accomplishments and progress during 2011 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.

VA’s Strategic Planning Framework

VA has articulated a strategy aimed at the accomplishment of four new Strategic Goals. The Strategic Goals represent the top priorities for the Department.

In turn, the Strategic Goals are supported by the Integrated Objectives and Strategies. It should be noted that there is not a one-to-one ratio between Strategic Goals and Integrated Objectives as in the past. Rather, each Strategic Goal is supported by all the Integrated Objectives and Strategies.

Strategic Goal 1
 Improve the quality and accessibility of health care, benefits, and memorial services while optimizing value

Strategic Goal 2
 Increase Veteran client satisfaction with health, education, training, counseling, financial, and burial benefits and services

Strategic Goal 3
 Raise readiness to provide services and protect people and assets continuously and in time of crisis

Strategic Goal 4
 Improve internal customer satisfaction with management systems and support services to achieve mission performance and make VA an employer of choice by investing in human capital

Integrated Objectives	Integrated Strategies
1. <i>Make it easier for Veterans and their families to receive the right benefits, meeting their expectations for quality, timeliness, and responsiveness</i>	a. Improve and integrate services across VA to increase reliability, speed, and accuracy of delivery
	b. Develop a range of effective delivery methods that are convenient to Veterans and their families
	c. Improve VA’s ability to adjust capacity dynamically to meet changing needs, including preparedness for emergencies
	d. Provide Veterans and their families with integrated access to the most appropriate services from VA and our partners
	e. Enhance our understanding of Veterans’ and their families’ expectations by collecting and analyzing client satisfaction data and other key inputs
2. <i>Educate and empower Veterans and their families through proactive outreach and effective advocacy</i>	a. Use clear, accurate, consistent, and targeted messages to build awareness of VA’s benefits amongst our employees, Veterans and their families, and other stakeholders
	b. Leverage technology and partnerships to reach Veterans and their families and advocate on their behalf
	c. Reach out proactively and in a timely fashion to communicate with Veterans and their families and promote Veteran engagement
	d. Engage in two-way communications with Veterans and their families to help them understand available benefits, get feedback on VA programs, and build relationships with them as our clients



Integrated Objectives	Integrated Strategies
3. <i>Build our internal capacity to serve Veterans, their families, our employees, and other stakeholders efficiently and effectively</i>	<ul style="list-style-type: none"> a. Anticipate and proactively prepare for the needs of Veterans, their families, and our employees b. Recruit, hire, train, develop, deploy, and retain a diverse VA workforce to meet current and future needs and challenges c. Create and maintain an effective, integrated, Departmentwide management capability to make data-driven decisions, allocate resources, and manage results d. Create a collaborative, knowledge-sharing culture across VA and with DoD and other partners to support our ability to be people-centric, results-driven, and forward-looking at all times e. Manage physical and virtual infrastructure plans and execution to meet emerging needs

How We Measure Performance

Within the strategic planning framework, VA uses a **six-tiered performance management framework** to measure performance on how well it is executing its mission.

Term	Definition
Strategic Goals	The Department’s long-term outcomes and top priorities. The Department’s Strategic Goals are overarching goals. They describe the overall mission of the Department and apply to all Objectives and Strategies.
Integrated Objectives	The means by which the Department will accomplish its Strategic Goals.
Integrated Strategies	The ways, means, or courses of action that have been designed to realize the Integrated Objectives.
Performance Measures	Specific measurable indicators used to measure progress towards achievement of Integrated Strategies. VA uses different types of measures (i.e., outcome, output, and efficiency) to monitor performance and progress.
Performance Targets	Associated with specific performance measures, these are quantifiable expressions of desired performance/success levels to be achieved during a given fiscal year.
Strategic Targets	Also associated with specific performance measures, these are quantifiable expressions of optimum success levels to be achieved; they are "stretch goals" that VA strives for in the long-term.



VA’s 14 Integrated Strategies are supported by 137 performance measures, 23 of which were identified by VA’s senior leadership as "key" or **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.

Key Features of the 2011 Report

VA’s PAR includes several features designed to give our stakeholders more complete information on VA’s performance and activities.

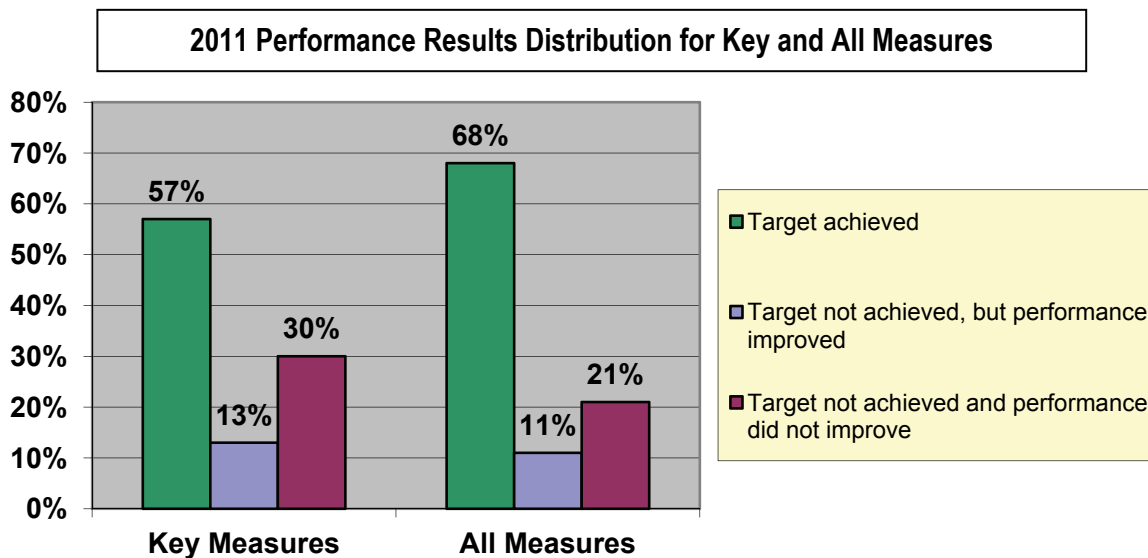
Key Feature	Benefit to VA’s Stakeholders
Cost Per Measure Data	The Department is continuing its integration of performance and budget information. As part of this effort, the PAR includes information on the cost of achieving performance targets for nine measures as well as cost estimates provided by Integrated Objective and Strategy, respectively.
Major Management Challenges	VA’s response to each challenge is presented in paragraph format providing an estimated resolution timeframe, a responsible official, completed 2011 milestones, and planned 2012 milestones with estimated completion quarter.
Web Links	The PAR lists VA Web links to increase the ease of access to information about VA and its services.
Data Quality Information	This year’s report contains robust and detailed information on how VA verifies the quality of its performance results data.
Dashboard Style Tables	Selected tables include dashboard-like features that convey performance results using easy-to-read tables and "traffic light" color coding to help the reader more quickly and clearly assess VA performance results.
VA Snapshots	Snapshots are short vignettes that give the reader an easy way to understand VA through human interest stories.
Integrated Strategy Measures Recap	Our Integrated Strategy chapters in Part II include a recap of all measures and associated results for a given objective including a statistical recap.



2011 Performance — A Department-Level Summary

Key Measures — Continuity and Type: Key measures are those that measure mission-critical activities. As of 2011, 17 of VA's 23 key measures have been in place for at least 5 years. This provides the Department's leadership with the ability to track significant performance trends over time and to make strategic adjustments when necessary.

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 57 percent of its key measures and 68 percent of all measures. In addition, for key measures, 13 percent of the targets were not achieved, but performance improved from 2010. Further details on performance by Integrated Objective and Integrated Strategy are provided in Part II.





Cost to Achieve Performance Goals – For 9 Selected Measures

As in past reports, VA is providing an estimate of costs devoted to achieve **Integrated Objectives** and **Integrated Strategies**. However, as a continuing part of the Department’s overall effort to better identify resources required to achieve a certain level of performance, we also show estimated costs to achieve a level of performance (i.e., a result) for **9 measures**.

Measure	Fiscal Year 2011		
	Performance		Estimated Cost (Obligations) (\$ in Millions)
	Target	Result	
Non-Institutional, Long-term Care Average Daily Census (ADC)	109,256	93,736	\$1,240.4
Impact of Result on the Veteran	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 and enables Veterans to remain in their own homes and communities for as long as possible.		
How VA Uses Performance Data	<p>VA uses the data to project the need for services, evaluate existing services, identify specific services* that may need to be added or expanded to meet identified needs, and promote access to required services. In addition, the data are used to establish Veterans Integrated Service Network (VISN) targets and evaluate VISN performance in meeting their respective ADC targets.</p> <p>*Services currently available include the following: Home Based Primary Care, Purchased Skilled Home Care, Homemaker/Home Health Aide, Community Adult Day Health Care, VA Adult Day Health Care, Home Respite, Home Hospice, Care Coordination/Home Telehealth, and, where present, Spinal Cord Home Health Care and Medical Foster Home Care.</p>		
2011 Program and Cost Efficiencies Implemented	Mindful of our need to control costs, VA has embarked on a number of activities to minimize costs and efficiently utilize resources; two of these activities included using Medicare benchmark rates as maximum rates for home health care services and improving communication between non-institutional care (NIC) program and business office staff to ensure that bills are paid correctly and in a timely manner.		



Measure	Fiscal Year 2011		
	Performance		Estimated Cost (Obligations) (\$ in Millions)
	Target	Result	
Progress Towards Development of One New Treatment for Post-traumatic Stress Disorder (PTSD)	100%	100%	\$0.1
Impact of Result 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.</p> <p>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, all of which have been completed. Data from the fourth trial are being analyzed.</p>		
How VA Uses Performance Data	<p>Results of PTSD studies are rapidly translated into clinical practice at VA. Recent findings have been published in the <i>Journal of the American Medical Association</i> and <i>Biological Psychiatry</i>. Results of VA's research have been discussed at conferences attended by VA, DoD, and university attendees.</p>		
2011 Program and Cost Efficiencies Implemented	<p>All 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. Another trial used the drug prazosin to determine if it would reduce the incidence of nightmares, sleep disturbance, and overall symptoms in Veterans with PTSD. The researchers found that prazosin is an effective and well-tolerated treatment for trauma nightmares, sleep disturbance, and global clinical status in Veterans with chronic PTSD.</p>		



Measure	Fiscal Year 2011		
	Performance		Estimated Cost (Obligations) (\$ in Millions)
	Target	Result	
Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment	73%	70%	\$39.0
Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations	90%	82%	
Percent of gravesites that have grades that are level and blend with adjacent grade levels	89%	91%	
Impact of Result on the Veteran	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.		
How VA Uses Performance Data	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.		
2011 Program and Cost Efficiencies Implemented	VA has implemented an analytical approach that quantitatively determines the performance of each national cemetery with respect to these measures and the number of gravesite repairs required to improve performance. This approach has been instrumental in ensuring that funding for national shrine projects is targeted to those cemeteries with the great need for improvement.		
Percent of Veterans served by a burial option within a reasonable distance (75 miles) of their residence	89.0%	89.0%	\$27
Impact of Result on the Veteran	<p>By the end of 2011, nearly 20 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 to this benefit is integral to realizing this objective.</p>		



Measure	Fiscal Year 2011		
	Performance		Estimated Cost (Obligations) (\$ in Millions)
	Target	Result	
<p>How VA Uses Performance Data <i>(Veterans served...cont'd)</i></p>	<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.</p> <p>This information is used in planning for new national cemeteries and for gravesite expansion projects to extend the service life of existing national cemeteries, as well as in prioritizing funding requests for Veterans Cemetery grants.</p>		
<p>2011 Program and Cost Efficiencies Implemented</p>	<p>VA locates new national cemeteries in areas of the country with the largest concentration of unserved Veterans. Grants for new national 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.</p>		
<p>Vocational Rehabilitation Rate (General)^(a)</p>	77%	77%	\$149.2
<p>Impact of Result on the Veteran</p>	<p>A "rehabilitated" Veteran is one who successfully completes the rehabilitation program plan and is equipped with the required skills and tools needed to obtain and maintain suitable employment or gain independence in daily living.</p>		
<p>How VA Uses Performance Data</p>	<p>VA leadership uses the rehabilitation rate to assess the performance of Vocational Rehabilitation Counselors, Counseling Psychologists, Employment Coordinators, Vocational Rehabilitation and Employment (VRE) Officers, and Regional Office Directors as well as the overall effectiveness of the program and services provided.</p> <p>To improve performance in this area, VA leadership continues to place an increased emphasis on developing a culture that is forward looking, innovative, and Veteran-focused.</p> <p>Therefore, within the context of the above-cited tenets, VBA leadership has identified several areas of emphasis:</p> <ul style="list-style-type: none"> • More focus on Veterans maintaining suitable employment. • Continue to enhance the VetSuccess.gov Web site because it provides Veterans with an employment tool that they can adapt to their individual needs. • Continue to sponsor career fairs geared toward today's Veteran. • Train employment coordinators in the best methods for placing Veterans in jobs. 		



Measure	Fiscal Year 2011		
	Performance		Estimated Cost (Obligations) (\$ in Millions)
	Target	Result	
2011 Program and Cost Efficiencies Implemented	Despite the high unemployment rate, the rehabilitation rate has remained steady at 76 percent for the majority of 2011, increasing to 77 percent at the end of the year. VRE has been able to assist Veterans with service-connected disabilities to obtain and maintain employment by continuing to enhance the Vetsuccess.gov Web site and by providing vocational rehabilitation counselors and employment coordinators with extensive training on the best methods to help Veterans achieve career goals. VRE also continues to increase outreach efforts by participating in conferences and career fairs, including coordinating a virtual career fair with over 32,000 Veterans to correspond with over 70 employers.		
Number of Disbursements/FTE (Insurance)	1,750	1,808	\$8.3
Impact of Result on the Veteran	An increased number of disbursements per full-time equivalent (FTE) indicates efficiency in processing, resulting in lower administrative program cost, which is paid for primarily by policy holder premiums.		
How VA Uses Performance Data	VA leadership uses the number of disbursements per FTE to assess the efficiency of processing Insurance disbursements and to adjust the number of FTE for processing disbursements as necessary to meet performance targets.		
2011 Program and Cost Efficiencies Implemented	Disbursements, which are loans, cash surrenders, and death claims awards, are considered the most important service provided by the Insurance Program to Veterans and their beneficiaries. The most significant factor impacting the efficiency in processing disbursements is the utilization of a paperless electronic workflow system. This allows employees to process work in a timely and efficient manner. In 2011, Insurance monitored workload fluctuations and adjusted the number of FTE dedicated to processing disbursements.		
National Accuracy Rate – Pension Maintenance Claims ^(b)	95%	97%	\$76.4
Impact of Result on the Veteran	Despite increased workload, VA has continued to improve its accuracy rate in pension maintenance work, ensuring that those Veterans and Survivors most in need of financial resources receive the correct benefit.		



Measure	Fiscal Year 2011		
	Performance		Estimated Cost (Obligations) (\$ in Millions)
	Target	Result	
<p>How VA Uses Performance Data</p>	<p>VA leadership is committed to increasing the accuracy of rating decisions. Based on 2011 performance results, VA expanded the four-tiered quality assurance program to improve its accuracy rate for compensation and pension claims:</p> <ul style="list-style-type: none"> • <u>Tier One</u> - Accuracy; expanding the STAR staff to increase review sampling. • <u>Tier Two</u> - Oversight; expanding site visit staff and review of internal controls. • <u>Tier Three</u> - Special focus reviews and working with the Appeals Management Center. • <u>Tier Four</u> - Consistency; expanding rating data analyses and increasing the focus on disability decision consistency reviews. <p>Additionally, VA continues to improve its skill certification testing program. In 2011, VA fully implemented six skill certification tests to assess job proficiency for claims processing positions, including one for first-line supervisors. From its inception in 2003, more than 8,300 employees have participated in the skill certification testing, and over 5,500 have been certified.</p>		
<p>2011 Program and Cost Efficiencies Implemented</p>	<p>VA was successful in improving the accuracy of pension maintenance claims from 96 percent in 2010 to 97 percent in 2011. This was accomplished despite increased workload from the transfer of dependency and indemnity compensation claims to the Pension Maintenance Centers (PMCs), an increase in the number of eligibility verification reports, and an increase in the amount of original claims applications received. This achievement was made possible through the continued consolidation of pension workload, increased availability of electronic folders containing benefits-related documents, the continued maturation of the workforce, and increased staffing over the last couple years.</p>		



Performance Summaries by Integrated Objective

INTEGRATED OBJECTIVE 1

Make it easier for Veterans and their families to receive the right benefits, meeting their expectations for quality, timeliness, and responsiveness.

The Department's most important 2011 achievements as well as its current challenges for Integrated Objective 1 are summarized below.

Most Important Achievements

VA HOMELESS PROGRAMS:

- VA homeless programs funded 85 community agencies through grants to provide VA's first Homeless Prevention Program: Supportive Services for Veteran Families (SSVF). Through these grants, homeless Veterans and their families will receive much-needed prevention and supportive services.
- At the end of August 2011, the Department of Housing and Urban Development—VA Supportive Housing (HUD-VASH) Program had 25,659 Veterans actively housed in permanent housing. Of those with housing data available, 12 percent were women and 11 percent were families.
- VA coordinated 1-3 day events known as Stand Downs in numerous communities in an effort to reach and provide service to homeless Veterans. There were 196 Stand Downs held in CY 2010, a slight increase from the 190 held in CY 2009. The total number of Veterans served during CY 2010 Stand Downs was 44,325, a 4 percent increase from the 42,382 Veterans served at CY 2009 Stand Downs. Of these individuals, 40,729 (92 percent) were male Veterans, and 3,596 (8 percent) were female Veterans.
- VA developed a National Outreach and Strategic Plan that will dramatically increase awareness of VA and community services available to homeless Veterans and Veterans at risk of becoming homeless. A critical component of the outreach strategy is ensuring that law enforcement, health care providers, and community partners who are likely first responders to homeless and at-risk Veterans are informed of VA programs and services.

VBA CLAIMS TRANSFORMATION:

- The Veterans Benefits Management System (VBMS) initiative is the cornerstone of VA's claims transformation strategy. The centerpiece of VBMS is a paperless claims processing system and workload management to eliminate the backlog and provide Veterans with timely and high quality decisions.
- A Design Team was established to leverage the experience of the most technically skilled subject matter experts across the organization that devotes its efforts full-time to re-engineering a specific process. The first Design Team streamlined the compensation claims decision document and process.
- The Integration Lab (I-Lab), fielded at the Indianapolis Regional Office, demonstrated efficiencies possible by organizing a regional office into integrated cross-functional teams that work claims from start to finish.
- The "Hearing Loss Calculator" tool released in November 2010 and the "Special Monthly Compensation calculator" tool released in July 2011 use rules-based technology to improve



timeliness, accuracy, and consistency of rating decisions. In November 2010, VBA implemented the Private Medical Records (PMR) pilot to reduce timeliness for receipt of private medical records. VBA is receiving responses to private medical record requests 23 days faster than non-pilot requests. VBA initiated the Fully Developed Claim (FDC) program nationwide.

QUALITY REVIEW TEAMS: Quality Review Teams (QRT) began at 12 VBA pilot sites (3 per area) in August 2011. These teams are solely dedicated to monitoring station quality, identifying trends/training needs, collaborating with local training components, reviewing Systematic Technical Accuracy Review (STAR) errors, addressing national training issues, addressing local training issues for that station, and other appropriate functions. The QRTs have been trained by and are using the National STAR team review approach.

DISABILITY BENEFITS QUESTIONNAIRES: VA made innovative improvements in claims development, deploying 55 Disability Benefits Questionnaires (DBQ) for use by VA medical facilities with 3 available to private physicians. The DBQs streamline the disability evaluation process by requiring a consistent format for medical evidence.

GI BILL IMPLEMENTATION:

- VA deployed additional releases of VA's new IT system, which included a school enrollment interface between the VA Online Certification program and the Long-Term Solution (LTS), an interface to the Benefits Delivery Network payment system, and changes to the LTS as a result of Public Law (P.L.) 111-377, the Post-9/11 Veterans Educational Improvements Act of 2010.
- In 2011, VA reduced the number of processing days for original claims by 15 days, or 38.5 percent, over 2010 and the number of processing days for supplemental claims by 4 days, or 25 percent, over 2010.

INCREASED ACCURACY OF FIDUCIARY CASES: In 2009, the fiduciary accuracy rate was 81.5 percent, which increased to 85 percent in 2010 and 88 percent in 2011. The increase in accuracy is directly attributed to:

- Standardized training deployed to regional offices.
- Centralized training provided to fiduciary activity personnel.
- Training conferences held with fiduciary activity personnel.
- Clarification of fiduciary policies and procedures.
- The enhancement of oversight to field activities.

SERVICE-DISABLED VETERANS' INSURANCE (S-DVI) PROGRAM IMPROVEMENTS: VA established a team to improve quality and timeliness in the S-DVI program. The team developed and implemented several new processes that resulted in an 86 percent reduction in the number of pending applications. New procedures also resulted in a 90 percent reduction in the time it takes to process new S-DVI applications.

HOUSING ASSISTANCE:

- VA continued to assist Veterans who became delinquent on their VA-guaranteed home loans. In 2011, VA's joint efforts with loan servicers helped 83 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 reduce their financial hardship by helping them sell their homes.

- Through August 2011, VA achieved an “Efficiency-Default Resolution Rate” ratio of 68.8 meaning that VA avoided \$68.80 in potential claim payments for every dollar spent on assisting Veterans who were at risk of losing their homes because of foreclosure.

CHANGE IN BURIAL POLICIES: VA has implemented a number of new burial policies targeting increased access and availability of burial options for our Nation’s Veterans. These new policies include:

- Lowering the unserved Veteran population threshold to establish a new national cemetery to 80,000. This will result in the potential for five new national cemeteries, which would provide a burial option to an additional 500,000 Veterans and their families.
- Establishing “Urban Initiative” locations to improve travel time and access in densely populated metropolitan areas currently served by a national cemetery. Five locations have been identified for this initiative.

TRIBAL ORGANIZATION CEMETERIES: VA’s first grant to establish a Veterans cemetery on tribal trust land, as authorized in P. L. 109-461, was approved in 2011. The nearly \$7 million grant was awarded to the Rosebud Sioux Tribe for the construction of a Veterans cemetery in White River, South Dakota. The project will develop approximately 14.40 acres on the Rosebud Indian Reservation. This cemetery will provide improved service for Veterans and their families of the Rosebud Sioux Tribe who currently live 169 miles from the nearest national cemetery—Hot Springs National Cemetery in Hot Springs, South Dakota, which is closed to first interments.

VETERAN-OWNED SMALL BUSINESSES: VA achieved the following:

- Successfully implemented the Veterans Small Business Verification Act (P.L. 111-275, Section 104).
- Increased percent of Veteran-owned small businesses verified for Veteran status, ownership, and control from 22 percent to 100 percent in the Vendor Information Pages Database.
- Hosted the 2011 National Veterans Small Business Conference, the largest Veterans’ business event in the country, for the first time.

OFFICE OF CONGRESSIONAL AND LEGISLATIVE AFFAIR (OCLA): VA achieved the following:

- Improved response times to Congressional questions for the record by 80 percent from 2010 by instituting a Departmentwide collaborative process. OCLA responded to more than 1,840 questions for the record.
- Completed the contract for a Knowledge Management System, a database software to catalog congressional activities.
- Completed transformational reorganization that balanced demanding workload portfolios among the staff and resulted in improved communications with and responsiveness to Congress.
- Supported more than 50 hearings and conducted over 400 congressional briefings, including educational seminars. OCLA personnel directly supported over 40 Congressional oversight visits to VA facilities throughout the Nation.
- Supported an average of 50 ongoing GAO analyses and coordinated the Department’s response to 41 GAO draft reports containing 61 recommendations and provided GAO updates on 88 additional open recommendations.



Part I – Performance Summaries by Integrated Objective

- Fielded more than 12,480 telephone inquiries and processed over 6,158 letters in support of constituent casework.
- Supported over 70 advisory committee hearings.

INFORMATION TECHNOLOGY: VA took the following actions:

- Delivered the first two releases of VBMS, providing compensation specialists with a Web-based tool for rating most Veteran compensation claims.
- Delivered two major releases for the Automate GI Bill Benefits program, which helped improve automation and technical service-oriented capabilities, further streamlining the delivery of Chapter 33 benefits to Veterans and their beneficiaries.
- Delivered an improved eBenefits Web Portal, which provides Veterans and Servicemembers with Web portal access to health and benefits information and transactions, including access to VetSuccess accounts directly from eBenefits; access to a secure version of Inquiry Routing and Information System for inquiries pertaining to education benefits; search capability for an accredited attorney, agent, or Veterans Service Organization; and the ability to download appropriate VA forms.
- Delivered the intelligent network-based call routing queue, which will provide efficient routing of calls to the most appropriate agent based on the service or the request of the caller.
- Implemented the Medical Device Protection Program, which is a comprehensive security initiative that encompasses pre-procurement assessments, medical device isolation architecture, communication, training, validation, scanning, remediation, patching, and secure remote connectivity; administered information security training that focused on the safe and secure operation of medical devices.
- Published the *VA Information Security Guide*, which ensures the confidentiality, integrity, and availability of VA data through continuing awareness of the importance of information security controls for VA employees who implement and monitor information security practices within the Department.
- Improved its response to data breaches. When information breaches occurred, VA triaged incidents using the Privacy Security Event Tracking System, resolving information breaches by mitigating potential harm and instituting corrective actions. VA offered credit protection services or Health Insurance Portability and Accountability Act (HIPAA) notifications to affected individuals of each data breach.
- Obtained standardized PC equipment through the *PC Refresh* contract. Veterans and their families receive continued data security and support for expanded services. Also, standardization of the platforms across VA provides greater security through simplification of the supported systems. The simpler the system, the easier it is to support and therefore be more secure.
- Initiated the Voice Access Modernization (VAM) project, part of the Veteran Relationship Management initiative, which will enable Veteran access to many services through one central network queue and will reduce wait times.
- Initiated the Veterans Point of Service (VPS) Kiosks National Implementation, which will enable VHA to provide devices for patient check-in and accessing and managing personal health information at VA health care facilities.
- Worked on eliminating redundant data on Veterans. The Office of Information and Technology and the Office of Policy and Planning jointly designed and created version 1.0 of the OneVA EA (Enterprise Data Architecture). Once fully completed, this will allow VHA, VBA, and NCA to reduce



the redundant capture and storage of data in future systems designed to support services to the Veteran.

- Used the Project Management Accountability System to improve the rate of success of VA's IT projects, which support the delivery of health care, benefits, and memorial services to Veterans and their families.

VIDEO TELECONFERENCING: The Bureau of Veterans' Affairs (BVA) expanded its video teleconferencing capability in an effort to provide appellants a more timely option for appearing before a Veterans Law Judge (VLJ) in the course of their appeal. This capability will ultimately reduce the time appellants wait for a Board hearing, reduce lost time and expenses due to travel by VLJs and counsel, and reduce lost time for VLJs due to appellants' failing to appear for their hearing. VLJs will gain time to produce decisions and reduce the appeals backlog. The installation and upgrades encompassed 13 hearing rooms at BVA, approximately 57 regional offices—3 with multiple hearing rooms, and up to 15 other VA facilities across the existing VA Enterprise Network via the Enterprise Video Teleconferencing Network.

Challenges

IMPACT OF P.L. 111-377 ON POST-9/11 GI BILL CLAIMS PROCESSING: The enactment of P.L. 111-377 impacted the development of the Long-Term Solution for processing Post-9/11 GI Bill claims and VA's ability to fully automate the delivery of benefits. The capability to conduct end-to-end processing on some supplemental claims was delayed to accommodate the new law.

NINTH CIRCUIT COURT IN CALIFORNIA DECISION IN VETERANS FOR COMMON SENSE V. SHINSEKI: The 9th Circuit Court returned a lawsuit filed by Veterans for Common Sense to a District Court for resolution. The Circuit Court found constitutional deficiencies in VA's claims and appeals processing. VA must develop a plan for improvement to deliver to the District Court.

IMPACT OF RICE V. SHINSEKI ON TOTAL DISABILITY INDIVIDUAL UNEMPLOYABILITY (TDIU) CLAIMS PROCESSING: VA has historically handled TDIU claims as freestanding claims that were adjudicated separately from other compensation claims in its decisions. However, as a result of the *Rice* decision, a request for TDIU, whether specifically raised by the Veteran or reasonably raised by the evidence of record, is no longer to be considered as a separate claim but will be adjudicated as part of the initial disability rating or as part of a claim for increased compensation. This change in how TDIU has been historically processed has resulted in added delays and increased complexity in pending inventory.

DISABILITY CLAIMS WORKLOAD:

- VBA's workload continued to increase due to the volume of disability claims being filed. VA received over 1.3 million disability claims in 2011. This is 10 percent more than the almost 1.1 million received in 2010.
- The addition of over 220,000 new claims for benefits as a result of the addition of three new presumptive diseases due to Agent Orange exposure impacted the processing and timeliness of all VA claims for compensation benefits. The *Nehmer*-related workload is extremely complex, and claims are completed at a rate of production less than half the normal expectation. In 2011, non-



Nehmer claims brokering to Resource Centers was suspended to focus on completing *Nehmer* cases. Fourteen Day-one Brokering Centers were developed to receive and process all *Nehmer* claims.

INTEGRATED DISABILITY EVALUATION SYSTEM (IDES) SURGE POTENTIAL: There is a potential for surges in the number of personnel in the IDES system because large numbers of military personnel are beginning to redeploy for combat operations. In the past, redeployments have caused surges in specific locations, causing VBA and VHA to move assets to the location. VA will make contingency plans for this surge potential.

INFORMATION TECHNOLOGY:

- The greatest challenge is that information systems are subject to constant attack by increasingly sophisticated threats with new vulnerabilities being introduced daily.
- Increasingly, medical devices are becoming infected. VA must secure medical devices in order to maintain data integrity and prevent invalid results that may negatively impact patient safety.
- VA must ensure that business processes, policies, and infrastructure are in place to support the rapid increase in the volume of eBenefits users.

DIFFICULTY IDENTIFYING AND CREDENTIALING AUTHORITATIVE DATA SOURCES: VA has historically built many of its information systems in individual solutions created to address a specific problem or need. As VA moves further into a consolidated IT infrastructure that spans across benefits service lines, it is imperative to identify a single authoritative source for a particular data element. The Office of Information and Technology and the Office of Policy and Planning are working together to sort through the many data sources to identify and establish the authoritative source for each data type. This is time-consuming but important to reduce redundancy and increase the accuracy and completeness of data on our Veterans.

VIDEO TELECONFERENCING: Currently, Veterans decide the type of hearing they receive, whether it is in person or by video conferencing. Overwhelmingly, Veterans choose an in-person hearing, creating long delays for hearings.

BVA is marketing video conferencing to Veterans and other stakeholders to encourage the use of this new technology. Additionally, BVA is working with VBA and VHA to coordinate the logistics of allowing video hearings to be held from locations in the field outside of regional offices. This will make the process more convenient, and thus more appealing, for Veterans to choose the video option.

LAND ACQUISITION FOR NEW 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 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.

VA has used this study as a starting point to develop new burial policies. Based on the new policies, five new national cemeteries were proposed, which would provide a burial option to an additional 500,000 Veterans and their families. VA will also build five "Urban Initiative" sites, which will provide improved



access to a burial option for Veterans in several densely populated areas where travel time to an existing national cemetery has been shown to be a barrier.

Finding suitable land for these new cemeteries and new urban facilities is a challenge. Potential sites must be large enough to provide a burial option to Veterans and their families for many decades. Location, liens and encumbrances, and environmental concerns are other important factors. NCA has identified suitable properties for all five new national cemeteries and all five Urban Initiative sites. NCA will proceed with the land acquisition process for each in 2012.



Making a Difference for Veterans

VA and Easter Seals Open First Round of Caregiver Training



More than 500 Family Caregivers attended the comprehensive training program developed by VA in partnership with Easter Seals.

More than 500 Family Caregivers who applied for new services offered to Post 9/11 Veterans and their caregivers through a program of comprehensive assistance for Family Caregivers by the Department of Veterans Affairs (VA) started their care-giving training June 9, 2011.

There is no more valuable tool we can provide Family Caregivers than the knowledge and training needed to perform this highly demanding labor of love," said Secretary of Veterans Affairs Eric K. Shinseki. "This training we provided in partnership with Easter Seals will meet this need and support Veterans and their Family Caregivers with services and benefits they have earned."

The core training, which was developed in collaboration with Easter Seals, a non-profit provider of services for individuals with special needs, is offered in traditional classroom settings, online, or through home

study with a DVD and workbook. The modules focus on the health and well-being of both the Veteran and the Family Caregiver. The training includes information on Family Caregiver self-care, home safety, practical caregiving skills, personal care services to the Veteran, challenging behaviors, and additional resources.

Family Caregivers attending the Easter Seals training will receive respite care for the Veteran under their care, as well as mileage reimbursement and lodging, if needed. A Spanish version of the training materials will also be available.

Since May 9, more than 1,000 Family Caregivers have applied for the new services. The training program was developed by the Easter Seals in collaboration with VA clinical experts as part of a package of new services. The package also includes a stipend, mental health services, and access to health care insurance.

Veterans may review the criteria for eligibility and download the Family Caregiver program application (VA CG 10-10) at www.caregiver.va.gov. The application enables the Veteran to designate a primary Family Caregiver and secondary Family Caregivers. Caregiver support coordinators are stationed at every VA medical center to assist with coordinating the training or helping Family Caregivers locate available services.

Caregivers of Veterans from all eras are encouraged to visit the **Web** site www.caregiver.va.gov or call the National Caregiver Support Line at 1-855-260-3274 to explore many other services VA provides Family Caregivers. For more information on Easter Seals, visit the **Web** site at www.easterseals.com.



2011 Resource Summary Table – by Objective and Strategy

The following table shows estimates of the resources devoted to Integrated Objective 1 and its supporting Integrated Strategies.

Integrated Objective 1			
Make it easier for Veterans and their families to receive the right benefits, meeting their expectations for quality, timeliness, and responsiveness.			
Resource Allocations by Integrated Strategy			
	Integrated Strategy	Obligations (\$ in Millions)	Pct. of Total VA Resources
Integrated Strategies	IS 1a —Improve and integrate services across VA to increase reliability, speed, and accuracy of delivery	52,064.4	39.4
	IS 1b —Develop a range of effective delivery methods that are convenient to Veterans and their families	17,671.4	13.4
	IS 1c —Improve VA’s ability to adjust capacity dynamically to meet changing needs, including preparedness for emergencies	6,038.3	4.6
	IS 1d —Provide Veterans and their families with integrated access to the most appropriate services from VA and our partners	13,497.9	10.2
	IS 1e —Enhance our understanding of Veterans’ and their families’ expectations by collecting and analyzing client satisfaction data and other key inputs	0.9	0.0
	Total for Integrated Objective 1	\$89,272.9	67.6%



INTEGRATED OBJECTIVE 2

Educate and empower Veterans and their families through proactive outreach and effective advocacy.

The Department’s most important 2011 achievements as well as its current challenges for Integrated Objective 2 are summarized below.

Most Important Achievements

EBENEFITS PORTAL: This portal is a major positive VA/DoD seamless benefits portal that will create full lifecycle support from initial recruitment through the Veteran experience. In 2011, eBenefits enrollment grew to over 800,000 users. VA and DoD enhanced self service access to information and services through the eBenefits Web portal. Examples of capabilities introduced were access to the Post 9-11 GI Bill application and to the 10-10EZ form to apply for health benefits.

VETSUCCESS INITIATIVE: VA continued to expand and enhance the VetSuccess initiative. Vetsuccess.gov is a one-stop shop for employment resources for Veterans. In 2011, VA enhanced the Web site to be more Veteran friendly and interactive to increase overall functionality. A news section and U.S map feature were added to include information on hiring programs, VA, and state-specific resources for Servicemembers, Veterans, and their family members in all phases of their transition. The number of new Veteran registrations increased 115 percent from 2010. As of third quarter 2011, 74,043 Veterans have registered on the site, surpassing the annual target of 41,171. The “VetSuccess on Campus” program provides on-campus support to student-Veterans to assist in the development and pursuit of educational goals. The program has a total of eight college campuses, serving approximately 8,000 Veteran students.

CONVERSION OF SGLI TO VGLI: The right 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 that may have difficulty obtaining life insurance from the private sector due to service-connected disabilities. VA established a specialized work unit devoted to outreach to recently separated disabled Servicemembers who would most benefit from the conversion. VA expanded its outreach from 200 to more than 1,500 recently separated disabled Servicemembers per month via personalized telephone calls to inform them of their insurance benefits.

CHANGES TO POST-9/11 GI BILL: In July 2011, VA launched an online campaign to highlight the changes made to the Post-9/11 GI Bill by P.L. 111-377. Changes included adding on-the-job and apprenticeship training, flight training, correspondence courses, and non-college degree programs as eligible under the Post-9/11 GI Bill. The Web-based advertising was targeted at states with high Post-9/11 Veteran unemployment.

MILLION VETERAN PROGRAM (MVP): VA launched the MVP, a leading-edge genomics research program, in May 2011 to move toward the personalization of Veterans’ health care.



APPOINTMENT SYSTEMS REDESIGN: Access to the nearly 70 million appointments in VHA clinics continues to improve in 2011. Access for new patients has improved from 84 percent to 89 percent for patients seen within 14 days of their desired date. VHA took the following actions:

- Simplified and improved alignment of reporting.
- Emphasized access in the network performance management system.
- Instituted a wide array of access improvement education and change initiatives for staff.

WOMEN VETERANS SUMMIT: VA's Center for Women Veterans sponsored the 2011 National Training Summit on Women Veterans in July. Nearly 700 participants from across the Nation, including VA staff who care for women Veterans, attended to collaborate and discuss issues facing women Veterans and women Servicemembers.

OFFICE OF SURVIVORS ASSISTANCE (OSA): OSA expanded current and fostered new collaborative partnerships with public and private sector organizations to further its mission. These partnerships included Survivor groups, U.S. Army Survivor Outreach Service, National Guard Bureau Transition Assistance Advisors Program, hospice and funeral industries, and VA Advisory Committees, to name a few. OSA also developed new and innovative communications materials and products.

CENTER FOR MINORITY VETERANS OUTREACH ACTIVITIES: In 2011, the Minority Veterans Program Coordinators (MVPC) conducted more than 11,000 outreach activities and saw more than 600,000 Veterans and family members, of which 45 percent were minority Veterans. The MVPCs also supported the Secretary's goal to eliminate homelessness among Veterans by conducting more than 1,000 homeless outreach activities; they saw more than 73,000 Veterans, of which 33 percent were minority Veterans.

INFORMATION TECHNOLOGY AND SECURITY: The Office of Information and Technology (OIT) took the following actions in 2011:

- Deployed Nationwide Health Information Network at pilot sites, allowing Veteran health information to be electronically shared between VA, DoD, and private industry partners.
- Enhanced the Bidirectional Health Exchange (BHIE) interface to enable VA providers to view DoD neuropsychological assessments and imagery and DoD inpatient notes.
- Continued to expand the number of participating VA health care providers with whom Veterans and family members can communicate electronically through My HealtheVet (MHV) Secure Messaging.
- Continually monitored the information flowing to and from VA Web sites that provide information to the public so that these sites maintained their operation.
- Was proactive against threats to all windows-based, networked systems, allowing for VA visibility into 340,000 end-user machines and ultimately ensuring that the information systems used in outreach and advocacy efforts run seamlessly without interruption.
- Provided continuous around-the-clock monitoring of VA's network through the VA Network and Security Operations Center (VA-NSOC) – protecting, responding to, and reporting threats. VA-NSOC examines more than 1.29 billion Web requests per day and prevents 1.7 million viruses a year from infecting the VA network.
- Increased outreach to VA employees and contractors to enhance the level of information security awareness throughout VA through mandatory training, monthly security brown bag lunches, and



the annual Information Protection Awareness Week during which OIT interacted with more than 3,000 VA staff members at more than 200 locations.

VA CFBNP AND WHITE HOUSE COLLABORATIVE INITIATIVE: The VA Center for Faith-Based and Neighborhood Partnerships (CFBNP) along with other agency CFBNP participated in the “White House Conversation on Faith-based Organizations Supporting Military Families.” VA CFBNP Director and staff were a part of the planning team that convened over 25 faith-based and community organizations that currently support Military families and Veterans. The purpose of the conversation was to identify ways faith-based groups are already supporting Military families around the country and develop tools to expand this support to thousands of additional congregations and nonprofit organizations. As a result of this meeting, and in keeping with America’s commitment to care for our Service men and women, First Lady Michelle Obama and Dr. Jill Biden used information from this conversation as part of the Joining Forces Initiative launch: www.whitehouse.gov/joiningforces. The First Lady hosted a call with faith and community leaders on “Joining Forces,” which is a comprehensive national initiative to mobilize all sectors of society to give our Servicemembers and their families the opportunities and support they have earned. Over 1,800 persons representing faith and community-based organizations from across the country were on the conference call. Currently, the VA CFBNP Director and staff are supporting “Joining Forces” by providing information to faith-based organizations on how they can provide support to Military families and Veterans.

In 2011, VA CFBNP also published the Supporting Veterans and Military Families chapter in the newly published interagency Partnership Guide: www.hhs.gov/partnerships/resources/partnerships_toolkit.pdf. The Guide was designed to give local faith and community leaders a menu of opportunities to partner with the White House CFBNP to address a variety of challenges and issues critical to local communities.

Challenges

OUTDATED OUTREACH PLATFORM: The new Insurance Service outreach unit is currently working in a platform that does not have the imaging and electronic workflow technology needed for the unit to function at an optimal level. VA is near completion of a new outreach platform that will provide the functionalities required to increase the effectiveness and efficiency of the unit.

NO-SHOWS: VHA continues to focus on improving "no-shows" for all appointments, including OEF/OIF/OND. VHA is in the process of rolling out an enterprise-wide No-Show Initiative. This effort includes:

- Clinic-by-clinic assessment of factors driving no-shows.
- Systematic implementation of proven strategies to improve no-shows.

INFORMATION SECURITY THREATS: VA Web sites are subject to constant attack by those who wish to prevent Veterans from getting the services and benefits provided by VA. Additionally, the growing use of social media technology has increased the number and types of threats faced by the Department. There is an increased risk that malicious content or links accessed on these sites could breach VA systems and negatively impact operation of the VA network.



LACK OF DEMOGRAPHIC DATA: The lack of demographic data on Survivors impedes the efforts of the Office of Survivors Assistance to identify where more targeted outreach may be deployed. For the Center for Minority Veterans to measure the effectiveness of its outreach, it is essential that a methodology be established for collection of demographic data.

CFBNP OUTREACH: Since VA CFBNP does not have VA field employees at the VISN and/or regional offices, it is difficult to follow up with persons who attend the various outreach events.



Making a Difference for Veterans

VA Rolls Out New Homeless Intervention Program



VA Deputy Secretary W. Scott Gould participated in a homeless census in Washington, DC, in January 2011.



A homeless-prevention program by the Department of Veterans Affairs (VA), which seeks to help Veterans and families who are on the verge of becoming homeless, was launched in July. The nearly \$60 million in grants will serve approximately 22,000 homeless and at-risk Veteran families at 85 non-profit community agencies in 40 states and the District of Columbia. This program marks the first time that VA will fund services for the spouses and children of Veterans at risk of becoming homeless.

“The problems that lead to homelessness begin long before Veterans and their families are on the streets,” said Secretary of Veterans Affairs Eric K. Shinseki. “By putting more resources into intervention programs for people at risk of becoming homeless, we can reduce suffering and increase the opportunities for turning around these lives.”

The program, called Supportive Services for Veteran Families (SSVF), will promote housing stability among homeless and at-risk Veterans and their families. Under the SSVF program, VA awards grants to private non-profit organizations and consumer cooperatives that can provide a range of supportive services to eligible very low-income Veteran families. Supportive services include outreach, case management, assistance in obtaining VA benefits, and assistance in obtaining and coordinating other public

benefits. Grantees will also have the ability to make time-limited temporary financial assistance payments on behalf of Veterans for purposes such as rent payments, utility payments, security deposits, and moving costs.

In January, VA sponsored free grant-writing workshops for community organizations interested in applying for funds under this program. The workshops were held in Chicago, Los Angeles, Seattle, Houston, and New York City.

For more information about VA's homeless programs, visit the **Web** site at <http://www.va.gov/homeless>. A list of award recipients and details about the Supportive Services for Veteran Families program are available online at <http://www1.va.gov/homeless/ssvf.asp>. Community organizations can also contact VA at 1-877-737-0111 or at SSVF@va.gov.



2011 Resource Summary Table – by Objective and Strategy

The following table shows estimates of the resources devoted to Integrated Objective 2 and its supporting Integrated Strategies.

Integrated Objective 2 Educate and empower Veterans and their families through proactive outreach and effective advocacy.			
Resource Allocations by Integrated Strategy			
	Integrated Strategy	Obligations (\$ in Millions)	Pct. of Total VA Resources
Integrated Strategies	IS 2a —Use clear, accurate, consistent, and targeted messages to build awareness of VA’s benefits amongst our employees, Veterans and their families, and other stakeholders	4.1	0.0
	IS 2b —Leverage technology and partnerships to reach Veterans and their families and advocate on their behalf	11,163.2	8.4
	IS 2c —Reach out proactively and in a timely fashion to communicate with Veterans and their families and promote Veteran engagement	1.5	0.0
	IS 2d —Engage in two-way communications with Veterans and their families to help them understand available benefits, get feedback on VA programs, and build relationships with them as our clients	8,485.1	6.4
	Total for Integrated Objective 2	\$19,653.9	14.8%



INTEGRATED OBJECTIVE 3

Build our internal capacity to serve Veterans, their families, our employees, and other stakeholders efficiently and effectively.

The Department’s most important 2011 achievements as well as its current challenges for Integrated Objective 3 are summarized below.

Most Important Achievements

ACADEMIC AFFILIATIONS: The 5-year implementation of the Graduate Medical Education Enhancement Initiative ended in 2011. Nearly 1,500 resident positions were added nationwide because of this initiative. The goals of this enhancement initiative were to:

- Address physician shortages by expanding resident positions in specialties of greatest need to Veterans and the Nation.
- Address the uneven geographic distribution of residents in VA to improve access to care.
- Foster innovative models of education.

CENTERS OF EXCELLENCE IN PRIMARY CARE EDUCATION: Medical centers in Cleveland; San Francisco; Boise; West Haven, Connecticut; and Seattle were selected in January 2011 from among 20 full proposals submitted under VA’s Centers of Excellence in Primary Care Education Initiative. The awarded sites will begin developing innovative and multi-disciplinary educational models to integrate trainees into team-based models of care. Trainees at these model sites started their work in July 2011.

CHIEF BUSINESS OFFICE:

- Increased revenue-cycle efficiency in key performance metrics through deployment of one additional industry best practice—regional Consolidated Patient Account Centers (CPAC) and further stabilization of the two CPACs deployed in 2010.
- Developed a next generation Integrated Collections Forecasting Model to produce fair and reasonable estimates of the President’s Budget for First and Third Party Medical Care Collections Fund (MCCF) revenues at the local and national levels, based on additional variables to include Veteran demographics (age, Priority Group, insurance status), case mix, economic conditions, policy changes, and historic billing and collection patterns.
- Increased electronic Pharmacy claim volumes nearly 37 percent this year to date over 2010. VA is now submitting real-time Blue Cross Blue Shield Federal Employee Program (BCBS FEP) electronic Pharmacy claims to Caremark (administers benefit for BCBS FEP). VA benefits from this process since it reduces the days-to-bill and days-to-collect for the largest Veterans’ pharmacy plan.

VULNERABILITY ASSESSMENTS: VA’s Office of Security and Law Enforcement completed on-site vulnerability assessments of 1,361 VA locations in 2010-2011. Mitigating the high risk locations has been VA’s top priority. Since completing the assessments in January 2011, VA facilities have hired 118 police officers of the 160 identified as needed by the assessments and have initiated 72 infrastructure improvement or security systems projects. Work continues into 2012 to bring all facilities into compliance with physical security standards.



VA'S OFFICE OF EMERGENCY MANAGEMENT (OEM): The Integrated Operations Center (IOC) has increased VA's capability for fusions, predictive analysis, and timely recommendations to VA Senior leadership. The IOC's increased staffing of Watch Officers that represent their Administrations or Staff Offices/Organizations has allowed this increased capability. In June 2011, the Capital Region Readiness Center was completed and became operational for daily functions. OEM also developed VA Handbook 0321.1 *VA Integrated Operations Center*, which provided procedures for the operations of the IOC. Additionally three departmental plans (the Master Continuity Plan, the Reconstitution Plan, and the Devolution Plan) were developed and published.

OFFICE OF POLICY AND PLANNING (OPP): OPP took the following actions:

- Created a planning, programming, budgeting, and evaluation (PPBE) process, which established a 2012 program baseline; delivered a prototype programming database to demonstrate programming concepts and capabilities; issued integrated programming/budgeting guidance for the 2013-2017 resource cycle; and established a PPBE integration team to ensure synchronization, coordination, and synergy of VA's PPBE efforts.
- Instituted changes to the strategic planning process including the establishment of a Strategic Studies Group to aid the Department in developing long-term insights and perspectives on emerging Veterans' issues; the establishment of a collaborative Senior level Strategic Planning Council; and the integration of the strategic planning process into the planning, programming, budgeting, and evaluation process.
- Provided program management support and operational planning direction to the 16 major initiatives deemed critical by the Secretary to transform VA into a 21st century organization; conducted detailed execution reviews and lockdowns of major initiatives to provide independent assessment of progress; identified barriers to success; and helped define solutions to ensure collective execution of 397 acquisition packages worth \$784 million.
- Led the establishment of the VA Data Governance Council and the VA Data Management Working Group to improve the quality and value of VA data; establish VA policies and standards involved in the creation, collection, and dissemination of authoritative data; resolve cross-organizational data-sharing issues; support initiatives, programs, or project teams in the access and use of common VA data; inventory and document VA source databases, including all major Administration data systems; establish the VA Data Governance Directive; and launch the new VA data and statistics Web site with more content on Veteran demographic, socioeconomic, and VA utilization statistics.

PUBLICATION OF A NUMBER OF IMPORTANT RULEMAKINGS: In 2011, attorneys from the Office of General Counsel's Office of Regulation Policy and Management helped VA program offices publish a number of regulations of importance to Veterans. New VA regulations supported the goals of the Openness in Government Act, provided supportive services for Veterans' families and homeless Veterans, improved health care services for homeless Veterans including those with substance abuse problems, extended coverage for herbicide exposures to certain Veterans in or near the Korean demilitarized zone, liberalized the requirements for modifying VA-guaranteed home loans to help Veterans avoid foreclosures, held down the rising costs of pharmacy co-payments for Veterans, helped prevent Veterans released from incarceration from becoming homeless, assisted Veterans with disabilities train for and compete on the U.S. Paralympics team, authorized the continuation of per diem payments for Veterans at state homes during emergency evacuations, implemented new benefits for



Veterans needing service dogs, included functional gastrointestinal disorders (FGIDs) within the scope of the existing presumptions of service connection for medically unexplained chronic multisymptom illnesses, and quickly implemented Congressional amendments in the Post-9/11 Veterans Educational Assistance Improvements Act of 2010.

REGULATION REWRITE PROJECT: The Office of Regulation Policy and Management in the Office of General Counsel is making substantial progress in completing a monumental, multi-year project to completely reorganize and rewrite all of VA's compensation and pension regulations. When completed, this major revision of VA's most complex regulations will aid Veterans, Veterans Service Organizations (VSO), and VA employees in understanding and applying VA laws and regulations. The final rule is scheduled to be completed and published in 2012.

EMPLOYING VETERANS: VA reached a milestone of employing 100,000 Veterans.

TELEWORK: Approximately 11 percent of VA's employees are eligible to telework.

BUILDING AND LAND REUSE: An Enhanced Use Lease (EUL) development partner opened a housing facility for homeless Veterans on the Batavia, New York, VA Medical Center campus. This project reuses an underutilized building that is approximately 7,000 square feet to create 18 beds for Veterans. VA signed an EUL with the Salt Lake City Public Housing Authority to provide a 72-unit building on underutilized land at the Salt Lake City VA Medical Center. In addition, VA continued to pursue the Building Utilization Review and Repurposing (BURR) Initiative to establish projects nationwide to house Veterans and their families on underutilized VA property.

GREEN MANAGEMENT: VA has invested in energy projects that improve energy security, enhance emergency response, and provide ongoing returns to the taxpayer, all of which continually improve our internal capacity to serve our clients effectively and efficiently under all conditions. VA also achieved its goal of powering over 50 percent of its vehicle fleet with alternative fuels. To support our changing fleet, VA installed and awarded 30 alternative fueling (E-85) stations.

CAPITAL ASSET PLANNING AND MANAGEMENT: VA provided planning and guidance that resulted in completed disposals covering 44 buildings making up more than 211,000 gross square feet in 2011. In addition, VA developed disposal or reuse plans for over 720 assets over the next 5 years (through FY 2016) accounting for approximately 8 million gross square feet and 440 acres through the Strategic Capital Investment Planning (SCIP) process. To better support SCIP, VA developed a Web-based SCIP automated tool used in the formulation of the 2013-2022 Action Plans. These plans will be released with the FY 2013 construction budget submission in February 2012.

DISABILITY EXAMINATION MANAGEMENT: The Denver Acquisition and Logistics Center (DALC) awarded five Disability Examination Management Contracts. These contracts will provide clinical disability examinations for VHA. Examinations can be provided at specified contractor locations, VA Health Care Facilities, and Military Treatment Facilities across the country. Disability Examinations are critical pieces of evidence for determining the extent of permanent impairment and thus the percent of disability that defines the benefits a Veteran is awarded. Prior to performance, staff performing disability examinations must receive approved training for all required disability examination modules



and general VA disability examination training. Since this is a national program to include the United States, Asia, Europe, and Latin America, the Disability Examination Program Office is phasing in the implementation.

PROJECT ARCH: This is an initiative to provide community-based health care to Veterans in rural and highly rural areas. Two contracts were awarded providing services to eligible Veterans residing in the pilot areas. Project ARCH intends to improve access for eligible Veterans who must travel to receive care within VA by connecting them to health care services closer to where they live. Under this program, Veterans will gain local convenience without sacrificing the quality of care VA provides Veterans within its system. Additionally, these contracts will assist in reducing wait times and reduction of current excessive wait lists in certain areas thereby providing prompt, much needed care to Veterans. Contractors are required to make appointments available for participating Veterans within 14 days.

ASSISTED LIVING FOR VETERANS WITH TRAUMATIC BRAIN INJURY (AL-TBI): This is a program to provide assisted living services to eligible Veterans with traumatic brain injury in order to enhance their rehabilitation, quality of life, and community integration. The DALC awarded 21 contracts providing access to over 200 qualified assisted living facilities throughout the country. To date, approximately 40 Veterans are currently receiving care through these contracts. Utilization is expected to increase as awareness of the program grows and Veterans become eligible. The AL-TBI program provides much needed services to Veterans who may not be able to receive the quality of care needed due to high cost. Prior to the establishment of these contract, VA used Memoranda of Understanding to provide care. The contracts provide for guaranteed access, quality of care, and standardization of processes.

PROCUREMENT ACTION LEAD TIME (PALT): From October 2010 through July 2011, the Federal Supply Schedule Service (FSSS) improved its overall PALT measure by 18 percent. This means that the amount of time to complete modification actions, extensions, and new offers decreased overall by 18 percent. Standardized forms, improved training venues, and dedication from the FSSS team members account for the majority of this improvement.

TELEHEALTH CONTRACTS: The National Contract Service awarded six Indefinite Delivery Indefinite Quantity (IDIQ) contracts for VA's Home Telehealth Program. The Home Telehealth Program, headed by Dr. Adam Darkins, provides Veterans access to medical care from their homes. Telehealth equipment installed in patients' homes queries them about their daily health status based on interactive software routines and transmits this data directly to VA medical personnel for review. This program allows Veterans who have limited mobility or live long distances from VA facilities to maintain their health without constant travel. The contracts are valued at approximately \$1 billion over their 5-year life span.

Challenges

CHIEF BUSINESS OFFICE CHALLENGES:

- Realizing continued growth in First and Third Party MCCF revenues, based on current economic conditions, policy changes, aging of Veteran population to 65 and older, and migration of Veterans to non-copay categories.



Part I - Performance Summaries by Integrated Objective

- Transitioning required by health care industry to meet the next generation of Health Insurance Portability and Accountability Act standards.

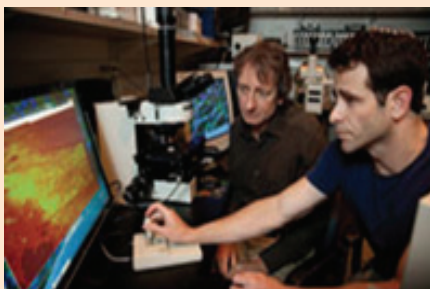
TELEWORK: Many positions within VA (for example, in VHA and NCA) are more direct service-related and are not suitable for telework.

ENHANCED USE LEASE: Financing an EUL project can be difficult in the current economic climate. If a development partner cannot finance a project, executing an EUL cannot be accomplished.



Making a Difference for Veterans

New VA Initiative Brings Together Key Groups Working toward a Cure for Spinal Cord Injury



Dr. Mark Tuszynski of VA and the University of California, San Diego (left), seen here with associate Dr. Ephron Rosenzweig, is seeking ways to regenerate injured spinal cord tissue.

When physician-researcher Mark Tuszynski, M.D., Ph.D., talks with patients who have spinal cord injury, he advises them to "have a positive outlook and keep their bodies in the best shape possible. With much hard work and some luck, we hope to have truly promising therapies to deliver in the future."

A new VA initiative aims to put researchers on the fast track toward that future. The VA Spinal Cord Injury Collaborative Translational Consortium is building teams of leading investigators—almost a "Who's Who" of spinal cord research in the U.S. today—to nurture high-risk, high-return ideas that would likely not get funded through other programs and to create synergy among scientists who are in hot pursuit of the same goal.

One lead group in West Haven, Connecticut, led by Jeffery Kocsis, Ph.D., of VA and Yale University, and another in

San Diego, led by Tuszynski, with VA and the University of California, have already begun a dialogue that will have them sharing data, techniques, and experimental therapies; replicating each other's results; and propelling the research forward at a pace that would otherwise be hard to attain.

"Right now we are still working in animal models," says Audrey Kusiak, Ph.D., the scientific program manager for VA who designed the consortium and oversees it. "The hope is that after 10 years of research and funding, the consortium will have the data and expertise to translate the methods and results to humans."

Tuszynski believes in a combination approach, and his lab has had a string of successes along that line. Kusiak notes that recent studies from the San Diego team "have shown that combinations of cells, drugs, and growth factors result in re-growth of nerve fibers past the site of injury 12 months after the injury. Similar combinations have resulted in recovery of function in rodents as well as non-human primates."

Some experimental therapies for spinal cord regeneration must be used within hours of the initial injury. Others, targeted to "subacute" injuries, must be used within a week or two. The VA consortium, though, will seek to develop therapies that will work even months after an injury. "That's more relevant to our Veteran population than acute or subacute therapies," says Kusiak.

Kocsis, who for many years has partnered with well-known VA-Yale neurology researcher Stephen Waxman, M.D., Ph.D., is working on methods that will complement those of the San Diego group. One area is testing adult stem cells for spinal cord regeneration.

It's hard to predict right now which therapies will emerge as the most practical for human trials, but Kusiak believes the consortium will speed progress toward that goal. She says she's gotten excellent feedback on the overall plan from her counterpart at the National Institutes of Health—particularly on the built-in checkpoints that require careful validation by collaborating groups before a potential therapy can advance from rodent to primate testing, and from primates to humans. The field of spinal cord research is at a crossroads, she says, and aggressive, wide-reaching approaches are needed more than ever to move discoveries from labs to clinics. She hopes the new consortium will do just that.

"It is truly unique to VA," says Kusiak. "We think it's a model system for translation."

For information about Veterans and spinal cord injury, visit the [Web](#)

http://www.queri.research.va.gov/about/factsheets/sci_factsheet.pdf



2011 Resource Summary Table – by Objective and Strategy

The following table shows estimates of the resources devoted to Integrated Objective 3 and its supporting Integrated Strategies.

Integrated Objective 3			
Build our internal capacity to serve Veterans, their families, our employees, and other stakeholders efficiently and effectively.			
Resource Allocations by Integrated Strategy			
	Integrated Strategy	Obligations (\$ in Millions)	Pct. of Total VA Resources
Integrated Strategies	IS 3a — Anticipate and proactively prepare for the needs of Veterans, their families, and our employees	15.8	0.0
	IS 3b — Recruit, hire, train, develop, deploy, and retain a diverse VA workforce to meet current and future needs and challenges	2,054.4	1.6
	IS 3c — Create and maintain an effective, integrated, Departmentwide management capability to make data-driven decisions, allocate resources, and manage results	11,394.1	8.6
	IS 3d — Create a collaborative, knowledge-sharing culture across VA and with DoD and other partners to support our ability to be people-centric, results-driven, and forward-looking at all times	9,011.2	6.8
	IS 3e — Manage physical and virtual infrastructure plans and execution to meet emerging needs	886.1	0.7
	Total for Integrated Objective 3		\$23,361.6



Major Initiatives

VA has identified 16 major initiatives that will serve as a platform to transform VA into a 21st century organization that is people centric, results-driven, and forward-looking. Provided below are tables for each of the initiatives showing the problem being addressed and a summary of 2011 actions and progress.

ELIMINATE VETERAN HOMELESSNESS (PRIORITY GOAL)	
Problem Being Addressed	2011 Actions and Progress
<ul style="list-style-type: none"> Single male Veterans are disproportionately represented among the homeless population. Based on the most recent data available, at any given time approximately 16 percent of the homeless adult population are Veterans. Veterans compose roughly 9.5 percent of the total adult population of the United States. In 2010, homeless population estimates suggested that about 76,329 Veterans were homeless at any given time and perhaps up to twice as many experienced homelessness at some point during the course of a year. (*) <p>(*) Accurately counting and/or calculating the number of homeless Veterans in the United States is understandably difficult. The homeless are usually mobile, generally cannot be contacted by phone or mail, and may not be willing to participate in surveys or avail themselves to other data gathering efforts.</p> <p>Based on a recent U.S. Department of Housing and Urban Development report submitted to Congress, during a 12-month period (October 2009 through September 2010) homeless Veterans made up approximately 11.5 percent of all homeless adults who accessed emergency shelters or transitional housing in communities across the United States.</p> <p>Many other Veterans are considered near homeless or at risk because of their poverty, lack of support from family and friends, and dismal living conditions in cheap hotels or in overcrowded or substandard housing.</p>	<p>VA is the Nation’s largest single provider of homeless treatment and benefits assistance services to homeless Veterans. In 2011, it was projected that approximately 150,000 Veterans were served in VA’s continuum of homeless programs. VA’s Plan to Eliminate Homelessness Among Veterans will assist every eligible homeless or at-risk Veteran willing to accept services. The plan focuses on the prevention of homelessness, permanent supportive housing, mental health and substance use treatment, and education and employment assistance. VA offers the following to help end homelessness among the Nation’s Veterans:</p> <ul style="list-style-type: none"> VA launched the Supportive Services for Veteran Families (SSVF) Program. \$59.5 million in grants was distributed to 85 community agencies to prevent Veterans and their families from falling into homelessness. The Homeless Veterans Demonstration Pilot was launched in March 2011 to assist Veterans who are transitioning from active duty. As of August 31, 2011, over 1,000 Veterans had been screened for this program. VA continues to foster interagency collaboration with the United States Interagency Council on Homelessness; the Departments of Housing and Urban Development, Labor, Education, Health and Human Services, and Justice; and others. VA estimates that \$799 million was spent in 2011 in direct support of homeless Veterans and estimates that overall it spent \$3.4 billion in health care treatment costs in 2011 for homeless Veterans. In December 2009, VA launched the National Call Center for Homeless Veterans (NCCHV). The call center number is 1-877-4AID-VET. As of September 30, 2011, 48,869 calls have been received by the NCCHV. A chat line was also implemented in March 2010, and as of September 30, 2011, 3,980 chats have taken place. As of August 31, 2011, VA has 25,659 Veterans actively housed through the HUD-VASH Program. Through public/private ventures using VA’s enhanced-use leasing authority and underutilized real property, VA will add permanent and transitional housing units for homeless Veterans and those at risk for homelessness.



ENABLE 21ST CENTURY BENEFITS DELIVERY AND SERVICES (PRIORITY GOAL)

Problem Being Addressed	2011 Actions and Progress
<ul style="list-style-type: none"> • The average disability claims processing time is 188 days. Veterans and survivors waiting to receive decisions on their compensation and pension claims need timely decisions because they rely on VA benefits that they earned through their military service. • Reducing the length of time it takes to process compensation and pension rating-related claims is an integral part of VA’s mission to serve Veterans by providing all possible benefits under the law to eligible claimants in a timely, accurate, and compassionate manner. • VA seeks to eliminate the disability claims backlog by 2015 and ensure that no Veteran has to wait more than 125 days for a high quality decision. 	<p>VA is implementing a 21st Century paperless claims processing system—the Veterans Benefits Management System (VBMS) as part of the overall VBA Claims Transformation Plan.</p> <p>Actions and progress made during 2011 on VBMS are cited below:</p> <ul style="list-style-type: none"> • <u>Completed Phase I</u>: Production deployment and Phase I operations in the Providence, Rhode Island, Regional Office were completed in May 2011. • <u>Began Phase II</u>: Production deployment of an enhanced system to the Salt Lake City Regional Office in May 2011. Operations continued in the Providence Regional Office. <p>Other Transformation Initiatives implemented during 2011 include:</p> <ul style="list-style-type: none"> • Standardized VA examination questionnaires to ensure that accurate medical evidence necessary in the disability evaluation process is obtained from both VA and private medical examiners. • Disability evaluation calculators, which guide claims processors in determining the proper evaluation to assign to a disability per regulatory criteria.



AUTOMATE GI BILL BENEFITS (PRIORITY GOAL)

Problem Being Addressed	2011 Actions and Progress
<ul style="list-style-type: none">• Automate elements of VBA Post-9/11 GI Bill claims processing.• Improve timeliness of Post-9/11 GI Bill claims processing while maintaining the current claims processing timeliness levels for other benefit programs.• Provide automated processing functionality by adding interfaces to other databases and integrating workflow management functions into the Long-Term Solution.	<ul style="list-style-type: none">• Provided a school enrollment interface between the VA Online Certification program and the Long-Term Solution (LTS).• Provided an interface to the Benefits Delivery Network payment system to pre-populate data and automate payments.• Provided functionality within LTS to pay for license, certification, and national exams reimbursement.• Provided functionality to prorate housing allowance



CREATE VIRTUAL LIFETIME ELECTRONIC RECORDS BY 2012 (PRIORITY GOAL)

Problem Being Addressed	2011 Actions and Progress
<ul style="list-style-type: none"> • Incompatibility between DoD and VA electronic health records systems for Veterans and military Servicemembers. • Inability to interface with third party health care providers to form a complete electronic health care record for Veterans and military Servicemembers. • Safeguarding of Veterans and military Servicemembers' Personally Identifiable Information (PII) woefully inadequate for secure exchange of health-care information over wide Web Networks. 	<ul style="list-style-type: none"> • Enabling the transfer of 12 DoD inpatient note types to VA and enabling DoD-to-VA image transfer. • Upgrades to increase the number of Active Dual Consumer activations, which in turn allows providers to see more complete data for more of their patients at VHA sites. • The VA Nationwide Health Information Network (NwHIN) added private partner pilot locations: Inland Northwest Health Services, North Carolina Healthcare Information, and Communications Alliance. The following VA Medical Centers were added to the pilot: Richmond and Charleston. Additional data types were added: Visits, Procedures (Surgery and Radiology), TIU Documents, and Lab Results Grouped by Panel. <p>Over the last year VLER has taken a number of steps to increase data security. Two examples are:</p> <ul style="list-style-type: none"> • The NwHIN Direct v1.0 software release helped expand the service of NwHIN to allow for the delivery of simple, secure, scalable, standards-based encrypted health information directly to known trusted recipients over the Internet. • The Clinical Health Data Repository (CHDR) 2.0 release includes features requested by VHA Identity Management, clinicians, and others, and improves upon the functionality presented in CHDR 1.3. Code enhancements made in this release will also provide improved information and resource sharing between the DoD Military Health System (MHS) and VHA.



IMPROVE VETERANS MENTAL HEALTH (PRIORITY GOAL)

Problem Being Addressed	2011 Actions and Progress
<ul style="list-style-type: none"> • Nearly 30 percent of the patients VA sees during a given year have a mental health diagnosis. As a result, VA has designed its health system on the basis that mental health is a critical part of overall health care. PTSD, depression, and problem drinking are the three most common mental health conditions afflicting Veterans. • The goal of Improving Veteran Mental Health (IVMH) is to continue the transformation of VA Mental Health that began with the publication of the Handbook on Uniform Mental Health Services in VA Medical Centers and Clinics and continues to evolve. • Ensure clinical services in medical centers and clinics are patient-centered and recovery-oriented and address mental health needs that emerge in all medical care settings. 	<ul style="list-style-type: none"> • The Uniform Mental Health Services Handbook provides a comprehensive, Veteran-centric, forward-looking outline of the full range of mental health services that VA Medical Facilities and Community-Based Outpatient Clinics must provide. Evaluation of its implementation suggests that VA is well along in full implementation with more than 50 percent of all facilities having implemented 95 percent of the handbook requirements. As a result, VA provides a high level, by any standard, of comprehensive care for mental health problems. Over 4,500 mental health staff members have been trained in the delivery of one or more evidence-based psychotherapies. VHA has acquired software and implemented a national training program to standardize recovery-oriented, mental health treatment planning at all VHA facilities. • Mental health staff are integrated into primary care clinics throughout the VA system and assist with the Patient Aligned Care Teams; they follow up on positive mental health screens and conduct full evaluations; deliver co-located, collaborative psychosocial mental health care; deliver Behavioral Medicine interventions for physical health problems; and consult with primary care team staff members on delivering care to Veterans with significant mental health problems that interfere with medical adherence, effective communication with providers, and full engagement in the treatment process. • Suicide Prevention: August 2011 marks 4 years since the establishment of VA’s Veterans Crisis Line (1-800-273-TALK [8255] or www.veteranscrisisline.net) and 2 years since the establishment of the Veterans Chat Service. The program continues to thrive, saving lives and linking Veterans with effective, ongoing mental health services. Details as of July 31, 2011, include: over 450,000 calls and 20,000 chat connections; over 16,000 rescues of those in immediate suicidal crisis; and over 61,000 callers provided referral to a local VA Suicide Prevention Coordinator. VA has established an on-going public relations contract to assist with the messaging and the marketing of this service and increasing its usage. VA continues to partner with DoD in joint suicide prevention training and awareness activities and to conduct local outreach efforts including poster placement at various VA and community sites, Suicide Prevention Coordinator trainings in the community, and regular local “awareness” activities.



BUILD VRM CAPABILITY TO ENABLE CONVENIENT, SEAMLESS INTERACTIONS (PRIORITY GOAL)

Problem Being Addressed	2011 Actions and Progress
<ul style="list-style-type: none"> • The types of client service interactions that are common to Veterans and their families in society are changing rapidly, along with their expectations for service levels. • VA has an obligation to change as well. VA must offer Veterans and their families a higher level of service by leveraging technological advances to learn more about the needs and preferences of our clients and becoming more proactive in serving them in an integrated fashion. Technology is quickly developing to support extensive self-service, and many clients’ preferences are evolving toward these interfaces. • It is crucial that VA provide consistent information, access, and service levels across all interfaces that are aligned with our clients’ preferences. 	<ul style="list-style-type: none"> • The VBA National Queue (call routing) was implemented, and calls are now routed based on agent skills to the first available agent equipped to best answer the call type. This foundational infrastructure facilitates deployments of Virtual Hold and Scheduled Callback capabilities in 2012. • Call recording for the VBA National Call Centers (NCC) was implemented, and 100 percent of inbound calls are recorded for standardized quality assurance reviews. Robust analytical tools are used to identify service and technology issues that provide information for agent training and coaching and address static, dropped calls, or transfer concerns. • A Customer Relationship Management (CRM) prototype was completed to refine requirements for CRM that will enable the capture of caller history, streamline data access, facilitate first contact resolution, and provide personalized service to Veterans. CRM will be deployed to the St. Louis VBA NCC by December 2011, and quarterly deployments will continue to the remaining seven VBA NCCs throughout 2012. • eBenefits releases (v2.5, v2.6, and v3.1) enhanced self-service access to information and services through the Internet. Examples of capabilities introduced include: access to the Post 9-11 GI Bill application, capability to generate official VA letters, access to 10-10EZ form to apply for health benefits, capability to apply for a VGLI policy or view and update information for an existing policy, and early notification of benefits based on business-defined life triggers. • Knowledge Management (KM) products were acquired that will assist VA contact center representatives to access VA general knowledge to provide accurate, complete, and consistent information to client inquiries. Release 1.0 of VRM KM will incorporate Public Contact Representative toolbox and Veteran Benefits Reference System content for the initial CRM deployment to the St. Louis NCC by December 2011. • VONAPP Direct Connect will introduce an online interview style to apply for benefits via eBenefits. Initial releases include 21-686c “Declaration of Status of Dependents” and 21-674 “Request for Approval of School Attendance.” Increment 2.0 will be the 21-526ez “Fully Developed Claim (for Compensation benefits).” VONAPP Direct Connect Increment 2.0 is scheduled for release in December 2011. The initial release (Pilot Proof of Concept) is scheduled for the end of October 2011.



DESIGN A VETERAN-CENTRIC HEALTH CARE MODEL AND INFRASTRUCTURE TO HELP VETERANS NAVIGATE THE HEALTH CARE DELIVERY SYSTEM AND RECEIVE COORDINATED CARE

Problem Being Addressed	2011 Actions and Progress
<p><u>Patient Aligned Care Team Model</u></p> <ul style="list-style-type: none"> • Veterans and their families are faced with the complexities of modern health care, which can often seem daunting and confusing. • There is a need for both health care systems and health care providers to function as a team, led by the Veteran’s personal provider who works collaboratively with Veterans and their families to improve access, communication, coordination, quality, and safety of health care delivery. <p><u>Telehealth: Addressing Access</u></p> <ul style="list-style-type: none"> • VA’s expansion of telehealth is addressing the needs of special populations by providing dynamic and accessible programs in the areas of telemental health, post-amputation care, spinal cord injury, support of OEF/OIF returnees, and support of other Veterans with other catastrophic injuries and illnesses. 	<ul style="list-style-type: none"> • VA continued efforts to add and train staff to ensure that every Veteran is offered and provided with a Patient Aligned Care Team to coordinate care and to identify, evaluate, and, when appropriate, initiate treatment for medical, psychosocial, and mental health needs. • VA has focused activities on orchestrating and integrating health care between primary care and non-primary care services and specialists; offering longitudinal care for most Veterans with chronic stable diseases; providing comprehensive post-deployment care for the returning combat Veteran; and educating, advising, and counseling Veterans to promote shared decision making. • VA’s national telehealth programs provide standardized, evidence-based, robust clinical services that increase Veteran patients’ access to care, reduce avoidable hospitalizations, and result in high levels of patient satisfaction. VA national telehealth programs create Veteran-centered care through a focus on prioritized Veteran patient needs and coordinated services across the continuum of care.



ENHANCE THE VETERAN EXPERIENCE AND ACCESS TO HEALTH CARE

Problem Being Addressed	2011 Actions and Progress
<ul style="list-style-type: none"> • Veterans in rural areas face barriers to accessing health care or other VA services. Transportation resources are not always available. • Scarcity of health care resources in rural areas requires VA to develop and implement innovative delivery systems. • VHA needs to transform nationally from a medical model of disease care to one of health care, focusing on the Veteran at the center. • VA needs to improve Veteran access to outpatient and inpatient care; VA needs to build a culture of continuous improvement within the VA health care system. • VA is establishing Veteran service through interactive point of service kiosks (VetLink) at VA health care facilities. VetLink will improve VA’s information collection without requiring significant expenditures in staff costs. It will help improve VA’s interactions with patients—providing Veterans convenient control of their own information. • VHA will be transparent in sharing quality data both internal and external to VA. • Veterans’ understanding of their health benefits and responsibilities needs to be improved. 	<ul style="list-style-type: none"> • Four pilot medical centers have fully implemented the expanded transportation system with the Ride Share Software, which coordinates and schedules transportation between all available vehicles. Six additional sites have begun pilot implementation. Numerous articles in Veterans Service Organization magazines have highlighted this new program, which has received positive responses from Veterans. • Project ARCH (Access Received Closer to Home) has implemented five pilot sites within five separate VISNs to offer Fee Basis Care (non-VA) to eligible Veterans to eliminate or minimize distance travel for health care services. A program evaluation contract was awarded to measure outcomes for these pilots. • VHA established the Office of Patient Centered Care and Cultural Transformation. The new executive leadership team has provided numerous educational offerings and briefings to VHA Senior Leadership and field personnel regarding the new vision and approach to patient centered care. Readiness assessments are being completed in each VISN, and nine Centers of Innovation have been established to pilot new clinical models of care and various Veteran-Centered approaches. • 94 percent of Veterans have access to primary care within 14 days of their desired appointment date. Last year, 99 percent of Veterans had access within 30 days. Process improvements have been implemented, including those targeted at reducing missed opportunities (MO) and no shows. Improvements to inpatient care flow were implemented through use of technology tools for bed management and emergency room flow. VA continues to invest in leadership and employee training, providing the tools and techniques for process improvement. • 40 VetLink kiosks were activated at 4 pilot sites in Atlanta, Oklahoma City, Pittsburgh, and Portland. There has been a total of 58,365 kiosk interactions, with a 91 percent success rate for Veterans using the kiosks to check in. 10,452 Veterans required manual assistance. Deployment/activation will continue at additional medical centers in 2012. • VHA data has been submitted to be included in the Hospital Compare data (Centers for Medicare/Medicaid Services). An internal Web site is being developed to share additional data. • The prototype for the personalized Veteran Health Benefits Handbook has been distributed as part of a pilot program in Dayton, Ohio. Veteran feedback will be analyzed and applied for further refinement of the content prior to the final national rollout scheduled for completion in 2012.



ENSURING PREPAREDNESS TO MEET EMERGENT NATIONAL NEEDS (PREPAREDNESS)

Problem Being Addressed	2011 Actions and Progress
<ul style="list-style-type: none"> • VA will review authorities, mandates, and span of control for each organization within VA and make changes as necessary. • VA will take a full inventory of assets and capture those results so that assets can be easily managed in time of need. • VA will ensure preparedness at every level of management, including contributing to a Departmentwide Comprehensive Emergency Management Program that includes an All-Hazards Emergency Preparedness Planning Program; Continuity of Operations Plans; and a Test, Training, and Evaluation Program. • VA Integrated Operations Center (IOC) will facilitate critical and timely decision making by providing situational awareness and fully coordinated recommendations to senior leadership. • VA will achieve compliance with Homeland Security Presidential Directive 12, “Policy for a Common Identification Standard for Federal Employees and Contractors” (HSPD-12). 	<ul style="list-style-type: none"> • Establish clear roles and responsibilities for VA organizations to enhance the ability of VA to provide access for Veterans to services and benefits during periods of crisis or national emergency. • Develop and sustain a Common Operating Picture with Geospatial Intelligence Systems in order to accurately depict asset inventory in near real-time to support timely decision-making. Link the Common Operating Picture to the Subject Matter Expertise Center-Biological threats to better forecast predictive requirements for epidemics and biological threats to Veterans and their families. • Complete planning efforts at every level of management. Publish and exercise emergency management and continuity plans to include reconstitution. Sustain a robust test, training, and evaluation program. • Achieve full operational capability for the IOC at the primary and alternate locations to include the Capital Region Relocation Center and the Reconstitution Planning Site. Ensure full integration of secure and unclassified communications systems to include Common Operation Picture, Geospatial Information Systems (GIS), and Subject Matter Expertise Center-Biological (SMEC-Bio) capabilities. Provide timely situational awareness and recommendations to VA senior leadership to ensure continual access of Veterans to services and benefits during times of crisis or national emergency. • In accordance with HSPD-12, Administration implementation memoranda, and Federal Information Processing Standards, VA will achieve 100 percent Personal Identity Verification card issuance and develop and implement processes for compliance with Physical Access Control Systems and Logical Access Control Systems by the end of 2012.



OPTIMIZE THE UTILIZATION OF VA’S CAPITAL PORTFOLIO BY IMPLEMENTING AND EXECUTING THE STRATEGIC CAPITAL INVESTMENT PLANNING (SCIP) PROCESS

Problem Being Addressed	2011 Actions and Progress
<ul style="list-style-type: none"> • VA has a funding backlog of \$16 billion in major construction projects and Facility Condition Assessments (FCA) deficiencies. • Current average utilization of VA facilities is at more than 119 percent of capacity, resulting in an inefficient use of resources and higher maintenance costs. 	<ul style="list-style-type: none"> • VA submitted a 10-Year Capital Plan as part of the 2012 capital budget to correct the FCA and service gap deficiencies identified in SCIP. This represents an increase in the capital planning horizon from 5 to 10 years. • VA reviewed and scored over 1,300 2013 capital project business cases to develop a prioritized list of capital projects for the 2013 President's Budget. • In June 2011, VA awarded a contract to build the SCIP Automation Tool (SAT) Long-Term solution, which will analyze average utilization of facilities and measure the mitigation of service-related gaps. The enhanced SAT solution, expected to be fully functional by June 2012, will automate all phases of the SCIP data collection process, beginning with the formulation of the 2014-2023 Action Plans, through the development of business cases, and the execution of construction programs. • On August 9, 2011, VA signed and released the SCIP Directive and Handbook, which will serve as the governance model in executing the SCIP process.



HEALTH CARE EFFICIENCY: IMPROVING THE QUALITY OF HEALTH CARE WHILE REDUCING COST

Problem Being Addressed	2011 Actions and Progress
<ul style="list-style-type: none"> • Nationally, health care costs are accelerating without significant evidence of an equivalent improvement in health care delivery value or quality. • VA is experiencing a similar phenomenon and recognizes this as an opportunity to optimize cost effectiveness by minimizing the local variations in how programs are implemented and managed. These variations in both clinical and business practices are often associated with organizational inefficiency and increased costs. 	<p>The Health Care Efficiency Major Initiative achieved numerous successes in its first year. Specifically, milestones reached included:</p> <ul style="list-style-type: none"> • Identification of potential solutions for creating a more value-added approach to organizational oversight preparation and response to inspections and surveys. • Identification of specific purpose budget line items that could be migrated to general purpose funding, which would provide more flexibility to Medical Center Directors in how those funds are used. • Development of a modified Executive Decision Memorandum format to include a business case for addressing program return on investment/benefits realization for new and existing programs. • Implementation of VISN Commodity Standardization Boards across VHA and the creation of VISN Integrated Process Teams in the area of Laboratory, Radiology and Supply, and Processing and Distribution. This newly created local structure will eventually link with the PEO offices being established by the Procurement and Logistics Office to create an enterprise-level structure to facilitate consolidated procurement opportunities at both the local and national level. • Implementation of a standardized non-VA care coordination process (model) pilot with VISN 11 and development of a process to measure client satisfaction. • Completion of the national deployment of a Fee Basis Claims Software add-on that will assist with non-VA care claims processing (both electronic re-pricing and avoidance of duplicate claims). • Implementation of revised VHA Beneficiary Travel (BT) policy/procedures to eliminate variation in program implementation and minimize fraud, waste, and abuse (FWA) such as: <ul style="list-style-type: none"> ○ Development of a revised BT Field Handbook. ○ Enterprise deployment of successful practices such as conversion of a class 3 software product to class 1 status that will automatically synchronize travel claims as they are created in VistA. This software will assist the field with more efficient processing of claims while identifying potential cases of FWA. ○ Contract award for Corporate Data Warehouse data mining activities to identify behaviors in data patterns that may be evident of FWA in the Beneficiary Travel Program. • Expansion of the scope of Real Time Locator Systems deployment to VA level. This included identifying potential use cases for VHA, VBA, and NCA.



DEVELOP CAPABILITIES AND ENABLING SYSTEMS TO DRIVE PERFORMANCE AND OUTCOMES

Problem Being Addressed	2011 Actions and Progress
<ul style="list-style-type: none"> • The purpose of the Systems to Drive Performance Initiative (STDP) is to develop a process that identifies, presents, and analyzes the most relevant information and measurements with management implications. A Leadership Team was formed to develop a process that identifies, retrieves, presents, and analyzes data via a Business Intelligence dashboard. 	<ul style="list-style-type: none"> • In 2011, the Leadership Team: <ul style="list-style-type: none"> ○ Successfully installed dashboard software and hardware. ○ Successfully achieved the initial release of the dashboard tool. ○ Achieved the successful implementation/conversion of five prototype dashboard views to Web-based, operational dashboard views. ○ Developed and executed the initial STDP Business Intelligence Dashboard Training Plan. • Implemented an ongoing process of Data Refinement/Metric Enhancement (VHA, VBA, NCA, and OIT).
<ul style="list-style-type: none"> • On a monthly basis, VA Administrations and Staff Offices report to the Deputy Secretary on progress made in meeting established monthly and/or fiscal year-to-date financial and program performance targets. • MPRs needed to be aligned with the Department's new strategic planning framework and structured around a balanced scorecard performance reporting model to better meet leadership information needs. 	<ul style="list-style-type: none"> • In 2011, the MPR team <ul style="list-style-type: none"> ○ Assessed which activated high-value measures should be retained for MPR purposes. ○ Ensured that, on a monthly basis, VA Administrations and Staff Offices reported to the Deputy Secretary on progress made in meeting established monthly and/or fiscal year-to-date financial and program performance targets.



ESTABLISH STRONG VA MANAGEMENT INFRASTRUCTURE AND INTEGRATED OPERATING MODEL

Problem Being Addressed	2011 Actions and Progress
<ul style="list-style-type: none">This initiative seeks to increase integration and improve management within and across VA's corporate management functions and provide better customer service to internal customers.	<p>Integrated Operating Model (IOM) Program Office</p> <ul style="list-style-type: none">The IOM Program Office installed a performance measurement program that draws on the results of quarterly customer satisfaction surveys, dependency management outcome metrics, and feedback from working groups.IOM launched a comprehensive cross-functional education program with the help of the VA Learning University. The training included several modules tailored to IOM, which helped participants understand what VA's support functions do, how they do it, and how each function can work with the others to ensure mutual success.The IOM Program Office led the long range planning, development, and execution of the 2011-2013 and 2012-2014 IOM initiative-level operating plans and associated functional-level operating plans.



ESTABLISH STRONG VA MANAGEMENT INFRASTRUCTURE AND INTEGRATED OPERATING MODEL

Problem Being Addressed	2011 Actions and Progress
	<p>Acquisition and Logistics</p> <ul style="list-style-type: none"> • The Office of Acquisition, Logistics, and Construction (OALC) continues to consolidate complex high-dollar-value procurements into a single organization that will clearly align procurement authorities by establishing the Strategic Acquisition Center (SAC). The implementation of VA’s procurement restructuring will make the acquisitions process more efficient due to the development of expertise, improved buying power, alignment of procurement authorities, and improved business processes. <ul style="list-style-type: none"> ○ OALC collaborated with VA Central Office Human Resources Service and Office of Personnel Management to expedite hiring of acquisition professionals to staff the SAC. ○ OALC procured and activated a temporary hoteling facility for the SAC in Fredericksburg, Virginia. ○ OALC established a procurement metrics dashboard to measure and monitor key procurement business outcomes. <p>Facilities Management</p> <ul style="list-style-type: none"> • OALC continues implementing an enterprise structure that will integrate facilities management functions and maximize life-cycle performance while reducing cost. <ul style="list-style-type: none"> ○ OALC implemented enterprise-level budgeting, management, and planning tools that will improve consistency and increase efficiency across VA’s facilities management organization. ○ OALC implemented a pilot program for market-wide master plans incorporating VHA, NCA, and VBA facilities. ○ OALC implemented a pilot program for development of project management plans for capital projects including Non-Recurring Maintenance (NRM), minor, and major construction across all three Administrations. <p>Financial Management</p> <ul style="list-style-type: none"> • The Office of Finance, in collaboration with the Office of Human Resources and Administration, trained over 5,000 VA employees who perform financial management and related duties to be better able to meet Federal appropriations, accounting, internal controls, and improper payments requirements and regulations. • The Office of Finance continued development of the Web-based replacement time and attendance system that will enhance transparency in the collection, delivery, and use of VA workforce information by delivering three of five planned increments. • The Office of Finance established the Data Quality Service to improve VA’s USAspending.gov data quality to 100 percent accuracy, timeliness, and completeness.



ESTABLISH STRONG VA MANAGEMENT INFRASTRUCTURE AND INTEGRATED OPERATING MODEL

Problem Being Addressed	2011 Actions and Progress
	<p>IT Project Management</p> <ul style="list-style-type: none"> • The Office of Information and Technology (OIT) continued implementing the Program Management Accountability System (PMAS) to manage all IT development, modernization, and enhancement programs and projects. OIT took the following actions: <ul style="list-style-type: none"> ○ Published the PMAS Guide version 3.0. ○ Added reporting capability based on improved data integrity through additional key indicators and the ability to track changes to an individual project PMAS Dashboard. ○ Completed initial design and functionality of the Artifact Central Repository (ACRe). ACRe is the central OIT PMAS repository that maintains all required VA IT project artifacts, which are used to effectively manage and track VA IT projects. ○ Delivered new ProPath releases and added new processes and process maps. ProPath supports PMAS implementation by providing detailed IT program management processes and instructions including detailed descriptions, roles, responsibilities, and templates. Required ProPath processes include: Project Planning, Project Monitoring and Control, Release Management, Project Shutdown, Paused Projects Restart, and Subsequent Start Increment. • OIT established a customer satisfaction improvement framework and conducted two national surveys that measured a significant increase in customer satisfaction scores among OIT internal customers. <hr/> <p>Human Resources</p> <ul style="list-style-type: none"> • The Office of Human Resources and Administration, in collaboration with OALC, implemented Direct-Hire Authority for the contracting series in VA to expedite hiring of critical acquisition professionals in the Washington, DC, metropolitan area. DHA will help OALC compete for much needed talent as the office restructures its procurement organization.



TRANSFORM HUMAN CAPITAL MANAGEMENT

Problem Being Addressed	2011 Actions and Progress
<ul style="list-style-type: none">This initiative will help deliver the highest quality in medical care, benefits, and memorial services by creating the conditions for attracting and retaining a talent pool of trained, certified, and inspired employees to execute VA's mission.	<p><u>Name of Major Initiative (Update)</u> ADVANCE is the catalyst towards transforming human capital management within VA. In 2009, VA was given the unprecedented opportunity and resources to invest in its human capital. ADVANCE was devised to ensure the forward progression of employees' training and development. VA is using ADVANCE to ensure that all VA employees have the latest tools, most up-to-date training, and the necessary support to best serve our Veterans and their families.</p> <p><u>2011 Actions and Progress</u> ADVANCE has brought new opportunities for the professional development of VA employees:</p> <ul style="list-style-type: none">Leadership development programs.Certification programs.Additional core and functional training opportunities.



PERFORM RESEARCH AND DEVELOPMENT TO ENHANCE THE LONG-TERM HEALTH AND WELL-BEING OF VETERANS

Problem Being Addressed	2011 Actions and Progress
<ul style="list-style-type: none"> <p>Genomic Medicine: Genomic medicine, also referred to as personalized medicine, uses information on a patient’s genetic make-up to tailor prevention and treatment for that individual. The Million Veteran Program (MVP) invites users of the VA health care system nationwide to participate in a study with the aim of better understanding the inter-relationship of genetic characteristics, behaviors, environmental factors, and Veteran health. The goal of MVP is to establish one of the largest research resources to date, consisting of blood samples from consenting Veterans and data from questionnaires and the electronic health record. This resource will be made available to VA researchers to pursue genomic discoveries that can lead to personalized health care for Veterans.</p> <p>Point of Care Research: Point of Care Research (POC-R) establishes a measure of effectiveness within the health care system by comparing two or more equivalent treatments or strategies without the extensive cost and time investment of a randomized clinical trial. No additional patient visits are required, and health outcomes are automatically extracted from the medical record.</p> 	<ul style="list-style-type: none"> <p>In 2011, the Office of Research and Development (ORD) launched the Million Veteran Program, which is currently enrolling Veterans at 19 VA Medical Centers. The goal is to recruit 12,000 Veteran study participants by the end of 2011 and have the capability of mailing at least 8,500 invitational packages per week. The Boston facility has achieved the capacity to extract DNA from at least 1,000 blood samples per week.</p> <p>In 2011, ORD completed a pilot study of POC-R at the Boston VA Medical Center that focuses on insulin protocols. Additionally, ORD held an advisory conference entitled “Defining Scope of Point of Care Research and National Implementation.” By the end of 2011, POC-R will have completed a deployment plan for more than 50 VA Medical Centers and completed testing of software applications to support POC-R at other acute care facilities within a single VISN.</p>



- **Medical Informatics and Information Technology:** VA Informatics and Computing Infrastructure (VINCI) and the Consortium for Healthcare Informatics Research (CHIR) are solving two crucial issues for VA research: secure access to Veterans' data and computational tools and using unstructured narrative text in the VA medical record.
- **Research Resources:** Research Resources is improving VA's research infrastructure, streamlining the processes for contracting and hiring, and correcting inadequate research administrative management systems and inefficient processes for research approvals and regulatory compliance.
- In 2011, the VINCI desktop was launched, providing commercial analytic software and data sets to 100 concurrent researchers in its virtual high-performance computing environment. Additionally, a plan to migrate DoD data into VINCI is ongoing. CHIR developed and evaluated tools allowing for the electronic surveillance of symptoms and other clinical information from VA's electronic medical record. Natural Language Processing software, permitting researchers to extract concepts from free-text data, was made available on the VINCI workspace. Finally, joint governance with Office of Informatics and Analytics (OIA) was approved, allowing VINCI workspace to assist in quality assurance/quality improvement activities.
- In 2011, ORD completed a physical infrastructure survey of all VA Medical Centers with research offices, produced an ORD executive summary of the survey, and began the planning process for improving infrastructure deficiencies. A contracting specialty team was assembled to enable research-specific acquisitions to occur in a timely manner. The functional requirements for an enterprise-wide Research Administrative Management System (RAMS) were completed with a design contract expected to be awarded in early 2012. Procurement of a Portfolio Categorization and Research Tool was completed and will enable ORD to manage its research portfolio more efficiently while providing a public-facing reporting tool with limited search capabilities.



TRANSFORMING HEALTH CARE DELIVERY THROUGH HEALTH INFORMATICS

Problem Being Addressed	2011 Actions and Progress
<p>VHA has long been considered the world leader in developing and utilizing IT to improve delivery of high quality, cost effective health care.</p> <p>VA’s leadership position is being challenged in today’s rapidly evolving environment creating a sense of urgency to maintain our position as a pacesetter in health IT advances and remain on the leading edge. These challenges include:</p> <ul style="list-style-type: none"> – Making a major shift in the health care delivery model to a team-based patient-centered model of care. – Moving away from a process-oriented VA software development model, which fails to maximize on meaningful clinical input and falls short on delivering timely software solutions. 	<p>Listed below are the Health Informatics Initiative’s three 2011 accomplishments:</p> <ul style="list-style-type: none"> • Completed an overarching strategy and governance plan in coordination with the VA Office of Informatics and Technology that will create a collaborative environment fostering software development partnerships with field developers, research investigators, and non-VA entities. • Launched the first Pilot Site at the San Diego VA Medical Center and delivered two Apollo VistA Viewer Version A (AViVA*) software modules that included key user features and infrastructure including: 1) Browser-based “Google-like” textual search across a patient’s entire electronic health record; 2) Info Button Clinical Decision Support; and 3) Medication Order Management. • Developed online Graduate-level Informatics Lectures and Coursework and coordinated access to Introductory-level Informatics Courses coordinated through the Office of National Coordination and Bellevue College as well as delivering two Nursing Informatics Workshops. <p>*AViVA is the next generation Electronic Health Record (EHR) software.</p>



Performance Shortfall Analysis

Shown below (sorted by Integrated Objective) are brief explanations of the reasons for significant deviations between actual and planned performance for those measures where there were significant shortfalls. Also provided are resolution strategies that are being implemented to ensure goal achievement in the future. These results are coded "red" in the measures tables beginning on page II-118.

Integrated Objective 1 Make it easier for Veterans and their families to receive the right benefits, meeting their expectations for quality, timeliness, and responsiveness.		
Measure	Target	Result
National Accuracy Rate – Compensation Entitlement Claims	90%	84% R
Causes	<ul style="list-style-type: none"> The shortfall is largely due to deficiencies in the development of claims, particularly involving either missing examinations/medical opinions or where claims were rated based on inadequate examinations/opinions. Additionally, attrition of experienced personnel, especially in positions where extensive training is required, has been detrimental in terms of both production and quality. 	
Resolution Strategies (Estimated Completion Quarter)	<ul style="list-style-type: none"> VBA and VHA are working together to address near-term tactical and long-term strategic improvements to the Compensation and Pension process, including the development of Disability Benefits Questionnaires, which could be completed by either a private or VA primary care provider. (Ongoing) VBA has also increased hiring of claims processing employees and implemented an 8-week training program designed to result in immediate gains in both quality and productivity. The first group of employees completed this training on September 2, 2011. The Quality Assurance Staff is working with field personnel to improve quality through monthly national Quality Calls, development of a quarterly quality newsletter, and on-site training for employees responsible for conducting local quality reviews. (Ongoing) 	



Integrated Objective 1 Make it easier for Veterans and their families to receive the right benefits, meeting their expectations for quality, timeliness, and responsiveness.		
Measure	Target	Result
Compensation Entitlement Claims – Average Days to Complete	158	197 (R)
Compensation Maintenance Claims – Average Days to Complete	89	94 (R)
Burial Claims – Average Days to Complete	70	113 (R)
Causes	<ul style="list-style-type: none"> VA approved three new presumptive conditions related to herbicide exposure in 2009, and began processing these additional claims on October 30, 2010. The complexity of the additional 220,000 claims received resulted in overall processing delays as experienced claims processors were designated to review these claims. As a result, overall claims processing timeliness increased. 	
Resolution Strategies (Estimated Completion Quarter)	<ul style="list-style-type: none"> The experienced claims processors designated to review the new presumptive claims will begin to redirect their focus to reducing overall claims timeliness as the review of the presumptive claims is completed. (Q1) In addition, VA has increased the total number of claims processors nationwide. These new hires will begin to contribute to the overall efforts of reducing claims timeliness as they complete centralized training and gain valuable experience processing claims. (Ongoing) 	



Integrated Objective 1 Make it easier for Veterans and their families to receive the right benefits while meeting their service delivery expectations		
	Measure	Target
Education Call Center – Abandoned Call Rate	10%	20% R
Causes	<ul style="list-style-type: none"> VA implemented a new telephone system in February 2011 called Genesys Call Routing. While Genesys Call Routing has reduced the number of blocked calls, it has resulted in more calls being received which contributed to the abandoned call rate in 2011. While the abandoned call rate was above the target, 3,477,282 calls were answered in 2011, which is 25 percent higher than the number of calls answered in 2010. The largest contributors to the greater number of calls were legislative changes to the Post-9/11 GI Bill in 2011. In concert with the various effective dates of changes, the number of calls increased dramatically. Key changes that generated additional calls were: <ul style="list-style-type: none"> Increased eligibility for some members of the National Guard. Annual tuition cap for some Veterans. Changes to benefits authorized to active duty members of the Armed Services. 	
Resolution Strategies (Estimated Completion Quarter)	VA will take the following corrective actions during 2012: <ul style="list-style-type: none"> Continue to conduct outreach to Veterans to proactively provide information on benefit changes. (Q1) Promote outreach to raise awareness of other means, such as Facebook and the Internet Inquiry System, which Veterans can use to ask questions. (Q1) Pursue Veteran Self-Service functionality as a means of improving customer service. (Q4) 	



Integrated Objective 1 Make it easier for Veterans and their families to receive the right benefits, meeting their expectations for quality, timeliness, and responsiveness.		
Measure	Target	Result
Percent of clinic "no shows" and "after appointment cancellations" for OEF/OIF Veterans	15%	22% R
Causes	<p>VHA has much better information on “no-shows” after a survey of more than 4,700 “No-Show” Veterans in 2011. While the survey group included all Veterans (not the OEF/OIF group exclusively), it is believed the causes of no-show are similar:</p> <ul style="list-style-type: none"> Most Veterans who “no-show” report they “forgot” (19%) or “were not aware” (15%) of the appointment. Other responses included: transportation issues (8%), illness (7%), poor weather (7%), and something unexpected came up (7%). <p>Finally, we know from the literature that for patients with mental health illnesses, the severity of the illness itself is associated with missing appointments.</p>	



Integrated Objective 1

Make it easier for Veterans and their families to receive the right benefits, meeting their expectations for quality, timeliness, and responsiveness.

	Measure	Target	Result																				
<p>Resolution Strategies (Estimated Completion Quarter)</p>	<p>The facility and VISN pilot studies done in 2011 showed that clinics must implement multiple individual strategies together to reduce no shows. Some of these strategies include:</p> <ul style="list-style-type: none"> • Create a dedicated, easy-to-access appointment cancellation line with timely processing of requests to cancel. • Focus reminder calls on patients with a history of no-shows in the 10% to 80% range. • Educate providers on the importance of a discussion about the next step in care at the end of each visit. This discussion must include engagement of the patient in the importance of their next visit. • Scheduling patients on the recall delinquency list into appointments with 2-3 days waiting time opened by timely cancellations. <p>The following table shows current timelines for national roll-out of no-show strategies in 2012:</p> <table border="1"> <thead> <tr> <th>Task</th> <th>Deliverable</th> <th>Start Date</th> <th>Due Date</th> </tr> </thead> <tbody> <tr> <td>Pilot One Strategy Nationally To Reduce MO</td> <td>Reduction of MO</td> <td>7/1/2011</td> <td>9/30/2011</td> </tr> <tr> <td>Pilot five strategies to reduce no-shows at separate facilities</td> <td></td> <td>10/1/2011</td> <td>6/30/2012</td> </tr> <tr> <td>Pilot two strategies to reduce no-shows across all VHA facilities</td> <td></td> <td>7/1/2012</td> <td>9/30/2012</td> </tr> <tr> <td>Develop and monitor facility and clinic-specific scorecards</td> <td></td> <td>10/1/2012</td> <td>11/30/2012</td> </tr> </tbody> </table>			Task	Deliverable	Start Date	Due Date	Pilot One Strategy Nationally To Reduce MO	Reduction of MO	7/1/2011	9/30/2011	Pilot five strategies to reduce no-shows at separate facilities		10/1/2011	6/30/2012	Pilot two strategies to reduce no-shows across all VHA facilities		7/1/2012	9/30/2012	Develop and monitor facility and clinic-specific scorecards		10/1/2012	11/30/2012
Task	Deliverable	Start Date	Due Date																				
Pilot One Strategy Nationally To Reduce MO	Reduction of MO	7/1/2011	9/30/2011																				
Pilot five strategies to reduce no-shows at separate facilities		10/1/2011	6/30/2012																				
Pilot two strategies to reduce no-shows across all VHA facilities		7/1/2012	9/30/2012																				
Develop and monitor facility and clinic-specific scorecards		10/1/2012	11/30/2012																				



Integrated Objective 1		
Make it easier for Veterans and their families to receive the right benefits, meeting their expectations for quality, timeliness, and responsiveness.		
Measure	Target	Result
Percent of national cemetery buildings and structures that are assessed as "acceptable" according to annual Facility Condition Assessments	87%	74% (R)
Causes	<ul style="list-style-type: none"> In 2011, NCA employed an independent contractor to perform facility condition assessments in Memorial Service Network (MSN) 1. This began a more stringent tri-annual assessment process in which contracted teams of engineers having advanced expertise in structural, electrical, mechanical, and physical systems will assess all NCA facilities. The contractor teams were able to identify issues not previously identifiable without the specialized experience. In MSNs 2-5, as in past years, facility condition assessments were performed by MSN staff whose expertise is more generalized. The results from the contractor's assessment of MSN 1 were significantly lower than the assessments in MSNs 2-5, resulting in a lower overall NCA result. An additional decrease is anticipated in 2012 when the remaining four MSNs will begin the same tri-annual assessment process. 	
Resolution Strategies (Estimated Completion Quarter)	<ul style="list-style-type: none"> NCA will evaluate the assessments performed by the contractor and MSN staff to ensure that consistent procedures were used to assess all facilities and to identify potential improvements in the facility condition assessment process. NCA will continue to employ independent contractors in future years to further fine tune the assessment process, with the ultimate goal of identifying and addressing all facilities that require improvements to ensure that all cemeteries are maintained as national shrines. NCA plans to focus non-recurring maintenance, maintenance and repair, and some minor construction investments on repairing the deficiencies to restore NCA's percentage of buildings and structures back toward the strategic target of 90 percent. (Ongoing) 	



Integrated Objective 2 Educate and empower Veterans and their families through proactive outreach and effective advocacy.		
Measure	Target	Result
Percent of VA IT systems that automatically reuse all redundant client information in other systems	16%	9.5% (R)
Causes	<ul style="list-style-type: none"> A change in direction and the lack of documented requirements has slowed the progress of this outcome. 	
Resolution Strategies (Estimated Completion Quarter)	<ul style="list-style-type: none"> The result for this metric will be based on a number of systems that will capture and reuse Veteran information. VA's transformative initiatives include the Virtual Lifetime Electronic Record (VLER), the Veterans Benefit Management System (VBMS), and Veterans Relationship Management (VRM). These initiatives, which capture a Veteran's data to store for reuse, will collect the information necessary to measure VA's progress in minimizing the burden on Veterans having to re-enter information previously submitted. All initiatives have pilot projects underway and should yield useful information by the 1st quarter of 2013. (Q1, 2013) 	



Integrated Objective 3 Build our internal capacity to serve Veterans, their families, our employees, and other stakeholders efficiently and effectively.		
Measure	Target	Result
Percent of title 38 reports that are submitted to Congress within the required timeframe.	85%	36% (R)
Causes	<ul style="list-style-type: none"> Congressionally mandated reports have not been submitted on time. A primary reason was that the necessary time for concurrence was not factored into the timeline. There were nine reports overdue at the close of 2011 with four in the concurrence process. 	
Resolution Strategies (Estimated Completion Quarter)	<ul style="list-style-type: none"> Reports must be submitted for concurrence 30 days prior to the due date to allow sufficient time for the concurrence process. The Office of Congressional and Legislative Affairs submits a weekly report to each Administration and staff office outlining the status of reports. (Ongoing) 	



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). While the statements have been prepared from the books and records of VA in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The financial statements should be read with the realization that VA is a component of the U.S. Government, a sovereign entity.

VA received an unqualified (“clean”) opinion on the Department’s financial statements for 2011 and 2010 from the external auditing firm of Clifton Gunderson LLP. As a result of its audit work, Clifton Gunderson LLP reported one material weakness in internal controls. The sole material weakness was for “Information Technology (IT) Security Controls,” a repeated condition. In addition, the auditors reported two significant deficiencies, down from five significant deficiencies in 2010. Accrued Operating Expenses is a repeat significant deficiency from 2010. Loan Guaranty Reporting is a new significant deficiency. VA successfully closed four significant deficiencies during 2011: Compensation, Pension and Burial Actuarial Liabilities, Accounts Receivable, Intra-Governmental Reconciliations and Related Controls, and Financial Management System Functionality.

Through its leadership and guidance, VA’s Office of Financial Process Improvement and Audit Readiness’ (FPIAR) has significantly aided VA’s audit remediation efforts. The FPIAR office continues to provide guidance in the

remediation of audit findings and improvements to internal controls. Under the purview of the FPIAR office, VA remediated a long-standing GAO finding by implementing and enforcing internal controls and segregation of duties for 1358 obligation processing. VA’s financial improvement successes in 2011 reflect the dedication and hard work of staff throughout VA’s Administrations and staff offices. In 2012, VA will focus on continuing progress toward remediating the remaining material weakness and significant deficiencies identified by the external auditors and management’s assessment process.

VA programs operated at a net cost of \$180.9 billion in 2011 compared to a net cost of \$333.6 billion in 2010 or an overall decrease in net cost of \$152.7 billion or 46 percent. The decrease is due to a reduction in the Changes in Actuarial Liabilities estimate of Veterans’ compensation and burial costs of \$164.9 billion partially offset by a \$12.2 billion increase in Net Program Costs by Administration before Changes in Veterans Benefits Actuarial Liabilities. The decrease in the Changes in Actuarial Liabilities included in net cost resulted from several factors. First, the recognition of three new presumptive disability benefits in 2010 resulted in the initial cost of \$105.9 billion being recorded in the prior period. These costs are associated with Vietnam Veterans who have any of three specific illnesses from an association with herbicides used in Vietnam, including Agent Orange, making them eligible to receive compensation for their illnesses. Second, the decrease in costs resulted from the application of comparable methodologies in 2011 and 2010 for determining the appropriate discount rates and cost of living adjustment (COLA) rates from adopting SFFAS No. 33, *Pensions, Other Retirement Benefits and Other Postemployment Benefits: Reporting Gains and Losses from*



Changes in Assumptions and Selecting Discount Rates and Valuation Dates, effective October 1, 2009. Last, the decrease in costs resulted from the comparable application of refinements in valuation techniques due to improved computer software modeling capability and information used in computing the actuarial liabilities consistently applied since adoption in 2010. See Note 13 to the financial statements for more information.

Net Program Costs by Administration before Changes in Veterans Benefits Actuarial Liabilities in the Consolidated Statements of Net Cost totaled \$122 billion and \$109.8 billion for 2011 and 2010, respectively. Of this \$12.2 billion increase in net costs, approximately \$7.5 billion related to VBA and approximately \$4.4 billion related to VHA.

The VBA increase in net costs was primarily a result of increased compensation payments of \$6 billion and increased costs from participation in the new Post-9/11 GI Bill of \$1.9 billion. The increased compensation costs are attributable to an increase in the number of payments to Veterans and survivors by 1.8 million or 4 percent compared to 2010 and a \$2.6 billion increase in compensation payments related to the three new presumptive disability benefits, including Agent Orange illnesses which were authorized to begin being paid in 2011. The increased costs related to the new Post-9/11 GI Bill are attributable to a 3.1 million increase (76 percent) over 2010 in the number of education benefits payments. The VHA increase in net costs relates primarily to the increased number of Veterans receiving medical care at Veterans' hospitals and medical facilities and increased costs associated with additional staff hired to meet Veteran medical demands.

Assets and liabilities reported in VA's balance sheets do not show significant change from

year to year with the exception of Federal Employee and Veterans Benefits Liabilities.

Substantially all the \$58.9 billion increase in the Federal Employee and Veterans Benefits Liabilities in 2011 relates to a decrease in the 10-year average discount rate used to compute the actuarial balance of Veterans Benefits Liabilities which increased the liability by \$51.9 billion. It should be noted that the future cash flows to liquidate the actuarial estimated liability are not supported by identifiable assets as they are anticipated to be funded from the future general revenues of the U.S. Government.

Medical care collections in 2011 totaled \$2.7 billion, slightly below the 2011 goal of \$2.8 billion. The 2011 MCCF collections were nearly the same as what was collected in 2010.

In the area of debt management, through September 2011, VA referred \$895 million (99 percent) of eligible debt to Treasury for offset under the Treasury Offset Program (TOP). Under the cross-servicing program, VA referred \$189 million (98 percent) of eligible debt to Treasury for collection.

Through September 2011, the Department has collected \$1.4 billion in delinquent benefit debt. In addition, we have collected \$38.6 million through administrative offset on delinquent first party medical debt during 2011.

Based on an assessment of our financial management priorities that was completed in 2010, VA developed a set of 11 financial management initiatives. These financial management priorities drove our efforts during this past year, and are helping us meet our financial management goals of: Reducing Operating Costs, Eliminating Improper Payments, Strengthening Internal Controls, and Enhancing Data and Analysis. These initiatives



are also setting the stage for a lower-risk financial management system replacement at the appropriate time in the future.

In support of Secretarial transformation objectives, we successfully completed seven of these initiatives and made substantial progress on the remaining four that are multi-year projects. VA completed a Departmentwide effort to enforce and improve internal controls and segregation of duties for 1358 obligation processing, thus remediating long-standing GAO and OIG findings. VA also completed a major initiative to develop Systems to Drive Performance by delivering a set of dashboards that provides cost and workload program data to support and enhance decision-making related to budget, performance, and resource allocation, allowing management to derive greater value out of VA resources. Additionally, by September 30, 2011, VA met all mandates of the American Recovery and Reinvestment Act (Recovery Act) and USAspending.gov, in support of these Administration priorities. In 2011, VA continued to ensure that all Recovery Act transparency, reporting, and accountability goals were met. By September 30, 2011, VA had made outlays totaling over \$1.5 billion (85 percent) of Recovery Act funds. For USAspending.gov, VA reported 100 percent of all required contract, grant, loan, and other assistance program spending. Finally, VA completed an important component of the Secretary's Integrated Operating Model (IOM) major initiative and provided financial management training to 5,400 of VA's financial management workforce (80 percent).

In July 2011, VA completed implementation of its 3-year Financial Policy Improvement Initiative (FP II) to update VA financial policies. VA successfully updated 169 chapters of Departmental financial management guidance. The Office of Finance will continue the progress

made under the FP II by continuing to review, update, and publish VA financial policies to maintain compliance with Federal guidance. Going forward, all policies will be kept current and reviewed on a recurring basis every 3 years.

During 2011, the Department continued the aggressive use of the Governmentwide purchase card program, processing over 5.2 million transactions representing \$3.5 billion in purchases. This generated over \$73 million in refunds for VA compared to approximately \$70 million during 2010. VA's daily electronic billing and payment process for centrally billed accounts, along with a higher negotiated refund rate, allow VA to maximize refunds that are returned to VA entities for use in Veterans programs.

Throughout 2011, 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 payment of 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. Interest penalties paid per million dollars disbursed improved almost 29 percent from \$64 per million in 2010 to \$45 per million in 2011. At the same time, VA earned nearly 97 percent (\$5.1 million) of its available discounts.

During 2011, the FSC collected improper payments and recovered unapplied vendor statement credits totaling nearly \$4 million. Since the program's inception in 2001, VA has recovered \$37.7 million and cancelled another \$80.6 million in improper payments before making payment.



Improvements were also made in VHA financial management throughout the year in providing additional and clarifying financial policies and procedures to VHA's fiscal community, particularly in the area of internal controls. VHA's Business Process Improvement Committee continued to work toward improving VHA's internal controls and reforming VHA business processes to improve financial performance. VHA continues to monitor and improve its financial reporting and oversight process.

During 2011, financial training was provided at the national Prosthetics Service Chiefs conference, and an Engineering and Finance training conference was conducted to provide additional education and training on the requirements, regulations, and processing standards to ensure appropriate and timely transaction processing associated with environmental liabilities; deferred maintenance; and property, plant, and equipment.

A financial oversight assistance program was launched during 2011 to provide on-site assistance and training at VHA facilities in researching and correcting accounting errors and to provide customized financial management systems and accounting transactions training to fiscal staff.

A national VHA finance training conference was conducted in August 2011, to continue training efforts to improve areas such as payroll, travel, budget, accounting operations, and debt management that also contribute to findings in VA's internal controls and financial reporting.

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

During 2011, VBA's Office of Resource Management addressed its prior year financial audit significant deficiencies and developed corrective action plans as part of its financial process improvement program. The following improvements were made to address the quality of financial reporting:

- Initiated a change in the accounting transactions flow to improve accounting for Education fund that includes Department of Defense reimbursements.
- Conducted the necessary research and made improvements to Compensation, Pension and Death Actuarial Model.
- Documented the major process and data flow for the Compensation, Pension and Death Actuarial Model
- Addressed the trading partner balances accuracy by processing new accounting transactions codes in FMS for LGY funds.

The Audit and Internal Controls group provided additional staffing and expertise which improved the timeliness and accuracy of reconciliations. The group also facilitated a more in-depth financial data review process.

NCA implemented the business office concept to establish a single site for each of the primary activities: finance, acquisition, and asset management. Effective August 2011, full implementation of the Centralized Administrative Accounting Transactions System (CAATS) has been completed. All accounting functions are being processed by the Finance Service in Stafford, Virginia and all acquisition activities are accomplished by the Centralized Contracting and Construction Support Divisions of NCA. Centralization of activities began in 2007 with a limited number of sites and functions. During 2008, NCA began utilizing the Centralized Administrative Accounting Transaction System (CAATS) for the centralization effort.



Management Controls, Systems, and Compliance With Laws and Regulations

VA management is required to comply with various laws and regulations in establishing, maintaining and monitoring internal controls over operations, financial reporting and financial management systems as discussed below. VA is required to provide assurances related to the Federal Managers' Financial Integrity Act and the Federal Financial Management Improvement Act in the section entitled "Management Assurances."

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to establish management controls over their programs and financial systems. VA managers monitor and improve the effectiveness of management controls associated with their programs and financial systems throughout the year. 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 Government-wide financial systems requirements.

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 applicable federal accounting standards and the U.S. Standard General Ledger at the transaction level but VA has a repeat material weakness (MW) for Information Technology (IT) Security Controls. This MW results in VA's financial management systems not being in compliance with the Federal financial management systems requirements as required by FFMIA Section 803(a). VA continues to work to remediate this remaining material weakness.

In 2011, the Department also continued operation of the Hyperion Financial Management System (MinX), which provided controls and significantly improved the process of preparing the consolidated financial statements.

Management Assurances

During 2011, the Secretary of Veterans Affairs emphasized the importance of managers implementing strong internal controls that will enhance the Department's diligent stewardship and wise application of taxpayers' assets and



programs to deliver timely and high quality benefits.

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 2011, VA completed a comprehensive assessment of internal controls over financial reporting that covered approximately 19 key business processes that directly affect specific financial management statement accounts and impact the internal control over financial reporting. 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. 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*.

VA used a risk-based approach for identifying key internal controls over financial reporting for material financial statement accounts. VA tested all internal controls rated high risk and one-third of controls rated moderate risk. Low risk controls are evaluated on a 3-year cycle through self-assessment procedures conducted by Department managers.

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 qualified statement of assurance. One material weakness was identified under FMFIA, “Information Technology (IT) Security Controls,” which was carried forward from 2010 into 2011 and will be carried forward into 2012. This is discussed in more detail below.

Based on the results of VA’s internal control assessment, no additional material weaknesses were identified in 2011. As the internal control programs mature, VA is increasingly able to improve its internal control environment and assessment of risk.



November 15, 2011

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 one material weakness as it relates to internal control objectives of the Federal Managers' Financial Integrity Act (FMFIA), Section 4. The details of the material weakness and related corrective actions are discussed in Part I, "Management Controls, Systems, and Compliance with Laws and Regulations," under the sections titled "Audit Material Weaknesses Identified by Management," and Part IV, "Other Accompanying Information" under the section titled "Summary of Financial Statement Audit and Management Assurances." No other material weaknesses were found in the design or operation of the internal controls for the fiscal year ended September 30, 2011.

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 2011, VA's internal control over financial reporting is operating effectively and no new material weaknesses were identified as of June 30, 2011.

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. No new material weaknesses were identified during FY 2011.

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 key business processes and financial statement accounts during 2011. Based on information provided for the processes and financial statement accounts assessed, VA provides reasonable assurance that internal control over financial reporting meets the objective. No new material weaknesses were identified during FY 2011.

Conformance with Financial Management System Requirements (FMFIA § 4)

The Department faces challenges in building and maintaining financial management systems that comply with the Federal Financial Management Improvement Act (FFMIA). Under FFMIA, VA is substantially compliant with applicable Federal accounting standards and the U.S. Standard General Ledger at the transaction level. However, VA is not compliant with Federal financial management system requirements as a result of the material weakness identified prior to FY 2011 related to Information Technology (IT) Security Controls.



Eric K. Shinseki
Secretary of Veterans Affairs



Summary of Auditor’s Internal Control Assessment

The auditors’ report on internal controls reported one material weakness: "Information Technology (IT) Security Controls." In the "Information Technology (IT) Security Controls," material weakness, the auditors noted some progress and improvement in the IT controls environment but also observed several areas which continue to need enhancements.

Progress on Material Weakness

The 2011 *Independent Auditors’ Report on Internal Control Over Financial Reporting* disclosed one material weakness, "Information Technology Security Controls," as a weakness under FMFIA. VA managers continue to make progress in correcting this material weakness. During 2011, VA OIT developed new policy and procedures as well as continued in the

formulation of an enterprise-wide remediation plan.

The auditors’ report on compliance with laws and regulations, also prepared as a result of the 2011 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 weakness "Information Technology (IT) Security Controls".

Although not a material weakness, VA was also noncompliant with the Debt Collection Improvement Act.



The one audit-related material weakness reported at the end of 2011 is shown in the table below, which provides the current status of the Department’s material weaknesses.

Audit Material Weakness Identified by Management

Description	Status as of September 30, 2011	Resolution Target Date
<p>Information Technology (IT) Security Controls (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 controls, segregation of duties, configuration management and contingency planning.</p>	<ul style="list-style-type: none"> • VA continued to work on remediation of the IT Security Controls Material Weakness by developing enterprise-wide plans for remediation. • VA has improved its controls over remote access to its systems and information by continuing to eliminate the use of the One VA Virtual Private Network (VPN). Remote users are now required to use VA’s RESCUE software to connect to its network. RESCUE corrects system configurations and scans for malware upon connection. All but approximately 6,000 remote users access VA networks via One VA VPN which is down from 60,000. • Vulnerability scanning was also performed in 2011 to allow VA to address, in real time, the continual and ever changing threats to its information systems. • VA has transitioned over to continuous monitoring to provide a real time view of its security posture. This has already yielded positive results in Federal Desktop Core Configuration (FDCC) compliance. • VA’s Visibility to the Desktop initiative provided visibility into 100% of its desktops allowing VA to proactively eliminate several of its security vulnerabilities. • To improve access controls, VA has enabled 98% of its computers with Smartcard capabilities. VA also issued more than 239,000 Personal Identity Verification (PIV) cards to its employees, which is 74% of its employee population. In many facilities, network access can be achieved by a PIV card and Personal Identification Number (PIN) combination or with a login identification and password. • Specialized, role-based training for system administrators has been put in place to improve the proficiency of VA operations staff. • VA has also resolved 100% of its U.S. Computer Emergency Readiness Team (CERT) actions <p>In 2012, VA will continue to aggressively implement changes to resolve the outstanding issues.</p>	<p>2014</p>



Financial Management Systems Framework

Overview

The Department's strategy 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 management, acquisition, development, and maintenance of VA financial systems. The Department's scope of work is to ensure its compliance with regulatory requirements such as those prescribed by OMB Circular A-123, Appendix A and the Open Government Directive.

ICS is responsible for planning and conducting the Departmentwide reviews of internal controls over financial reporting in accordance with OMB Circular A-123, Appendix A. 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. For example, in 2011 ICS evaluated and tested the quality of VA data reported to the USAspending.gov website.

VA's financial systems inventory provides details on all major financial and mixed systems. The major financial system initiative funded by the Department over the last 15 years to achieve VA's strategic goals has 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 Commercial Off the Shelf (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.

Recent accomplishments in VA's financial systems, 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 2011. VA will continue to operate FMS as the core financial system in the foreseeable future.

VA's current financial system framework consists of FMS as the core financial system and a variety of subsidiary and feeder systems which process transactions of various types. Transactions that have a financial impact are sent to the core financial system. Systems such as payroll, benefit systems, procurement, and other systems send data to the core system for budget execution, monitoring, and reporting.

VA continues to analyze and improve the processing of major interfaces to and from FMS in an effort to improve integration among the various financial and mixed systems.



Rather than launching a contract costing hundreds of millions of dollars for the replacement of FMS, VA developed a set of financial management initiatives that will provide greater benefit, at lower cost, and at lower risk. These initiatives are improving the overall financial management of VA in preparation for the next generation financial system at the appropriate time in the future.

Federal Information Security Management Act (FISMA)

VA worked aggressively towards improvement of its information security controls in 2011. In addition to developing enterprise wide plans for remediation of its material weakness in IT Security Controls, VA has implemented enterprise-wide initiatives such as the Visibility to the Desktop Program, which allows visibility of all end user computers connected to the VA network. This visibility has helped VA to transition over to continuous monitoring to provide a real time view of its security posture which has already yielded positive results in configuration management, specifically, in the area of Federal Desktop Core Configuration compliance.

VA has also improved its controls over remote access to its systems and information by requiring remote users to use RESCUE which assesses and corrects system configurations and scans for malware upon connection. Vulnerability scanning of its network in FY 2011 has allowed VA to address, in real time, the continual and ever changing threats to its information systems.

In 2012, VA plans to aggressively execute the enterprise remediation plans developed in 2011 for remediation of its material weakness by empowering and holding accountable, individuals with the responsibility to implement solutions at their respective sites or locations. Also, VA hopes to have its Visibility to the

Server initiative fully in place in 2012. This will allow visibility to the servers connected to its network and will enable VA to proactively remediate server related vulnerabilities on a real time basis.

IG Act Amendments of 1988

The *Inspector General Act of 1978*, as amended, requires the Office of Inspector General (OIG) to identify recommendations pending implementation over 1 year in its Semiannual Report to Congress until final action is completed. As of September 30, 2011, OIG reports that 35 reports with 76 recommendations remain unimplemented over 1 year from issuance with a total monetary value of \$91.9 million. (Source: Office of Inspector General)

Audit Follow-Up

VA continues to make improvements and routinely assesses its programs, financial management, and financial systems. In addition, VA is making progress in resolving findings and remediating significant deficiencies. VA is implementing recommendations to improve business processes and internal controls identified by the FPIAR office, VA management, Office of Business Oversight, OIG, the Government Accountability Office, and other external auditors.

FPIAR's primary responsibility is to define and support a strategy to identify root causes of deficiencies identified in the audit report and to improve financial management and other control deficiencies. The FPIAR office is responsible for audit follow-up and takes the lead in addressing deficiencies identified in the annual independent auditor's report. FPIAR coordinates the development of corrective action plans, monitors remediation progress, and provides support to the Administrations and staff offices. The status of remediation



efforts are reported monthly to VA's Senior Assessment Team.

Accordingly, VA management at every level has been tasked to sustain the effort in resolving program and financial-related weaknesses as well as implement sound solutions for all audit recommendations. In order to ensure continued success in remediating audit findings, VA has contracted with an Independent Public Accounting firm to provide audit support and financial improvement services designed to resolve VA's material weakness and other significant findings. VA has enhanced its communication and coordination with VA Administrations and staff offices involved in strategic planning, budget formulation, budget execution, performance, and financial management.

Prompt Payment Act

In 2011, VA's 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.

VA enhanced its vendor payment processes throughout 2011. Interest penalties paid per million dollars disbursed improved 29 percent from \$64 per million in 2010 to \$45 per million in 2011. At the same time, VA earned 97 percent (\$5.1 million) of its available discounts. VA also continued to gain efficiencies and improve performance. The FSC staff also reviews vendor payments to identify and collect improper payments resulting from duplicate incentive award payments, erroneous interest penalties, and unclaimed properties. Overall, collections of improper payments and the recovery of unapplied vendor statement credits totaled nearly \$4 million. Improved payment

oversight also enabled VA to identify and cancel nearly \$9.5 million in potential improper payments prior to disbursement. Since inception of the FSC audit recovery effort in 2001, VA has recovered \$37.7 million and prevented the improper payment of another \$80.6 million.

The FSC continued the expansion of 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 submissions are eliminated, resulting in improved cost effectiveness, payment accuracy, and timeliness for VA and the vendor.

During 2011, the Department continued the aggressive use of the Governmentwide purchase card program, processing over 5.2 million transactions representing \$3.5 billion in purchases. This generated over \$73 million in refunds for VA compared to approximately \$70 million during 2010. VA's daily electronic billing and payment process for centrally billed accounts along with a higher negotiated refund rate allow VA to maximize refunds that 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 purchase card refunds. In 2011, VA's Fee Basis credit card processed over 655,000 transactions representing over \$196 million in payments, and generated over \$3.7 million in refunds. The growth of this program was attributed to educational awareness of the program's efficiencies, a reduction in the backlog of claims, and additional Fee Basis medical providers agreeing to receive payment via the Fee Basis Purchase Card.

VA's Prime Vendor Payment System (Power Track) automates payments under a nationwide pharmaceutical prime vendor centralized purchasing contract. During 2011, VA medical centers used the Prime Vendor Payment System to electronically process over 765,000 transactions worth over \$4.3 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 2011, the travel management program processed over 813,000 transactions, disbursed payments of over \$105 million, and earned over \$1.8 million in refunds.

The FSC staff continued to provide vendor payment history on the Internet. The Vendor Inquiry System (VIS) Internet application stores over 7 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 44,900 active registered vendors. VIS provides FSC vendors an easy-to-use tool for immediate access to their payment information 24 hours a day. 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 VIS users 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.

Improper Payments Elimination and Recovery Act (IPERA) of 2010 (Summary of Implementation Efforts for 2011 and Agency Plans for 2011 through 2012)

Overview

VA reviewed the requirements of the Improper Payments Elimination and Recovery Act of 2010 to identify those programs that are susceptible to significant erroneous payments. VBA is required to report five programs. These programs include Compensation, Pension, Education, Insurance, and Vocational Rehabilitation & Employment (VR&E). The Office of Management and Budget (OMB) granted temporary relief from reporting under IPERA for Loan Guaranty (LGY) until year 2012. VHA determined that four programs are deemed susceptible to significant improper payments and are required to be reported. These programs include: Non-VA Care Fee, Other Contractual Services, State Home Per Diem Grants, and Supplies and Materials.



The President signed Executive Order 13520, “Reducing Improper Payments.” On March 22, 2010, OMB issued the Governmentwide guidance on the implementation of the Executive Order. The guidance is under Part III, Appendix C of OMB Circular A-123. This guidance requires agencies with programs susceptible to significant improper payments to submit to the agency’s Inspector General (IG) and the Council of Inspectors General on Integrity and Efficiency (CIGIE), and make available to the public, a quarterly report on any high-dollar overpayments identified by the agency. In accordance with OMB’s guidance, VBA and VHA reviewed six programs: Compensation, Pension, Education, Insurance, Non-VA Care Fee and Non-VA Care CHAMPVA, and reported the review results on these programs’ high-dollar overpayments.

Accomplishments

VA’s Executive in Charge, Office of Management, and Chief Financial Officer (CFO) is the designated senior official responsible for implementing IPERA. 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 IPERA.

All programs identified for review completed the risk assessment and/or completed statistical samplings in 2011 for 2010 data in accordance with VA’s IPERA 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 IPERA.

Plans to Accomplish

For the Compensation program, VBA continued to expand staffing levels under Public Law 111-5, the American Recovery and Reinvestment Act

(ARRA) of 2009, which provided \$150 million for the hiring and training of temporary surge claims processors through 2010. VBA converted approximately 2,400 ARRA temporary employees to permanent positions and also hired an additional 600 permanent employees in 2010. All employees were on duty by 2010. Based on the increase in staffing levels, the number of inexperienced decision-makers will continue to be a significant factor for the immediate future, as it takes two to three years to become fully trained and productive. Therefore, the potential for errors in evaluating, granting, and denying benefits may be greater in the short term.

For the Pension program, the Pension Transformation Project Team, in conjunction with Booz Allen Hamilton, are working together to identify the best business practices within the three Pension Management Centers (PMCs) to create a more consolidated working environment. Within this initiative the focus is to identify the priority claims; therefore, reducing the amount of overpayments created based on the type of workload PMCs currently process.

The Education Service is enhancing the Long-Term Solution automation system to allow for student monthly verification of enrollment. Verification of enrollment from students will ensure that VA is notified timely of drops or withdrawals in order to minimize overpayments of housing allowance for periods when a student is not enrolled. The implementation date will be posted at the end of calendar year 2011.

For the Non-VA Care Fee program, its Veterans Health Information Systems and Technology Architecture Fee package was developed more than 20 years ago and was not designed for the sophistication and volume of claims that VHA is now processing. As a result, VHA’s Chief Business Office (CBO) has developed a full set of



business requirements for a replacement system that will address more timely claims processing, elimination of duplicate payments, and reduction of manual entry and data entry errors. Because of the time it will take to develop and implement the long-term technological changes, VHA has put in place an interim automation system, Fee Basis Claims Software, which has resulted in increased timeliness of claims processing, reduced manual input errors, and fewer instances of lack of documentation.

For VHA's Other Contractual Services, the VHA Accounting Policy Section will ensure dissemination of policy requirements for proper assignment of cost center and budget object codes when preparing financial transactions. Requirements were addressed and training provided as part of the September 2011 monthly national finance conference call. Requirements related to use of convenience checks and prohibition for salary payments were also addressed.

For the State Home Per Diem Grants, VHA's CBO Purchased Care Business Line has launched a number of initiatives over the past year to enhance and standardize business processes within the State Home Per Diem Grants program. These initiatives include a program's intranet website, rewritten and updated national policy, monthly conference calls, conducting national reviews, soliciting feedbacks from internal and external stakeholders, as well as conducting daily audits.

For VHA's Supplies and Materials, VHA issued strict guidance prohibiting the same individual(s) to request, approve, obligate, and certify funds when using VA Form 1358 as an obligation tool. In July 2011, VHA installed a system of information technology patches to enhance segregation of duties. These patches will prevent the same individual(s) from

requesting, approving, and recording the 1358 obligations and approving payments.

PAID Accomplishments and Plans

VA continued production support and maintenance of PAID during 2011 in support of programs such as modifying PAID in order to use unique Employee Identification Numbers instead of Social Security Numbers, the creation of extracts for the VA for Vets Program and Personal Identity Verification (PIV) Credential Reporting, and changing how awards are processed.

VA will continue production support and maintenance of PAID. Primary support and maintenance will be related to HR processing and, as required, enhancements will be made to how data flows over to DFAS. Plans are underway for the Department to begin its efforts in identifying and migrating to a new HR Line of Business Provider.

Payroll Modernization Accomplishments and Plans

VA has begun efforts to replace its legacy time and attendance system (ETA) with a Web-based time and attendance system known as VATAS (VA Time and Attendance System). Development of this system continued during the year, meeting all milestones and successfully completing two planned incremental software deliveries. The remaining three software deliveries will occur during 2012 and the system will be deployed and operational in 2013.

VA-wide TDY Travel Accomplishments and Plans

The VA-wide TDY travel system, also known as FedTraveler.com, gives approximately 80,000 VA frequent travelers and VA managers an efficient and accountable way to plan, book, and track travel arrangements as well as request and approve expense reimbursement.



This system which is operating at a steady state, 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 in 2011 averaged 61 percent. For 2011, VA travelers processed approximately 257,611 vouchers in Fed Traveler.com.

The FSC will continue to provide support for VA-wide travel. The FSC provides 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.

FSC will also provide support to transition VA from the existing contract to the next contract for the VA-wide TDY travel system.



VA Snapshot

VA Reaches Out to Veterans to Explain Changes to GI Bill



VA has expanded outreach efforts to inform Veterans of the changes made to the Post 9/11 GI Bill.

The Department of Veterans Affairs (VA) is informing Veterans of recent changes made by Congress to the Post 9/11 GI Bill.

Allison Hickey, Under Secretary for Benefits, said, “The Post 9/11 GI Bill is incredibly important because it reduces the financial burdens of higher education so that Veterans have an opportunity to achieve their education goals. VA believes it is important for Veterans to be aware of changes to the GI Bill and learn more about how these changes may affect them. It’s hard to believe how far we have all come with the Post-9/11 GI Bill the past 2 years.”

As of August, more than 537,000 students have received over \$11.5 billion in GI Bill benefits to help them take charge of their future.

Changes to the Post-9/11 GI Bill effective August 1, 2011, include paying the actual net cost of all public in-state tuition and fees, rather than basing payments upon the highest in-state tuition and fee rates for every state; capping private and foreign tuition at \$17,500 per academic year; and ending payments during certain school breaks to preserve Veterans’ entitlement for future academic semesters. Also, certain students attending private schools in select states can now continue to receive benefits at the same rate payable during the previous academic year.

Beginning October 1, 2011, eligible individuals are able to use the Post-9/11 GI Bill for programs such as non-college degrees, on-the-job training, and correspondence courses, and are eligible to receive a portion of the national monthly housing allowance rate when enrolled only in distance learning courses.

VA outreach has helped to increase participation by colleges and universities in the Yellow Ribbon program, which helps students avoid out-of-pocket costs that may exceed the benefit. As of August, more than 2,600 schools were participating in the Yellow Ribbon program.

“VA is committed to ensuring Veterans have the information and tools they need to succeed,” Under Secretary Hickey concluded.

Complete information on the Post-9/11 GI Bill is available on the [Web](#) site at www.gibill.va.gov. VA’s education information phone number is 1-888-GIBILL-1. For ongoing benefit information, Veterans and Servicemembers can log into the VA eBenefits [Web](#) site at www.eBenefits.va.gov. To ask a question in a secure e-mail, use the “Ask a Question” tab at: <https://www.gibill2.va.gov/cgi-bin/vba.cfg/php/enduser/ask.php>.



This page intentionally left blank



Integrated Objective One

Make it easier for Veterans and their families to receive the right benefits, meeting their expectations for quality, timeliness, and responsiveness.

INTEGRATED STRATEGY 1a

Improve and integrate services across VA to increase reliability, speed, and accuracy of delivery.

Making a Difference for Veterans

VA Urges Veterans to Sign Up for Direct Deposits



VA urges Veterans to sign up for direct deposit. After February 2013, people who do not have electronic payments for their Federal benefits will receive their funds via a pre-paid debit card.

The Department of the Treasury announced a new rule that will extend the safety and convenience of electronic payments to millions of Americans and phase out paper checks for Federal benefits by March 1, 2013. Officials at the Department of Veterans Affairs (VA) urge Veterans to sign up for electronic payment of their benefits.

“Receiving VA benefits electronically will increase the security, convenience, and reliability of these vital payments,” said Secretary of Veterans Affairs Eric K. Shinseki. “VA encourages Veterans who are now receiving their benefits in paper checks to set up direct deposits before the deadline.”

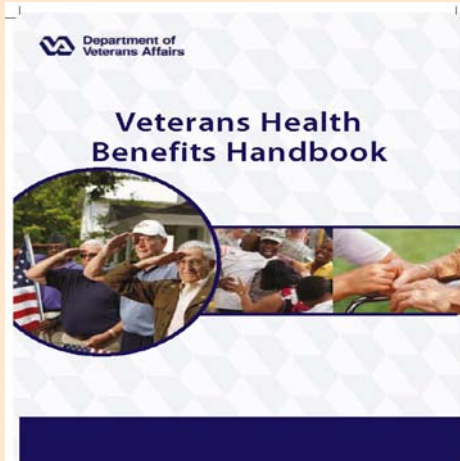
On March 1, 2013, VA will stop issuing paper checks. People who do not have electronic payments for their Federal benefits by that time will receive their funds via a pre-paid debit card. Called the Direct Express card, it is issued by Comerica Bank as the financial agent of the U.S. Treasury.

Another deadline affects people receiving VA’s compensation or pensions for the first time after May 1, 2011. Those people will automatically receive the benefits electronically.

Anyone already receiving Federal benefit payments electronically will be unaffected by the changes. To learn more about the Federal Government’s switch to direct deposit—or to change VA benefits to direct deposit—visit the [Web](#) site at www.GoDirect.org. Information about the Federal Government’s “Go Direct” campaign is also available at 1-800-333-1795.



VA Launching New Personalized Veterans Health Benefits Handbook



VA is piloting a personalized and easy-to-read Veterans Health Benefits Handbook that highlights Veterans' unique health benefits, treatment needs, and copayments information.

The Department of Veterans Affairs (VA) is piloting new, personalized Veterans Health Benefits Handbooks. The handbooks are tailored to provide enrolled Veterans with the most relevant health benefits information based on their own specific eligibility. In essence, each handbook will be written for the individual Veteran.

"These handbooks will give Veterans everything they need to know and leave out everything that doesn't apply to them," said Secretary of Veterans Affairs Eric K. Shinseki. "Our Veterans will now have a comprehensive, easy-to-understand roadmap to the medical benefits they earned with their service."

In addition to highlighting each Veteran's specific health benefits, the handbook also provides contact information for the Veteran's preferred local facility, ways to schedule personal appointments, guidelines for communicating treatment needs, and an explanation of the Veteran's responsibilities, such as copayments when applicable.

"Enhancing access isn't just about expanding the kinds of services VA provides. It also includes making sure we do everything we can to ensure Veterans have a clear understanding of the

benefits available to them so they can make full use of the services they have earned," Shinseki said.

The new handbooks are currently being piloted with Veterans receiving care at the VA medical center in Dayton, Ohio. For additional information, visit the [Web](#) site at <http://www.va.gov/healthbenefits/> or call VA's toll-free number at 1-877-222-VETS (8387)



Significant Trends, Impacts, Use, and Verification of 2011 Results

Key Measure																											
PREVENTION INDEX IV																											
Performance Trends	Impact on Veterans																										
<table border="1"> <thead> <tr> <th></th> <th>2007</th> <th>2008</th> <th>2009</th> <th>2010</th> <th>2011</th> <th>ST</th> </tr> </thead> <tbody> <tr> <td>Results</td> <td>88%</td> <td>88%</td> <td>89%</td> <td>91%</td> <td>92%</td> <td></td> </tr> <tr> <td>Targets</td> <td>88%</td> <td>88%</td> <td>89%</td> <td>89%</td> <td>93%</td> <td>94%</td> </tr> </tbody> </table>		2007	2008	2009	2010	2011	ST	Results	88%	88%	89%	91%	92%		Targets	88%	88%	89%	89%	93%	94%	<p>Desired Direction</p> <p></p> <p>This measure is an indicator of how well VA promotes healthy lifestyle changes such as immunizations, hyperlipidemia, smoking cessation, and early screening for cancer.</p> <p>Status</p> <p></p> <p>A higher score means that VA-treated Veterans are receiving preventative care and are taking the necessary steps to develop or maintain healthy lifestyles.</p>					
	2007	2008	2009	2010	2011	ST																					
Results	88%	88%	89%	91%	92%																						
Targets	88%	88%	89%	89%	93%	94%																					
<p>How VA Verifies Results Data for Accuracy</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 then abstracted through trained, third party, contracted staff members (External Peer Review Program) who review the medical record for the quality metrics VA tracks.</p>																											
<p>How VA Leadership Uses Results Data</p> <p>Monitoring and tracking PI results helps VA medical staff with early identification of disease risk and intervention for risky behaviors. VA medical staff is also able to do the following:</p> <ul style="list-style-type: none"> • Target education, immunization programs, and clinic access to prevent or limit potential disabilities resulting from these activities and/or diseases. • Identify patients in need of prevention screening for cancer. • Help identify cancers before the Veteran develops symptoms, and provide the opportunity for earlier intervention. <p>In addition, as a matter of policy and practice, VA targets all outpatients for its prevention measures with the goal of promoting and maintaining a healthy population.</p>																											

(1) The 2007 and 2008 numbers are Prevention Index (PI) III. The 2009, 2010, and 2011 numbers are PI IV.
 (2) ST = Strategic Target



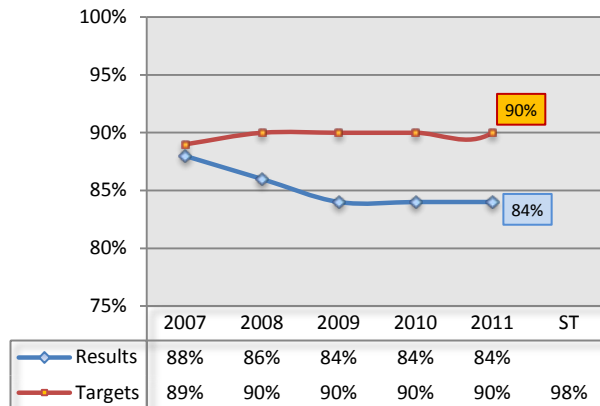
Key Measure																											
CLINICAL PRACTICE GUIDELINES INDEX III																											
Performance Trends				Impact on Veterans																							
<table border="1"> <thead> <tr> <th></th> <th>2007</th> <th>2008</th> <th>2009</th> <th>2010</th> <th>2011</th> <th>ST</th> </tr> </thead> <tbody> <tr> <td>Results</td> <td>83%</td> <td>84%</td> <td>91%</td> <td>92%</td> <td>91%</td> <td></td> </tr> <tr> <td>Targets</td> <td>84%</td> <td>85%</td> <td>86%</td> <td>86%</td> <td>92%</td> <td>93%</td> </tr> </tbody> </table>					2007	2008	2009	2010	2011	ST	Results	83%	84%	91%	92%	91%		Targets	84%	85%	86%	86%	92%	93%	<p>Desired Direction</p> <p>↑</p> <p>Status</p> <p>Y</p> <p>This measure is an indicator of how well VA performs regarding early identification and treatment of potentially disabling or deadly diseases such as acute myocardial infarction, inpatient congestive heart failure, hypertension, diabetes, and pneumonia.</p> <p>The index focuses primarily on the care provided to inpatients and is used to assess the quality of health care being delivered to its patients in accordance with industry standards.</p>		
	2007	2008	2009	2010	2011	ST																					
Results	83%	84%	91%	92%	91%																						
Targets	84%	85%	86%	86%	92%	93%																					
<p>(1) The 2007 and 2008 numbers are Clinical Practice Guidelines Index (CPGI) II. The 2009, 2010, and 2011 numbers are CPGI III.</p> <p>(2) ST = Strategic Target</p>				<p>How VA Leadership Uses Results Data</p> <p>Data are used by leadership to do the following:</p> <ul style="list-style-type: none"> • Identify and assess opportunities for early identification of acute and potentially disabling chronic diseases. • Identify opportunities for managing entire chronic disease populations. • Provide interventions based on clinical practice guidelines. <p>Overall, CPGI data enable VA to target patient and employee education, focus on disease management, and provide access to care to prevent or limit the effects of potentially disabling diseases. The goal of disease management is to improve the quality of life for Veterans.</p>																							
<p>How VA Verifies Results Data for Accuracy</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 then abstracted through trained, third party, contracted staff members (External Peer Review Program) who review the medical record for the quality metrics VA tracks.</p>																											



Key Measure

NATIONAL ACCURACY RATE FOR COMPENSATION ENTITLEMENT CLAIMS

Performance Trends



(1) Actual data through 08/2011. Final data are expected in 1/2012.
 (2) ST = Strategic Target

Impact on Veterans

Desired Direction



Veterans are entitled to an accurate decision on their compensation claims. Monitoring accuracy helps ensure that VA provides the correct level of benefit to the Veteran.

Status



With many new staff undergoing training, accuracy of rating decisions has remained the same as in 2010 on compensation claims.

How VA Leadership Uses Results Data

VA leadership is committed to increasing the accuracy of rating decisions. Based on 2011 performance results, VA expanded the four-tiered quality assurance program to improve its accuracy rate for compensation and pension claims:

How VA Verifies Results Data for Accuracy

Data are analyzed daily, and the results are tabulated monthly. Compensation and Pension (C&P) Systematic Technical Accuracy Review (STAR) quality teams conduct performance quality and consistency reviews on cases from the regional offices.

Using a random sample of claims generated by VBA's Performance Analysis & Integrity (PA&I) staff, completed cases are selected for review and sent to the STAR staff on a monthly basis. The staff members thoroughly review the completed cases ensuring accuracy, quality, and consistency of rating and authorization issues. A coded spreadsheet identifies the type of each error and how it should be corrected.

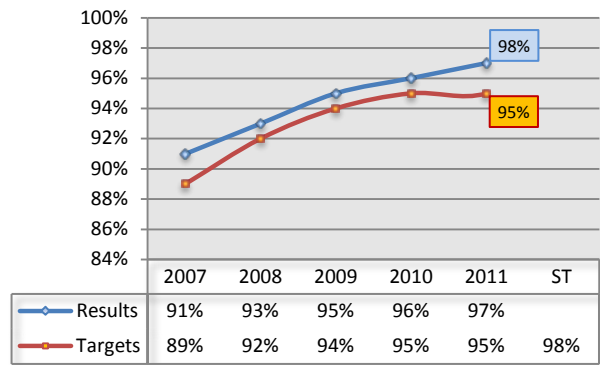
- Tier One - Accuracy; expanding the STAR staff to increase review sampling.
- Tier Two - Oversight; expanding site visit staff and review of internal controls.
- Tier Three - Special focus reviews and working with the Appeals Management Center.
- Tier Four - Consistency; expanding rating data analyses and increasing the focus on disability decision consistency reviews.

Additionally, VA continues to improve its skill certification testing program. In 2011, VA fully implemented six skill certification tests to assess job proficiency for claims processing positions, including one for first-line supervisors. From its inception in 2003, more than 8,300 employees have participated in the skill certification testing, and over 5,500 have been certified.



Key Measure
NATIONAL ACCURACY RATE FOR PENSION MAINTENANCE CLAIMS

Performance Trends



(1) Actual data through 08/2011. Final data are expected in 1/2012.
 (2) ST = Strategic Target

Impact on Veterans

Desired Direction Despite increased workload, VA has continued to improve its accuracy rate in pension maintenance work, thereby ensuring that those Veterans and Survivors most in need of financial resources receive the correct benefit.

Status **G**

How VA Verifies Results Data for Accuracy

Data are analyzed daily, and the results are tabulated monthly. C&P STAR quality teams conduct performance quality and consistency reviews on cases from the regional offices.

Using a random sample of claims generated by VBA's PA&I staff, completed cases are selected for review and sent to the STAR staff monthly. The staff thoroughly reviews the completed cases ensuring accuracy, quality, and consistency of rating and authorization issues. A coded spreadsheet identifies the type of each error and how it should be corrected.

How VA Leadership Uses Results Data

VA leadership is committed to increasing the accuracy of rating decisions. Based on 2011 performance results, VA expanded the four-tiered quality assurance program to improve its accuracy rate for compensation and pension claims:

- Tier One - Accuracy; expanding the STAR staff to increase review sampling.
- Tier Two - Oversight; expanding site visit staff and review of internal controls.
- Tier Three - Special focus reviews and working with the Appeals Management Center.
- Tier Four - Consistency; expanding rating data analyses and increasing the focus on disability decision consistency reviews.

Additionally, VA continues to improve its skill certification testing program. In 2011, VA fully implemented six skill certification tests to assess job proficiency for claims processing positions, including one for first-line supervisors. From its inception in 2003, more than 8,300 employees have participated in the skill certification testing, and over 5,500 have been certified.



Key Measure

PERCENT OF COMPENSATION AND PENSION PENDING INVENTORY THAT IS MORE THAN 125 DAYS OLD

Performance Trends

	2010	2011	Strategic Target
Results	36%	60%	
Targets	N/A	60%	0%

Impact on Veterans

Desired Direction



Approximately 60 percent of VA's claims inventory was backlogged — or pending a decision more than 125 days—in 2011. This is up from 36 percent of the inventory in 2010.

Status



As more experienced employees are transitioned from processing claims related to the three new herbicide presumptive conditions to focusing on the oldest pending claims, VA expects to reduce the claims backlog and processing timeliness.

How VA Verifies Results Data for Accuracy

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

VBA's PA&I staff members assess the data monthly to detect discrepancies that would indicate an error in the automated data collection system. This review 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.

How VA Leadership Uses Results Data

VA leadership uses the results to manage the compensation and pension programs and to implement performance strategies such as training needs, workload realignment, and staffing levels.

In response to recent years' performance trends and rising workload, VA has hired more claims processing staff. Most recently, VA hired over 3,000 FTE in 2011 (including Recovery Act term and permanent hires). As these employees become fully trained and gain experience, they can favorably impact processing time.



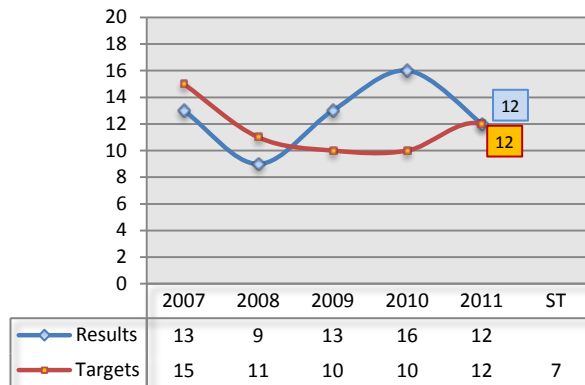
Key Measure																											
AVERAGE DAYS TO COMPLETE ORIGINAL EDUCATION CLAIMS																											
Performance Trends			Impact on Veterans																								
<table border="1"> <thead> <tr> <th></th> <th>2007</th> <th>2008</th> <th>2009</th> <th>2010</th> <th>2011</th> <th>ST</th> </tr> </thead> <tbody> <tr> <td>Results</td> <td>32</td> <td>19</td> <td>26</td> <td>39</td> <td>24</td> <td></td> </tr> <tr> <td>Targets</td> <td>35</td> <td>24</td> <td>24</td> <td>24</td> <td>23</td> <td>10</td> </tr> </tbody> </table>				2007	2008	2009	2010	2011	ST	Results	32	19	26	39	24		Targets	35	24	24	24	23	10	<p>Desired Direction</p> <p>↓</p> <p>The timeliness of completing original education claims decreased from 39 days in 2010 to 24 days in 2011. Compared with 2010, Veterans waited on average 15 fewer days to receive their initial award notification and payment.</p> <p>Status</p> <p>Y</p> <p>The importance of making timely payments to Veterans for educational claims is critical to helping them meet their educational goals.</p>			
	2007	2008	2009	2010	2011	ST																					
Results	32	19	26	39	24																						
Targets	35	24	24	24	23	10																					
<p>ST = Strategic Target</p> <p>Quality review staff members verify the data quarterly. The review uses a statistically valid sampling of cases 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 entering the source data. Data are captured electronically, and reports on the Distribution of Operational Resources are automatically generated. Data are analyzed monthly and verified quarterly.</p>			<p>How VA Leadership Uses Results Data</p> <p>VA management uses performance results to pinpoint areas of performance weakness and then takes appropriate corrective actions.</p> <p>In 2011, such actions included retaining temporary Veterans Claims Examiners at our Regional Processing Offices to process Post-9/11 GI Bill claims. VA also implemented policies to streamline the entire claims process based on case reviews identifying duplication of efforts and redundant or unnecessary development. Continuing improvements to the Post 9/11 GI Bill claims processing system, the Long Term Solution, have helped VA improve the timeliness of payments to Veterans for educational claims.</p>																								



Key Measure

AVERAGE DAYS TO COMPLETE SUPPLEMENTAL EDUCATION CLAIMS

Performance Trends



ST = Strategic Target

How VA Verifies Results Data for Accuracy

Quality review staff members verify the data quarterly. The review uses a statistically valid sampling of cases to determine reliability of automated data reports.

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

Impact on Veterans

Desired Direction



Status



The timeliness of completing supplemental education claims decreased from 16 days in 2010 to 12 days in 2011. Compared with 2010, Veterans waited on average 4 fewer days to receive their award notification and payment.

The importance of making timely payments to Veterans for educational claims is critical to helping them meet their educational goals.

How VA Uses the Results Data

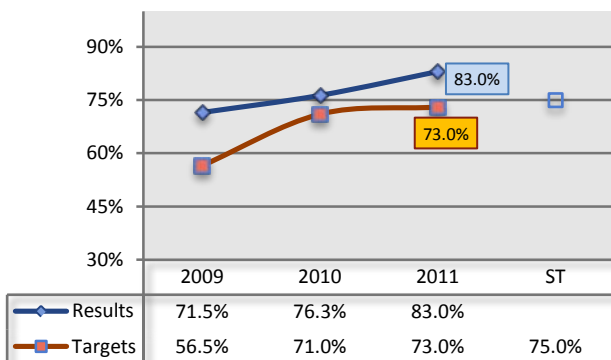
VA management uses performance results to pinpoint areas of performance weakness and then takes appropriate corrective actions.

In 2011, such actions included retaining temporary Veterans Claims Examiners at our Regional Processing Offices to process Post-9/11 GI Bill claims. VA also implemented policies to streamline the entire claims process based on case reviews identifying duplication of efforts and redundant or unnecessary development. Continuing improvements to the Post 9/11 GI Bill claims processing system, the Long Term Solution, have helped VA improve the timeliness of payments to Veterans for educational claims.



Key Measure
DEFAULT RESOLUTION RATE

Performance Trends



(1) 2009 actual is corrected.
(2) ST = Strategic Target

How VA Verifies Results Data for Accuracy

VA-guaranteed loan servicing personnel are skilled and trained in proper data reporting procedures, which ensures documented data reporting procedures are followed.

VA Loan Administration staff is also skilled and trained in loan servicing and proper data reporting procedures. All servicing and data reporting procedures are documented in both the VA Servicer and VA Loan Technician guides. These guides are updated regularly based on loan servicing industry best practices.

Submitted loan servicing data are verified through sampling against loan data. The accuracy of loan servicing data is also established via the Veterans Affairs Loan Electronic Reporting Interface (VALERI) system's business rules screening process. Additionally, procedures for making changes to previously entered loan data are documented and followed.

Impact on Veterans

Desired Direction

 The 2011 default resolution rate of 83 percent means that of the Veterans who defaulted on their VA-guaranteed loans, VA and loan servicers were able to assist 83 percent in either retaining ownership of their homes or in lessening the impact of foreclosure by tendering a deed in lieu of foreclosure or arranging a private sale with a VA claim payment to help close the sale.

Status

How VA Leadership Uses Results Data

VA uses the data to measure the effectiveness of joint servicing efforts of primary servicers and VA staff to assist Veterans in avoiding foreclosure through default resolution. Since Veterans benefit substantially from avoiding foreclosure through default resolution—and, at the same time, VA realizes cost savings—VA redesigned its data program in December 2008 to promote greater loss mitigation efforts by primary servicers.

This redesign effort included development of a new Web-enabled and rules-based "smart" system, VA Loan Electronic Reporting Interface (VALERI).

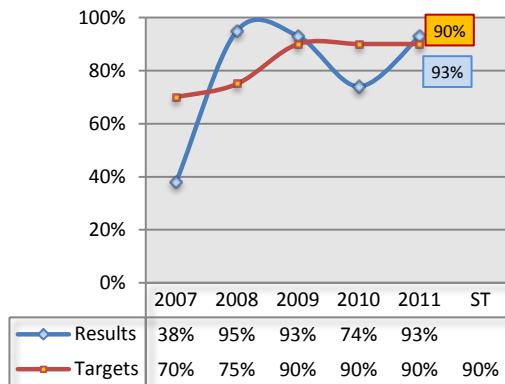
VALERI's standardized servicing criteria, which are on par or ahead of industry norms, enable instant access to acquisition and claim payment status and make it easier for servicers to work and communicate with VA. It also enables servicers to more quickly help Veterans who are experiencing financial difficulty to avoid foreclosure. For example, reaching out to Veterans earlier in the delinquency process allows for more home retention options using repayment plans, special forbearances, and loan modifications. In the event that these options are not viable, compromise sales and deeds in lieu of foreclosure can be discussed as alternatives to foreclosure.



Key Measure

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

Performance Trends



ST = Strategic Target

Impact on Veterans

Desired Direction



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.

Status



In addition, there is often a sense of closure to the grieving process when the grave is marked. A high level of performance in this area is important as roughly 65 percent of headstones and markers furnished by VA are for Veterans buried in cemeteries other than a VA national cemetery.

How VA Leadership Uses Results Data

Monthly and fiscal-year-to-date reports are shared with NCA managers, employees, and other interested parties, such as Veterans Service Organizations, to ensure visibility of this important initiative and demonstrate VA's commitment to serving Veterans in a timely manner.

NCA managers use these data to manage application processing workload and to identify and correct potential problems with headstone and marker application processing. Data are available at the beginning of each month and are available for use in Government Performance and Results Modernization Act of 2010 reports and VA internal Monthly Performance Reviews. Data are comparable between years, enabling NCA and its stakeholders to assess program progress and effectiveness.

How VA Verifies Results Data for Accuracy

Employees in NCA's Memorial Programs Service are trained and skilled at entering data into NCA's Automated Monument Application System (AMAS). Paper applications are scanned and entered electronically into AMAS. Data are collected and verified by NCA Central Office employees who are skilled and trained in data collection and analysis techniques.

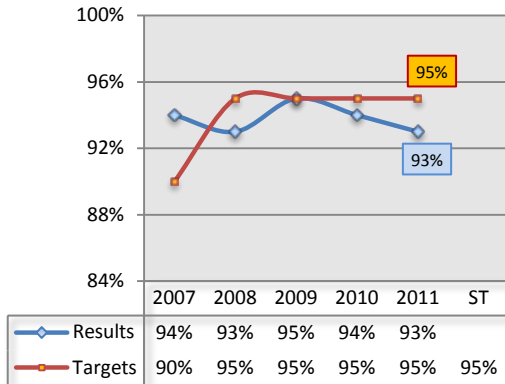
Applications received electronically are automatically entered into AMAS. Data are verified by sampling against source data in AMAS.



Key Measure

PERCENT OF GRAVES IN NATIONAL CEMETERIES MARKED WITHIN 60 DAYS OF INTERMENT

Performance Trends



ST = Strategic Target

Impact on Veterans

Desired Direction



Status



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, having a permanent headstone or marker often brings a sense of closure to the grieving process.

How VA Leadership Uses Results Data

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 of and access to this information reinforces the importance of marking graves in a timely manner.

How VA Verifies Results Data for Accuracy

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.

This information is also used to drive process improvements, such as the development of NCA's local inscription program. This program further improves NCA's ability to provide symbolic expressions of remembrance by improving the timeliness of the grave-marking process.



Additional Performance Information for Integrated Strategy 1a

Program Evaluations

The Institute for Defense Analyses completed the independent 3-year review of VBA's quality assurance program mandated under the provisions of Public Law (P.L.) 110-389, Veterans' Benefits Improvement Act of 2008, and VA provided a final report to Congress.

VA completed public forums and working group sessions as part of a systematic revision of the VA Schedule for Rating Disabilities (VASRD). These included forums on Dental and Oral Conditions, Genitourinary System, Infectious & Immune Disorders, and Digestive System and Nutritional Diseases sections of the VASRD.

New Policies, Procedures, or Process Improvements and Other Important Results

VA implemented several major new policies and procedures designed to improve the ability of Veterans and Servicemembers to achieve educational and career goals. These included the following:

- VA deployed 81 Disability Benefits Questionnaires (DBQs) for use by VA medical facilities, with 3 available to private physicians. The DBQs streamline the disability evaluation process by requiring a consistent format for medical evidence.
- VBA implemented the Private Medical Records (PMR) pilot to reduce timeliness for receipt of private medical records. VBA is receiving responses to PMR requests 23 days faster than non-pilot requests.

- VBA initiated the Fully Developed Claim program nationwide.
- VBA implemented innovative tools for the claims decision process. The "Hearing Loss Calculator" tool released in November 2010 and the "Special Monthly Compensation calculator" tool released in July 2011 use rules-based technology to improve timeliness, accuracy, and consistency of rating decisions.
- Quality Review Teams (QRTs) began at 12 VBA pilot sites on August 1, 2011. These teams are solely dedicated to monitoring station quality, identifying trends/training needs, collaborating with local training components, reviewing Systematic Technical Accuracy Review (STAR) errors, addressing national training issues and local training issues for that station, and other appropriate functions. The QRTs were trained by the National STAR team and are using the National STAR team review approach.
- VA published the final rule for *Presumptive Service Connection for Diseases Associated with Service in the Southwest Asia Theater of Operations During the Persian Gulf War: Functional Gastrointestinal Disorders*.
- VA issued instructions and procedures on processing claims under P.L. 111-377, the Post-9/11 Veterans Educational Improvements Act of 2010, which modifies certain aspects of the Post-9/11 GI Bill.
- VA issued instructions and procedures on processing claims under P.L. 112-26, the Restoring GI Bill Fairness Act of 2011, which changes the way VA calculates payments for training at certain private colleges or universities.



NCA continued implementation of its new National Cemetery Scheduling Office (NCSO).

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 2 newly opened national cemeteries in Sacramento and South Florida. At the end of 2011, the NCSO had expanded operations to provide service to 130 of VA's 131 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.

In 2011 NCA continued to broaden the scope of its First Notice of Death (FNOD) Office by working with post offices as well as VA medical centers and regional offices to refine the flag distribution system. The FNOD Office is responsible for processing information on deceased Veterans who were receiving benefits from VA into VA's information technology systems. This process enables VA to cancel compensation payments in a timely manner and communicate with family members in order to ensure overpayments of compensation are reduced or eliminated. This also ensures family members receive timely and accurate information concerning possible entitlement to survivor and burial benefits. In 2011, NCA processed nearly 640,000 notices of death, avoiding more than \$39 million in overpaid benefits.

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 2011, VA processed

93 percent of the applications for headstones and markers for such Veterans within 20 days of receipt. VA's long-term performance goal is to process 90 percent of the applications within 20 days of receipt.

The amount of time it takes to mark a 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. In 2011, VA marked 93 percent of the graves in national cemeteries within 60 days of the interment. The average number of days to mark a grave in a national cemetery was 28 days.

Headstones and markers must be replaced if the government or contractor makes errors in the inscription, or if the headstone or marker is damaged during installation. Replacing headstones and markers further delays the final portion of the interment process. 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 2011, 95 percent of headstones and markers were delivered undamaged and correctly inscribed. In 2011, 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 marking graves.

In 2011, VA issued nearly 779,700 Presidential Memorial Certificates, 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



Presidential Memorial Certificates provided by VA is consistently 99 percent or better. The willingness to recommend a national cemetery to Veteran families during their time of need is an expression of loyalty toward that national cemetery. In 2011, 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. Rows of pristine, white headstones set at the proper height and correct alignment provide a vista that is the hallmark of many VA national cemeteries. In 2011, VA collected data that showed that 70 percent of headstones and/or markers in national cemeteries are at the proper height and alignment; 82 percent of headstones, markers, and niche covers are clean and free of debris or objectionable accumulations; and 91 percent of gravesites in national cemeteries had grades that were level and blended with adjacent grade levels. In 2011, National Shrine Commitment projects were initiated at 33 national cemeteries and two soldier's lots. These projects will raise, realign, and clean more than 300,000 headstones and markers and renovate gravesites in more than 465 acres.

In 2009, NCA completed 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 is assessed annually to determine whether the condition of each building and structure is

considered acceptable according to system-wide standard definitions within VA and within Federal guidelines identified by the Federal Real Property Council.

The 2011 assessment showed that 74 percent of buildings and structures at national cemeteries met these criteria. 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.

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 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 2011, VA processed nearly 372,700 applications for headstones and markers for placement in national, state, other public, or private cemeteries. Since 1973, VA has furnished more than 11 million headstones and markers for the graves of Veterans and other eligible persons.

Data Verification and Measure Validation

More details on data verification and quality and measure validation for the key measures that support this strategy are provided in the Key Measures Data Table on pages II-108–II-117.



Complete Listing of Measures Supporting Integrated Strategy 1a

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.

Recap	
Green	15
Yellow	11
Red	6
Total	32

Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target
	2007	2008	2009	2010	Results	Targets	
Prevention Index IV (The 2007-2008 results are PI III. The 2009-2011 numbers are PI IV.)	88%	88%	89%	91%	92% Y	93%	94%
Clinical Practice Guidelines Index III (The 2007-2008 results are CPGI II. The 2009-2011 numbers are CPGI III.)	83%	84%	91%	92%	91% Y	92%	93%
National accuracy rate - compensation entitlement claims (Supports Priority Goal)	88%	86%	84%	84%	84% R	90%	98%
National accuracy rate - pension maintenance claims	91%	93%	95%	96%	97% G	95%	98%
Percent of Compensation and Pension pending inventory that is more than 125 days old (Supports Priority Goal) (New)	N/Av	N/Av	N/Av	36%	60% G	60%	0%
Average days to complete original Education claims (Supports Priority Goal)	32	19	26	39	24 Y	23	10
Average days to complete supplemental Education claims (Supports Priority Goal)	13	9	13	16	12 G	12	7
Default Resolution Rate (1) Corrected	N/Av	N/Av	(1) 71.5%	76.3%	83% G	73.0%	75.0%
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 (Supports Priority Goal)	38%	95%	93%	74%	93% G	90%	90%
Percent of graves in national cemeteries marked within 60 days of interment	94%	93%	95%	94%	93% Y	95%	95%
Percent of VA Hospitals whose unplanned readmissions rates are less than or equal to other hospitals in their community (Through August)	N/Av	N/Av	N/Av	N/Av	* 98% G	80%	100%

*These are partial or estimated data; final data will be published in the 2013 Congressional Budget and/or the 2012 Performance and Accountability Report.



Part II - Performance Summaries by Integrated Strategy

Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target
	2007	2008	2009	2010	Results	Targets	
Number of Health Care Associated Complications (HAC) (1) Data for this measure are currently not available. The Office of Analytics and Business Intelligence is committed to developing, testing, and validating a composite HAC rate in keeping with the goals of the Partnership for Patients.	N/Av	N/Av	N/Av	N/Av	(1) N/Av	18	<12
Compensation maintenance claims - average days to complete	N/Av	N/Av	N/Av	99	94 R	89	60
Compensation entitlement claims - average days to complete (1) Corrected	N/Av	N/Av	N/Av	(1) 169	197 R	158	90
Burial claims processed - average days to complete (Compensation)	91	84	78	76	113 R	70	21
National accuracy rate (Compensation maintenance claims)	92%	95%	95%	96%	97% G	96%	98%
National accuracy rate - burial claims processed (Compensation)	95%	96%	93%	96%	97% Y	98%	98%
National accuracy rate - pension entitlement claims	91%	87%	95%	96%	98% G	96%	98%
Compensation and Pension National accuracy rate - fiduciary work	84%	81%	82%	85%	88% Y	90%	98%
Appeals resolution time (From NOD to Final Decision) (Average Number of Days) (Joint BVA-VBA Compensation and Pension measure)	660	645	709	656	747 Y	695	675
Percent of claims processed through the automated claims processing system (Education)	N/Av	N/Av	N/Av	N/Av	TBD	Baseline	TBD
Percent of Montgomery GI Bill or Post 9/11 GI Bill participants who successfully completed an education or training program	N/Av	N/Av	N/Av	N/Av	TBD	Baseline	TBD
Montgomery GI Bill usage rate (%) for Veterans who have passed their 10-year eligibility period (Measure being dropped after 2011.)	70%	70%	70%	71%	TBD	71%	80%
Education Claims Completed Per FTE	N/Av	N/Av	N/Av	N/Av	TBD	Baseline	TBD
Payment accuracy rate (Supports Priority Goal) (Education) (1) Corrected	95%	96%	96%	(1) 95%	98% G	95%	97%



Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target
	2007	2008	2009	2010	Results	Targets	
Education Call Center - Abandoned call rate	14%	5%	11%	17%	20% R	10%	5%
Program Review Accuracy Rate (Housing) (New)	N/Av	N/Av	N/Av	N/Av	Baseline	Baseline	TBD
Rate of homeownership for Veterans compared to that of the general population (2011 Estimate) (1) Corrected	N/Av	115.2%	(1) 117.2%	117.2%	* 118% G	118.0%	119.0%
Default Resolution Efficiency Ratio (Through August) (1) Corrected	N/Av	N/Av	(1) 32.0:1	55.7:1	* 68.3:1 G	36.0:1	38.0:1
Number of disbursements (death claims, loans, and cash surrenders) per FTE (Insurance)	1,724	1,756	1,755	1,714	1,808 G	1,750	1,750
Percent of respondents who would recommend the national cemetery to Veteran families during their time of need	98%	98%	98%	98%	98% Y	99%	100%
Percent of gravesites that have grades that are level and blend with adjacent grade levels	83%	86%	90%	89%	91% G	89%	95%
Percent of headstones and markers that are delivered undamaged and correctly inscribed	96%	96%	96%	96%	95% Y	98%	98%
Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations	75%	84%	82%	85%	82% Y	90%	95%
Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment	69%	65%	64%	67%	70% Y	73%	90%
Percent of national cemetery buildings and structures that are assessed as "acceptable" according to annual Facility Condition Assessments	N/Av	N/Av	84%	84%	74% R	87%	90%
Percent of funeral directors who respond that national cemeteries confirm the scheduling of the committal service within 2 hours (Supports Priority Goal)	72%	72%	73%	77%	81% G	80%	93%
Percent of Presidential Memorial Certificate applications that are processed within 20 days of receipt (Supports Priority Goal)	N/Av	N/Av	N/Av	17%	91% G	70%	90%

*These are partial or estimated data; final data will be published in the 2013 Congressional Budget and/or the 2012 Performance and Accountability Report.



INTEGRATED STRATEGY 1b

Develop a range of effective delivery methods that are convenient to Veterans and their families

Making a Difference for Veterans

VA's Mail-Order Pharmacy Program Recognized as a J.D. Power 2011 Customer Service Champion



Prescription packages are ready to go to the post office, on their way to Veterans. Every workday 300,000 Veterans receive medication or supplies from VA.

The Department of Veterans Affairs' mail-order pharmacy program has been recognized as a J.D. Power 2011 Customer Service Champion—one of only 40 entities in the United States to earn the distinction this year.

"We are honored to receive this distinction and be included in this elite group of companies that focus on customer service excellence," said Rita Brueckner, National Quality Management Officer for VA's Consolidated Mail Outpatient Pharmacy program. "Customer satisfaction is our top priority, and we appreciate this external recognition of our efforts."

VA's Consolidated Mail Outpatient Pharmacy (CMOP) functions as a virtual extension of VA medical center pharmacies by mailing prescription medications and supplies directly to Veteran patients. Every workday, 300,000 Veterans receive medication or supplies from VA. The goal is delivery of medication or supplies to the patient within 10 days of provider or patient request. VA typically gets the prescription delivered in fewer than 5 days.

To qualify for inclusion as a J.D. Powers Customer Service Champion, companies must not only excel within their own industries, but also must stand out among leading brands in 20 major industries evaluated by J.D. Power. To identify the J.D. Power 2011 Customer Service Champions, J.D. Power evaluated more than 800 brands.

"It's gratifying to receive such positive customer service feedback from the men and women who have served our country and now rely on VA for their prescriptions," said Michael Valentino, chief consultant for VA's Pharmacy Benefits Management Services. "It's especially rewarding to know our Veterans place such a high value on the Consolidated Mail Outpatient Pharmacy services they receive; this has always been and remains our primary motivation to do the best job we possibly can."



VA Hosted National Veterans Small Business Conference



VA Secretary Eric K. Shinseki visits with attendees at the National Veterans Small Business Conference and Expo that was held in New Orleans.

The Department of Veterans Affairs, in partnership with the Veteran Federal Interagency Council, hosted the National Veterans Small Business Conference and Expo in New Orleans August 15-18, 2011. Hosted by VA for the first time, this was the largest Veterans' business event in the country, with over 4,300 participants. This year's conference was ground-breaking in that it offered unprecedented opportunities for Veteran business owners to connect directly with procurement decision makers. VA alone brought more than 200 program and procurement managers to meet with small businesses.

"This conference offers a new approach to providing Veteran-owned businesses and service-disabled Veteran-owned businesses the access and tools they need to thrive in the Federal marketplace," said Eric K. Shinseki, Secretary of Veterans Affairs. "Our primary goal is to help more Veterans start and grow their own businesses."

The event also offered far greater opportunities for small businesses to receive necessary training that built their capacity to add value to Federal agencies. The number of training sessions increased fivefold from previous years. Sessions addressed a range of topics, including branding, marketing, management, financing, and business opportunities within the Federal Government as well as how to secure loans through the Small Business Administration.

The conference's success was due in large measure to the support from VA's senior leaders including Secretary Shinseki, Deputy Secretary Gould, Chief of Staff Gingrich, all three Under Secretaries, the Chief Information Officer, and the Chief Acquisition Officer. Sixteen Federal agencies supported the National Veterans Small Business Conference through the participation of Small Business Representatives. Both the Department of Homeland Security (DHS) and the Department of Defense (DoD) showed support to the event as Deputy Secretary Jane Lute from DHS and Principal Deputy Under Secretary of Defense for Acquisition, Technology and Logistics Frank Kendall spoke. The conference also promoted jobs for Veterans and provided both employment opportunities and benefits information to Veterans at a VA Open House.

VA Executive Leadership participated in eight White House Business Council roundtables coordinated by VA. Each roundtable focused on conference participants from a particular state. Deputy Secretary Lute, DHS, also hosted a roundtable.

For more information, visit the [Web](http://www.nationalveteransconference.com) site at www.nationalveteransconference.com



John R. Gingrich, VA Chief of Staff, visits with VA employees of the Prosthetic and Sensory Aids Service (PSAS) from across the country who were on hand at the National Veterans Small Business Conference and Expo to educate Veterans about the benefits they might receive and how to conduct business with PSAS.



Significant Trends, Impacts, Use, and Verification of 2011 Results

Key Measure																											
PERCENT OF VETERANS SERVED BY A BURIAL OPTION WITHIN A REASONABLE DISTANCE (75 MILES) OF THEIR RESIDENCE																											
Performance Trends			Impact on Veterans																								
<table border="1"> <thead> <tr> <th></th> <th>2007</th> <th>2008</th> <th>2009</th> <th>2010</th> <th>2011</th> <th>ST</th> </tr> </thead> <tbody> <tr> <td>Results</td> <td>83.4%</td> <td>84.2%</td> <td>87.4%</td> <td>88.1%</td> <td>89.0%</td> <td></td> </tr> <tr> <td>Targets</td> <td>83.8%</td> <td>83.7%</td> <td>86.9%</td> <td>87.8%</td> <td>89.0%</td> <td>94.0%</td> </tr> </tbody> </table>				2007	2008	2009	2010	2011	ST	Results	83.4%	84.2%	87.4%	88.1%	89.0%		Targets	83.8%	83.7%	86.9%	87.8%	89.0%	94.0%	<p>Desired Direction</p> <p>By the end of 2011, nearly 20 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 to this benefit is integral to realizing this objective.</p> <p>Status</p> <p>G</p>			
	2007	2008	2009	2010	2011	ST																					
Results	83.4%	84.2%	87.4%	88.1%	89.0%																						
Targets	83.8%	83.7%	86.9%	87.8%	89.0%	94.0%																					
<p>ST = Strategic Target</p>			<p>How VA Leadership Uses Results Data</p> <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.</p> <p>This information is used in planning for new national cemeteries and for gravesite expansion projects to extend the service life of existing national cemeteries, as well as in prioritizing funding requests for Veterans Cemetery grants.</p>																								
<p>How VA Verifies Results Data for Accuracy</p> <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.</p> <p>Results of a 1999 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>																											



Supporting Measure																			
PERCENT OF PROCUREMENT OBLIGATIONS AWARDED TO VETERAN-OWNED SMALL BUSINESSES (VOSBs)* AND SERVICE-DISABLED VOSBs (SDVOSBs)																			
Performance Trends	Impact on Veterans																		
<p>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>2007</td> <td>10.13</td> <td>7.09</td> </tr> <tr> <td>2008</td> <td>15.27</td> <td>12.09</td> </tr> <tr> <td>2009</td> <td>19.3</td> <td>16.96</td> </tr> <tr> <td>2010</td> <td>23.0</td> <td>20.0</td> </tr> <tr> <td>2011</td> <td>21.8</td> <td>19.5</td> </tr> </tbody> </table> <p>(1) Actual data through 09/2011. Final data will be available in 06/2012.</p> <p>Source: Federal Procurement Data System</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 a 2008 performance target and instituted PAR reporting requirements.</p> <p>OIG evaluated VA's Veteran-Owned Small Business (VOSB) and Service-Disabled Veteran-Owned Small Business (SDVOSB) programs in FY 2010. At the time of the audit, OIG projected that although VA reported awarding 23 and 20 percent of its total procurement dollars to VOSBs and SDVOSBs, the FY 2010 figures were overstated by 3 to 17 percent because awards were made to ineligible businesses.</p> <p>OSDBU disagrees that findings in FY 2010 necessarily reflect the reality of FY 2011. We believe that due to the actions of The Center for Veterans Enterprise of a more rigorous review of eligibility, the extent of overstatement has been greatly reduced.</p>	Year	VOSB (%)	SDVOSB (%)	2007	10.13	7.09	2008	15.27	12.09	2009	19.3	16.96	2010	23.0	20.0	2011	21.8	19.5	<p>Desired Direction</p> <p style="text-align: center;">↑</p> <p>Status</p> <p style="text-align: center;">G</p> <p>Contracting with Veteran entrepreneurs is a logical extension of VA's 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. With VA's ability to verify ownership and control of Veteran-owned small businesses, there is a greater assurance that dollars are reaching legitimate business concerns. Participants display these Verified logos for SDVOSBs and VOSBs</p>
Year	VOSB (%)	SDVOSB (%)																	
2007	10.13	7.09																	
2008	15.27	12.09																	
2009	19.3	16.96																	
2010	23.0	20.0																	
2011	21.8	19.5																	
How VA Verifies Results Data for Accuracy	How VA Leadership Uses Results Data																		
Data are analyzed monthly by staff and program managers in the Office of Small and Disadvantaged Business Utilization. The data collection staff is trained in the proper procedures for extracting and interpreting data.	Data assist VA leadership, Congress, the Veteran entrepreneurial community, and other stakeholders in gauging the extent of VA compliance and success in implementing the procurement provisions of P.L. 109-461, VA's unique "Veterans First" buying authority. Results data provide information on VA's compliance with the Veterans Entrepreneurship and Small Business Development Act of 1999 (P.L. 106-50); support for the Veterans Benefits, Healthcare and Information Technology Act of 2006 (P.L. 109-461); and actions required by Executive Order 13360, <i>Providing Opportunities for Service-Disabled Veteran-Owned Businesses to increase their Contracting and Subcontracting</i> , issued in October 2004.																		
	The Veterans Small Business Verification Act (P.L. 111-275) provided VA with the authority to increase the rigor of the verification program and the assurance that the businesses receiving awards under the "Veterans First" buying authority are legitimately owned and controlled by Veterans or service-disabled Veterans.																		
	As appropriate, results help VA program management identify areas for improvement and assist in targeting training and vendor outreach.																		



Additional Performance Information for Integrated Strategy 1b

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. This demographic study (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 addressed the need to continue building new national cemeteries and

supporting State cemetery development to Veteran population threshold of 110,000 Veterans within a 75-mile area for establishing new national cemeteries.

VA used this study as a starting point to develop new burial policies that resulted in a 2011 budget proposal to lower the Veteran population threshold required to establish a new national cemetery from 170,000 to 80,000. Based on the new policies, five new national cemeteries were proposed, which would provide a burial option to an additional 500,000 Veterans and their families. In addition, VA will build five columbarium-only satellite cemeteries in urban locations where utilization rates are low and where time/distance barriers are cited by our clients more frequently on customer satisfaction surveys.

New Policies, Procedures, or Process Improvements and Other Important Results

VBA implemented call recording for the VBA National Call Centers (NCC) and 100 percent of inbound calls are recorded for standardized quality assurance reviews.

VBA implemented National Queue (call routing) at the NCCs, and calls are now routed based on agent skills to the first available agent equipped to best answer the call type.

VA and the Department of Defense enhanced self-service access to information and services for Veterans and Servicemembers through the eBenefits Web portal. Some of the capabilities introduced were as follows: access to the Post 9-11 GI Bill application, capability to generate official VA letters, access to 10-10EZ form to apply for health benefits, capability to apply for a VGLI policy or view and update information for an existing policy, and early notification of benefits based on business-defined life triggers.



In 2011, VA began interment operations at a new annex to Fort Rosecrans National Cemetery in Miramar, California. This new facility serves the Veterans in the San Diego, California, area and provides a full casket burial option that previously was not available at Fort Rosecrans National Cemetery.

VA also completed construction projects to extend burial operations at Alabama; Bakersfield, California; Barrancas, Florida; Eagle Point, Oregon; Fayetteville, Arkansas; Finn's Point, New Jersey; Fort Rosecrans, California; Fort Sam Houston, Texas; Great Lakes, Michigan; Indiantown Gap, Pennsylvania; Jefferson Barracks, Missouri; Massachusetts; National Memorial Cemetery of the Pacific, Hawaii; Roseburg, Oregon; and San Joaquin Valley National Cemeteries.

In addition to building, operating, and maintaining national cemeteries, VA also administers the Veterans Cemetery Grants Program (VCGP), which provides grants to states and tribal organizations for up to 100 percent of the cost of establishing, expanding, or improving State Veterans Cemeteries. Increasing the availability of State and Tribal Organizations Veterans Cemeteries is a means to provide a burial option to those Veterans who may not have reasonable access to a national cemetery.

In 2011, four new State Veterans Cemeteries began interment operations in Alliance, Nebraska; Dublin, Virginia; Greenup, Kentucky; and Newton, Mississippi. In 2011, 81 operating State Veterans Cemeteries performed nearly 29,000 interments of Veterans and eligible family members, and grants were obligated to establish, expand, or improve State and Tribal Organization Veterans Cemeteries in 11 states and Puerto Rico. Also in 2011, State Veterans Cemeteries provided a burial option to more than 2 million Veterans and their families.

In 2011, VA experienced an increase in interest in state cemetery grants from tribal organizations. Section 403 of Public Law 109-461, the Veterans Benefits, Health Care, and Information Technology Act of 2006, granted eligibility to tribal organizations for grants to establish, expand, or improve Veterans cemeteries on trust lands. As a result of this legislation, the VCGP has received several inquiries from tribal organizations and is assisting these organizations with the grant application process. In 2011, six tribal government pre-applications ranked high enough to receive a 2011 grant opportunity letter. Three tribal government grants were awarded by the end of 2011 with one pre-application deferred to 2012. VA anticipates greater interest in the program once construction for these three Veterans cemeteries on tribal trust land is completed.

The Office of Information Technology (OIT) continues to improve responsiveness to developing systems meeting a critical business need. Product Development's realignment along the lines of the Secretary's 16 Major initiatives, its use of agile development within the context of a maturing Project Management Accountability System process, and increases in project management staff contribute to OIT's continuing success in developing IT systems that provide the most assistance to Veterans, their families, and their Survivors. During the past 12-month period, we have delivered over 80 percent of all scheduled product capability. This represents more than 320 new products or product enhancements that have had a positive impact on Veteran-facing functionality.

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 pages II-108–II-117.



Complete Listing of Measures Supporting Integrated Strategy 1b

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.

Recap	
Green	10
Yellow	2
Red	0
Total	12

Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target
	2007	2008	2009	2010	Results	Targets	
Percent of Veterans served by a burial option within a reasonable distance (75 miles) of their residence	83.4%	84.2%	87.4%	88.1%	89% G	89.0%	94.0%
Percent of Veterans who successfully obtain resident status as a result of vouchers distributed through the U.S. Department of Housing and Urban Development and Veterans Affairs Supportive Housing (HUD-VASH) program (Supports Priority Goal) (Through July)	N/Av	N/Av	N/Av	88%	* 93% G	80%	90%
Number of Homeless Veterans on any given night (Supports Priority Goal) (Joint VHA-OPIA measure) The 2007 and 2008 numbers are based on Community Homelessness Assessment, Local Education and Networking Groups (CHALENG) data. The numbers for 2009 and subsequent years are based upon the Annual Homeless Assessment Report (AHAR). (2011 data will be available in March 2012.) (1) Corrected	154,000	131,000	(1) 75,609	76,329	TBD	80,000	0
Percent of claims where a portion of the required forms were filed electronically (Supports Priority Goal) **This measure applies to any on-line benefit application. However, it is displayed under compensation and pension since the number of compensation and pension claims filed will have the most impact on this measure's result and target. VONAPP Direct Connect, a Web-based program for Veterans to file claims electronically, is being developed. The first pilot is scheduled for December 2011 with Nationwide deployment expected in 2013. Therefore, the baseline year has been changed to 2013.	N/Av	N/Av	N/Av	N/Av	N/Av	Baseline	TBD

* These are partial or estimated data; final data will be published in the 2013 Congressional Budget and/or the 2012 Performance and Accountability Report.

Part II - Performance Summaries by Integrated Strategy



Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target
	2007	2008	2009	2010	Results	Targets	
Percent of separating servicemembers that are provided with VA and DOD benefit information within 6 months of the expiration of their term of service (ETS) through the eBenefits portal (See ** above)	N/Av	N/Av	N/Av	N/Av	N/Av	Baseline	TBD
National Call Center Successful Call Rate (New) (Supports Priority Goal) This measure applies to all VBA business lines but is placed within the C&P performance plan because most of the calls are C&P related. The baseline year has been changed to 2012 because a full year of new technology and appropriate staffing will be in place at the call centers in 2012.	N/Av	N/Av	N/Av	N/Av	N/Av	Baseline	TBD
Success Rate of Automated Certificate of Eligibility (ACE) System (Housing)	N/Av	N/Av	N/Av	Baseline	55% Y	62.0%	75.0%
Percent of headstone and marker applications from private cemeteries and funeral homes received electronically via fax or Internet (Supports Priority Goal)	N/Av	46%	52%	56%	61% G	60%	75%
BVA Cycle Time (Excludes Representative Time) (Average Number of Days)	136	155	100	99	119 G	140	104
Appeals decided per Veteran Law Judge	721	754	813	818	784 G	752	800
Percent of Total Hearings that are Conducted via Video Conference (New)	N/Av	N/Av	N/Av	N/Av	29% Y	35%	35%
Percent of total procurement dollars awarded to service-disabled Veteran-owned small businesses (OSDBU) (Through September; final data will be available in 06/2012) **VA's data reported may differ from data reported by the Small Business Administration due to the timing of when each agency runs its report. OIG evaluated VA's Veteran-Owned Small Business (VOSB) and Service-Disabled Veteran-Owned Small Business (SDVOSB) programs in FY 2010. At the time of the audit, OIG projected that although VA reported awarding 23 and 20 percent of its total procurement dollars to VOSBs and SDVOSBs, the FY 2010 figures were overstated by 3 to 17 percent because awards were made to ineligible businesses. OSDBU disagrees that findings in FY 2010 necessarily reflect the reality of FY 2011. We believe that due to the actions of The Center for Veterans Enterprise of a more rigorous review of eligibility, the extent of overstatement has been greatly reduced.	7.09%	12.09%	16.96%	20.0%	* 19.5% G	10.0%	10.0%

* These are partial or estimated data; final data will be published in the 2013 Congressional Budget and/or the 2012 Performance and Accountability Report.



Part II - Performance Summaries by Integrated Strategy

Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target
	2007	2008	2009	2010	Results	Targets	
Percent of total procurement dollars awarded to Veteran-owned small businesses (OSDBU) (Through September; final data will be available in 06/2012) (See ** above)	10.13%	15.27%	19.30%	23.0%	* 21.8% G	12.0%	12.0%
Percent of milestones achieved towards deployment and implementation of a paperless disability claims processing system (Supports Priority Goal) (OIT)	N/Av	N/Av	N/Av	N/Av	100% G	100%	100%
Percent of milestones achieved in deploying and implementing the Client Relations Management System (CRMS) (Supports Priority Goal) (OIT)	N/Av	N/Av	N/Av	N/Av	30% G	30%	100%
Percent of annual milestones achieved towards deployment and implementation of an automated GI Bill benefits delivery system (Supports Priority Goal) (OIT)	N/Av	N/Av	N/Av	N/Av	100% G	60%	100%
Percent of milestones achieved in deploying and implementing the Virtual Lifetime Electronic Record (VLER) (Supports Priority Goal) (OIT)	N/Av	N/Av	N/Av	N/Av	88%	Baseline	100%
Percent of available Veteran electronic records which can be accessed through Virtual Lifetime Electronic Record (VLER) capabilities (Supports Priority Goal) (OIT)	N/Av	N/Av	N/Av	N/Av	1%	Baseline	100%

* These are partial or estimated data; final data will be published in the 2013 Congressional Budget and/or the 2012 Performance and Accountability Report.



INTEGRATED STRATEGY 1c

Improve VA's ability to adjust capacity dynamically to meet changing needs, including preparedness for emergencies.

Making a Difference for Veterans

VA's Rural Health Initiative



Fifty-three percent of Veterans live in rural or highly rural areas. Several outreach programs have been initiated to provide Veterans and their families vital information about their VA benefits and the health care services they are eligible to receive.

Health care can be a major issue for Veterans who live in rural areas. Reaching out to Veterans in the rural communities surrounding the Hampton, Virginia, VA Medical Center (VAMC) is the main mission of the hospital's recently established Rural Health Initiative (RHI) team. "We've talked to numerous folks who served in the military who just don't know what they qualify for when it comes to VA health care benefits," said Kevin Amick, rural health integrator at the Hampton VAMC. "We spend a lot of time out in these rural communities making sure Veterans understand what is available to them through VA and helping them get the care and assistance they need."

According to the VA Web site, more than 837,000 Servicemembers have been deployed since 2002. Of those, only 39 percent have used VA health care. For this reason, several outreach programs were initiated to provide the Nation's Veterans and their families vital information about their VA benefits and the health care services they are eligible to receive. The RHI program is just one more way for the staff to find and help Veterans in outlying areas.

"The VA health care system recognizes that we have the best resources to help these Veterans reintegrate from the military back into civilian life," said DeAnne M. Seekins, director of the Hampton VAMC, who noted that the Veterans meeting with the RHI team span all age categories.

"We are still seeing a lot of Vietnam Veterans with signs of PTSD," said Carvin Harmon, social worker on the RHI team. "These Veterans are asking for help and don't know where to turn. Whether they are World War II Vets, Vietnam Vets, or OEF/OIF Vets, our team is traveling to their communities to meet them in person, answer their questions, and let them know that VA is here for them."

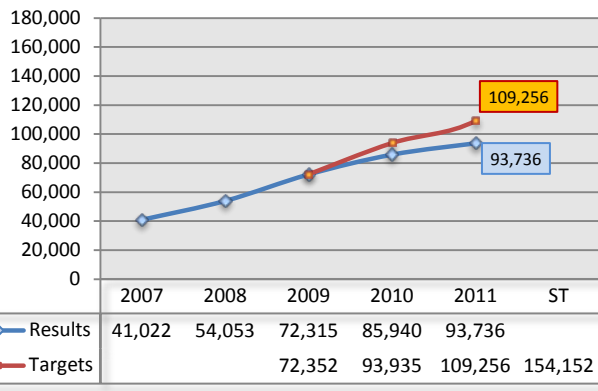
Over 8 million Veterans are enrolled in VA healthcare. Approximately 3.5 million live in rural and highly rural areas. VA is dedicated to making sure that all Veterans separating from service are evaluated and made aware of services and benefits they qualify for in the VA system. RHI is bringing that information to them and engaging them "close to home" in rural and highly rural areas. One RHI team member said it best, "It's important to us to let them know we are here to help them no matter when they served in our Nation's military. They are our heroes and they deserve VA's services. We owe it to them for what they sacrificed for us."



Significant Trends, Impacts, and Use and Verification of 2011 Results

Key Measure
NON-INSTITUTIONAL, LONG-TERM CARE AVERAGE DAILY CENSUS (ADC)

Performance Trends



Impact on Veterans

Desired Direction

 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 and enables Veterans to remain in their own homes and communities for as long as possible.

Status

 Y

- (1) Actual data through 07/2011. Final data are expected in 11/2011.
- (2) No targets were developed for 2007 and 2008 because measure, as shown, was not included in the 2007 and 2008 performance plans.
- (3) ST = Strategic Target

How VA Leadership Uses Results Data

VA uses the data to project the need for services, evaluate existing services, identify specific services* that may need to be added or expanded to meet identified needs, and promote access to required services. In addition, the data are used to establish VISN targets and evaluate VISN performance in meeting their respective ADC targets.

*Services currently available include the following: Home Based Primary Care, Purchased Skilled Home Care, Homemaker/Home Health Aide, Community Adult Day Health Care, VA Adult Day Health Care, Home Respite, Home Hospice, Care Coordination/Home Telehealth, and, where present, Spinal Cord Home Health Care and Medical Foster Home Care.

How VA Verifies Results Data for Accuracy

The data used for this report are extracted from established financial and workload databases that are routinely validated at the source of input using national criteria consistent with private sector auditing principles. The databases are used for budgeting, third party payment, and other day-to-day business practices all of which validate findings and contribute to the reliability of the data contained in the databases. The data in this metric reporting are not a sample but a 100 percent accounting of census in the metric programs.



Additional Performance Information for Integrated Strategy 1c

Program Evaluations

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

New Policies, Procedures, or Process Improvements and Other Important Results

The Bereaved Family Survey (BFS) was implemented in all 21 VISNs as a Network Director's Performance Measure by the PROMISE Center (Performance Reporting and Outcomes Measurement to Improve the Standard of Care at End-of-Life Care) during 2011 as the "Voice of Veterans." Response rates to this ongoing phone-administered survey are approaching 60 percent.

Results from these interviews and associated medical records reviews are provided to facilities and VISNs on a monthly and quarterly basis to drive improvement at the facility and VISN level. Additional analyses have revealed several successful practices that are associated with higher scores, including admission to an inpatient hospice/palliative care unit and consultation by an interdisciplinary palliative care consultation team. Successful practices identified through BFS results are being disseminated in national quality improvement pilots.

These survey results are a barometer of the quality of care delivered to seriously ill Veterans. Additionally, the personal approach of phone-administered surveys has provided the opportunity for more than 3,000 grieving family members to access additional support. Attention to satisfaction with care at end of life is being integrated beyond palliative care

programs as palliative care staff are working with Patient Aligned Care Teams, Intensive Care Unit staff, facility leaders, and others to become a "learning organization" in using these survey results to improve care.

Veteran Directed Home and Community Based Services (HCBS) took the following actions in 2011:

- Instituted Program and Financial Readiness Reviews for State and Local Aging/Disability agencies to ensure the agencies are ready to participate in the Veteran Directed HCBS Program. Reviews are conducted by the National Resource Center for Participant Directed Services at Boston College.
- Created an electronic Veteran Directed HCBS Dashboard, which has the ability to capture information on program development and status from a variety of partners in one central location.
- Quantified the readiness level to determine the level of readiness at particular sites.
- Initiated a series of Veteran Directed HCBS trainings, which developed from the information gained from the readiness score.

In collaboration with Home-Based Primary Care and Spinal Cord Injury Home Care, Medical Foster Home (MFH) continues to expand non-institutional care (NIC) options in a Veteran-centric way of providing safe, innovative, and cost-effective care. NIC growth can be measured in the current number of total sites implementing MFH (88), current number of operating VA facilities (55) in 34 states, current number of homes serving Veterans (348), number of total Veterans served since 2000 (1,143), current percentage of P1a MFH Veterans (28 percent), and number of current MFH Veterans (420). Average length of stay of MFH Veterans is presently 348 days, and since 2006, for the MFH Veterans that discharge, they



have collectively benefitted by over 200,000 bed days of care. Presently, significant expansion of newly developing sites is occurring in the western U.S., especially in VISNs 18, 19, 21, and 22. This NIC expansion is also intended to pilot MFH partnering going forward with the Mental Health Intensive Case Management program to serve at-risk mental health Veteran patients. MFH is also examining new ways to demonstrate NIC cost-effectiveness to facilities through monthly workload reports. One approach involves the MFH program partnering with VA research collaborators to study the benefits of MFH using quality of life, safety, and costs as compared to receipt of care in a Community Living Center and Community Nursing Home programs. Present policy efforts include drafting a re-write of the Community Residential Care (CRC) Handbook, drafting a CRC Informational Letter, and drafting

regulations for MFH Fire and Safety and Background Checks. Results in 2011 included:

- Improved access to HCBS services by 4.6 percent in 2011.
- Added Community Adult Day Health Care Programs at 8 VAMCs.
- Added In-Home Respite Care Services at 5 VAMCs.
- Added Home Hospice Services at one VAMC.
- Added Veteran Directed HCBS Programs at 16 VAMCs, doubling enrollment from 400 to 800 Veterans.

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 pages II-108–II-117.

Complete Listing of Measures Supporting Integrated Strategy 1c

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.

Recap	
Green	0
Yellow	1
Red	0
<u>Total</u>	<u>1</u>

Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target
	2007	2008	2009	2010	Results	Targets	
Non-institutional, long-term care average daily census (ADC) (Through July)	41,022	54,053	72,315	85,940	* 93,736 Y	109,256	154,152

*These are partial or estimated data; final data will be published in the 2013 Congressional Budget and/or the 2012 Performance and Accountability Report.



INTEGRATED STRATEGY 1d

Provide Veterans and their families with integrated access to the most appropriate services from VA and our partners.

Making a Difference for Veterans

Veterans Lose Weight with MOVE Program

HE DID IT!
Fellow Veteran Offers Tips for Reaching a Healthy Weight & Lifestyle

ATTITUDE
Keep your eye on your target, a healthy weight. Keep moving forward, one step at a time.

CHOICES
Select heart healthy foods that include lean meats, fish, low fat dairy, fresh fruits & vegetables, beans, nuts, seeds, & whole grains.

SERVINGS
Limit your portion sizes because calories count.

SNACKS
Manage the munchies by planning ahead with high fiber snacks containing protein to keep you full longer.

BEHAVIOR
Rely on friends, family, and community to help you in your weight loss efforts even through the rough times.

FITNESS
Think of exercise as increasing your energy, vitality, and well-being.

Go For It!
Losing as little as 5%-10% of your body weight can help you feel better and improve your health.

YOU WILL BE GLAD YOU DID!

For comments or questions about MOVE, the Weight Management Program for Veterans, please talk to a member of your health care team or stop by the nutrition clinic. The telephone number is (610) 384-7711 extension 6207.

Move!® offers Veterans and their families proven techniques that work not only to lose weight but also to maintain weight loss.

Veterans who want to lose weight and become more physically active have a resource through VA's MOVE!® Weight Management Program.

MOVE!® was developed by the VA National Center for Health Promotion and Disease Prevention in Durham, North Carolina, in collaboration with field staff. MOVE!® has rapidly become the largest weight management program offered by an integrated health care system. "MOVE!® has a successful track record of helping Veterans lose weight and become active," said Dr. Kenneth Jones, National Program Director. "During its first 5 years, MOVE!® has helped improve the lives of more than 300,000 Veterans. The feedback we have received from Veterans and clinical staff is that the program has worked for them. We've looked at the reportable weight loss numbers and

estimated that MOVE!® participants have lost more than 300 tons during the past 5 years."

The program is available to all Veterans who are enrolled in the VA health care system. Since weight management occurs in the context of the family and home, spouses can participate. "We've found that Veterans are more successful if their spouses are involved," said Lynn Novorska, dietitian program coordinator. "By bringing in the family and providing information on healthy eating, we're helping the Veterans and their families make positive lifestyle changes. We've also dropped the co-pay so there's no fee for either the Veteran or their spouse."

"MOVE!® offers Veterans and their families proven techniques that work not only to lose weight but also to maintain weight loss," said Susi Lewis, RN, Special Projects Coordinator, who has worked with the program since its inception. "We promote self management support, which empowers Veterans to manage their health and weight."



MOVE!® is designed to meet the individual needs of Veterans, including guidance on their physical activity. "Veterans set the pace and create goals with the help of the MOVE!® team members," said Sophia Hurley, a physical therapist and Physical Activity Program Coordinator for the program. "We listen to their issues and give patients the necessary tools to help them manage the problem. Then we offer Veterans the opportunity to meet with others in a group session to talk, learn, and find support for their weight-loss issues. All the while, the VA has dietitians and physical activity specialists available to assist Veterans."

Veteran Thomas Day is one of the program's success stories. He struggled with his weight for more than 25 years. His primary care physician at the VA Salt Lake City Health Care System challenged him to lose weight and enrolled him in the MOVE!® program. "The bottom line is that over a period of about 20 months, I lost about 70 pounds," Day said. "My blood pressure is that of an athlete's and my cholesterol levels are low. I have never felt so





healthy in my entire life. I sleep well, my mind is clear and sharp, and I have plenty of energy to sustain my 11-hour work days, six days a week." Veterans who would like more information about this program can check out the MOVE!® [Web](#) site at www.move.va.gov or contact their primary care provider at their local VA facility.



Significant Trends, Impacts, Use, and Verification of 2011 Results

Key Measure			
PERCENT OF PRIMARY CARE APPOINTMENTS COMPLETED WITHIN 14 DAYS OF THE DESIRED DATE			
Performance Trends		Impact on Veterans	
	2010	2011	Strategic Target
Results	93%	94%	
Targets	N/A	93%	95%
<p>Actual data through 08/2011. Final data are expected in 11/2011.</p>			
<p>How VA Verifies Results Data for Accuracy</p> <p>VA's Veterans Information System and Technology Architecture (VistA) scheduling software captures data and requires minimal interpretation to ensure accuracy. VA's data are published on the VHA Support Service Center (VSSC) Web site. Wait time data are published to the VSSC Web site the 5th and 20th of each month.</p> <p>The VSSC utilizes several mechanisms to audit and verify the accuracy of data. For example, data are tested with user groups in the field and reconciled with the data source and other products and reports internal and external to VSSC.</p>		<p>How VA Leadership Uses Results Data</p> <p>VA uses the results of this measure to inform and drive process improvement activities that improve efficiencies. Leadership also uses this information to make resource decisions.</p> <p>The results are compared across medical centers and clinics. If a facility is performing poorly, VA takes action to improve performance. One of the ways VA drives improvements is by identifying high performers and sharing their best practices with other facilities.</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> <p>Effective October 2012, VHA will begin reporting separately the percent of new primary care appointments completed within 14 days of the desired date for an appointment and the percent of established primary care appointments completed within 14 days of desired date.</p>	
		<p>Desired Direction</p> 	<p>Delivery of primary care is critical to preventative health care and timely disease identification and management.</p> <p>A visit to a primary health care provider is also a patient's point of entry for specialty care. As such, timely access to primary health care services is critical to providing high-quality care to Veterans.</p>
		<p>Status</p> 	



Key Measure			
PERCENT OF SPECIALTY CARE APPOINTMENTS COMPLETED WITHIN 14 DAYS OF THE DESIRED DATE			
Performance Trends		Impact on Veterans	
		<p>Desired Direction</p>  <p>Status</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.</p> <p>Timely access to VA medical staff and facilities is therefore critical to those Veterans in need of specialty care.</p>
	2010	2011	Strategic Target
Results	93%	95%	
Targets	N/A	93%	96%
<p>Actual data through 08/2011. Final data are expected in 11/2011.</p>			
How VA Verifies Results Data for Accuracy		How VA Leadership Uses Results Data	
<p>VA's Veterans Information System and Technology Architecture (VistA) scheduling software captures data and requires minimal interpretation to ensure accuracy. VA's data are published on the VHA Support Service Center (VSSC) Web site. Wait time data are published to the VSSC Web site the 5th and 20th of each month.</p> <p>The VSSC utilizes several mechanisms to audit and verify the accuracy of data. For example, data are tested with user groups in the field and reconciled with the data source and other products and reports internal and external to VSSC.</p>		<p>VA uses the results of this measure to inform and drive process improvement activities that improve efficiencies. Leadership also uses this information to make resource decisions.</p> <p>The results are compared across medical centers and clinics. If a facility is performing poorly, VA takes action to improve performance. One of the ways VA drives improvements is by identifying high performers and sharing their best practices with other facilities.</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> <p>Effective October 2012, VHA will begin reporting separately the percent of new specialty care appointments completed within 14 days of the desired date for an appointment and the percent of established specialty care appointments completed within 14 days of desired date.</p>	



Key Measure			
PERCENT OF NEW PATIENT APPOINTMENTS COMPLETED WITHIN 14 DAYS OF THE DESIRED DATE			
Performance Trends		Impact on Veterans	
	2010	2011	Strategic Target
Results	84%	89%	
Targets	N/A	85%	88%
<p>Actual data through 08/2011. Final data are expected in 11/2011.</p>			
<p>Desired Direction</p> 		<p>VA tracks wait times for Veterans being seen in its 50 highest volume clinics with the goal of enhancing quality of care by ensuring service is delivered when the Veteran wants and needs to be seen.</p>	
<p>Status</p> 		<p>How VA Leadership Uses Results Data</p> <p>VA uses the results of this measure to inform and drive process improvement activities that improve efficiencies. Leadership also uses this information to make resource decisions.</p> <p>The results are compared across medical centers and clinics. If a facility is performing poorly, VA takes action to improve performance. One of the ways VA drives improvements is by identifying high performers and sharing their best practices with other facilities.</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>	
<p>How VA Verifies Results Data for Accuracy</p> <p>VA's Veterans Information System and Technology Architecture (VistA) scheduling software captures data and requires minimal interpretation to ensure accuracy. VA's data are published on the VHA Support Service Center (VSSC) Web site. Wait time data are published to the VSSC Web site the 5th and 20th of each month.</p> <p>The VSSC utilizes several mechanisms to audit and verify the accuracy of data. For example, data are tested with user groups in the field and reconciled with the data source and other products and reports internal and external to VSSC.</p>			



Additional Performance Information for Integrated Strategy 1d

Program Evaluations

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

New Policies, Procedures, or Process Improvements and Other Important Results

VBMS

VBMS is VBA's business transformation initiative supported by technology that is designed to dramatically improve benefits delivery. The centerpiece of VBMS is a paperless claims processing system and workload management to eliminate the backlog and provide Veterans with timely and high quality decisions.

VRM

The Veterans Relationship Management (VRM) initiative provides Veterans, their families, and survivors with direct, easy, and secure access to the full range of VA programs through an efficient and responsive multi-channel program, including phone and Web services. VRM provides VA employees with up-to-date tools to better serve VA clients and empowers clients through enhanced self-service capabilities.

In 2011, the Office of Congressional and Legislative Affairs (OCLA) supported congressional oversight and promoted the enactment of legislation that improved Veterans benefits and services by:

- Coordinating the development of pro-Veteran legislation.
- Maintaining responsive communications with Congress through requests for information, briefings, hearings, correspondence, reports, site visits, and constituent services.
- Maintaining productive working relationships with the Government Accountability Office (GAO).
- Managing the Department's 23 standing Advisory Committees.

OCLA also coordinated the participation of VA leadership and subject matter experts before committee hearings in over 50 matters of concern to Congress. Coordination involved hearing preparation, testimony development, coordination with Congressional committee staff, and satisfaction of concerns addressed by committee members during the hearing.

Finally, OCLA developed a collaborative process for the completion of Congressional questions for the record resulting in the delivery of information to Congress in a more timely manner. This development improved the Department's relations with Congress and ensured Congress had the information it requested when it was needed.

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 pages II-108–II-117.



Complete Listing of Measures Supporting Integrated Strategy 1d

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.

Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target
	2007	2008	2009	2010	Results	Targets	
Percent of primary care appointments completed within 14 days of the desired date (New)	N/Av	N/Av	N/Av	93%	94% G	93%	95%
Percent of specialty care appointments completed within 14 days of the desired date (New)	N/Av	N/Av	N/Av	93%	95% G	93%	96%
Percent of new patient appointments completed within 14 days of the desired date (New)	N/Av	N/Av	N/Av	84%	89% G	85%	88%
Percent of Eligible Patient Evaluations Documented within 14 days of New MH Patient Index Encounter (Supports Priority Goal)	N/Av	N/Av	96%	96%	95% Y	96%	96%
Percent of eligible patients screened at required intervals for PTSD (Supports Priority Goal)	80%	84%	96%	98%	99% G	97%	97%
Percent of eligible patients screened at required intervals for alcohol misuse (Supports Priority Goal)	N/Av	N/Av	N/Av	97%	97% G	97%	98%
Percent of eligible patients screened at required intervals for depression (Supports Priority Goal)	N/Av	N/Av	N/Av	97%	97% G	96%	98%
Percent of OEF/OIF Veterans with a primary diagnosis of PTSD who receive a minimum of 8 psychotherapy sessions within a 14-week period (Supports Priority Goal)	N/Av	N/Av	N/Av	11%	15% G	15%	60%
Percent of eligible OEF/OIF PTSD patients evaluated at required intervals for level of symptoms (Supports Priority Goal)	N/Av	N/Av	N/Av	5%	TBD	10%	80%

Recap	
Green	9
Yellow	1
Red	1
Total	11



Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target
	2007	2008	2009	2010	Results	Targets	
Percent of patients who report being seen within 20 minutes of scheduled appointments at VA health care facilities (Through July)	74%	76%	79%	74%	* 75% G	75%	91%
Percent of clinic "no shows" and "after appointment cancellations" for OEF/OIF Veterans (Through August)	N/Av	N/Av	N/Av	13%	* 22% R	15%	10%
Percent of IDES participants who will be awarded benefits within 30 days of discharge. The baseline year has been changed to 2012 pending the full deployment of the Integrated Disability Evaluation System (IDES) in 2012.	N/Av	N/Av	N/Av	N/Av	N/Av	Baseline	TBD
Percent of concurrence actions completed on time (OCLA) (New) (Through August) Measure description changed for clarification purposes only	N/Av	N/Av	N/Av	N/Av	* 95% G	85%	90%

*These are partial or estimated data; final data will be published in the 2013 Congressional Budget and/or the 2012 Performance and Accountability Report.



INTEGRATED STRATEGY 1e

Enhance our understanding of Veterans' and their families' expectations by collecting and analyzing client satisfaction data and other key inputs.

Making a Difference for Veterans

VA's National Cemeteries Lead Nation in Satisfaction Survey



Ronald M. Oberbillig, Chief Operating Officer of the Federal Consulting Group, presented Steve Muro, Under Secretary for Memorial Affairs (National Cemetery Administration), with a plaque recognizing NCA's outstanding customer service to Veterans and their next of kin, as demonstrated by achieving extraordinarily high ACSI client satisfaction results over the past decade.

For the fourth consecutive time in 10 years, the system of national cemeteries operated by the Department of Veterans Affairs has bested the Nation's top corporations and other Federal agencies in a prestigious, independent survey of customer satisfaction.

"This survey is testament to the outstanding service that employees at VA's 131 national cemeteries provide to our Nation's Veterans and their families," said Secretary of Veterans Affairs Eric K. Shinseki. "It is VA's privilege to care for our Nation's heroes in perpetuity, using the highest standards of professionalism and compassion."

The American Customer Satisfaction Index (ACSI) is the only National, cross-industry measure of satisfaction with the quality of goods and services

available in the United States. Beginning in 1999, the Federal Government selected ACSI to measure citizen satisfaction. More than 100 Federal agencies have used ACSI to gauge consumer satisfaction with more than 200 services and programs.

Citing VA's consistently record-setting ACSI scores, the independent Federal Consulting Group saluted VA's "commitment to outstanding customer service to Veterans' next of kin, as demonstrated by achieving an extraordinarily high ACSI score."

VA's National Cemetery Administration (NCA) has participated in the ACSI every 3 years—in 2001, 2004, and 2007. This is the fourth time it participated and the fourth consecutive time it received the top rating in the Nation. For 2010, NCA achieved a customer satisfaction index of 94. Its score is nearly 29 points above the average for Federal government agencies, which was 65 in the study.

The ACSI survey polled the next-of-kin or other people who had arranged for the interment of a loved one in a VA national cemetery within the previous 6 months to 1 year. More than 1,900 people received the survey and 444 responded, a high response rate for a mail survey.

Using methodologies developed at the National Quality Research Center of the University of Michigan Business School, NCA received ratings in the categories of "customer service" and "user trust" of 96 out of a possible 100 points, indicating respondents are exceptionally pleased with their experience at national cemeteries and willing to recommend national cemeteries to others.

Veterans with a discharge issued under conditions other than dishonorable, their spouses, and eligible dependent children are eligible to be buried in a VA national cemetery. Also eligible are military personnel who



die on active duty, their spouses, and eligible dependents. Other burial benefits available for all eligible Veterans, regardless of whether they are buried in a national cemetery or a private cemetery, include a burial flag, a Presidential Memorial Certificate, and a Government headstone or marker. Families of eligible decedents may also order a memorial headstone or marker when remains are not available for interment.

Information on VA burial benefits can be obtained from national cemetery offices, from the [Web](#) at www.cem.va.gov, or by calling VA regional offices toll-free at 800-827-1000. To make burial arrangements at the time of need at any VA national cemetery, call the National Cemetery Scheduling Office at 800-535-1117.

Significant Trends, Impacts, Use, and Verification of 2011 Results

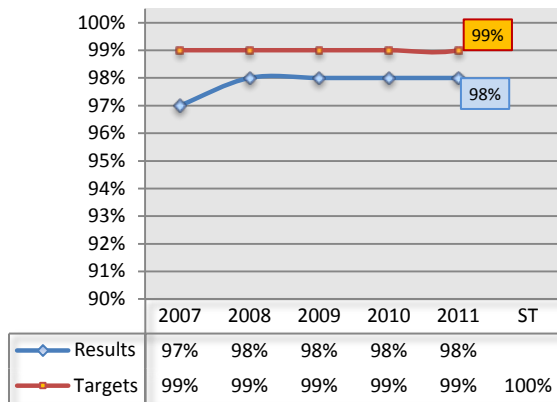
Key Measure																											
PERCENT OF RESPONDENTS WHO RATE THE QUALITY OF SERVICE PROVIDED BY THE NATIONAL CEMETERIES AS EXCELLENT																											
Performance Trends			Impact on Veterans																								
<table border="1"> <thead> <tr> <th></th> <th>2007</th> <th>2008</th> <th>2009</th> <th>2010</th> <th>2011</th> <th>ST</th> </tr> </thead> <tbody> <tr> <td>Results</td> <td>94%</td> <td>94%</td> <td>95%</td> <td>95%</td> <td>95%</td> <td></td> </tr> <tr> <td>Targets</td> <td>97%</td> <td>97%</td> <td>98%</td> <td>98%</td> <td>97%</td> <td>100%</td> </tr> </tbody> </table>				2007	2008	2009	2010	2011	ST	Results	94%	94%	95%	95%	95%		Targets	97%	97%	98%	98%	97%	100%	<p>Desired Direction</p> <p>Status</p> <p>Performance targets for cemetery service goals are set high consistent with expectations of the families of individuals who are interred and other visitors to the cemetery. High-quality, courteous, and responsive service to Veterans and their families is reflected in VA's 2011 satisfaction rating of 95 percent.</p>			
	2007	2008	2009	2010	2011	ST																					
Results	94%	94%	95%	95%	95%																						
Targets	97%	97%	98%	98%	97%	100%																					
<p>ST = Strategic Target</p>			<p>How VA Leadership Uses Results Data</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.</p> <p>These data are shared with VA Central Office, Memorial Service Networks (MSN), and national cemetery managers who use the data to improve the quality of service provided at national cemeteries.</p>																								
<p>How VA Verifies Results Data for Accuracy</p> <p>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.</p> <p>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.</p>																											



Key Measure

PERCENT OF RESPONDENTS WHO RATE NATIONAL CEMETERY APPEARANCE AS EXCELLENT

Performance Trends



ST = Strategic Target

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.

Impact on Veterans

Desired Direction



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.

Status



High-quality, courteous, and responsive service to Veterans and their families is reflected in VA's 2011 satisfaction rating of 98 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, MSNs, and national cemeteries who use the data to improve the quality of service provided at national cemeteries.



Additional Performance Information for Integrated Strategy 1e

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. The study, Volume 3: Cemetery Standards of Appearance, was published in March 2002 and 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 2011, NCA has addressed approximately 55 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, performed by ICF International, provided 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 more than 73 percent of Veterans 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 Veterans 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 evaluation validated VA's efforts to identify and measure performance in areas key to maintaining national cemeteries as national shrines such as the proper height, alignment, and cleanliness of headstones and markers and the proper grade levels of gravesites.

New Policies, Procedures, or Process Improvements and Other Important Results

In 2010 VA implemented a new nationwide mail-out survey to assess client satisfaction with VA's memorial programs. This annual VA Memorial Products Survey is sent to approximately 2,000 next of kin of Veterans and 2,000 funeral directors who had recently ordered a government headstone or marker. Survey recipients are asked about their satisfaction with all aspects of VA's memorial programs including the application process for memorials, VA's memorial programs call center, and both the quality and delivery time of VA memorials. This new survey has proven to be successful with a response rate of roughly 50%. Overall, both next of kin and funeral directors reported high levels of satisfaction with VA's memorial programs. The survey will continue to be administered annually to track trends and improve service to our customers.

In June 2010, VA announced the availability of a new memorial: a medallion signifying a Veteran's service that can be furnished for Veterans who are not buried in a VA national or



State Veterans cemetery and who have not ordered a government headstone or marker. The medallion is available in three sizes: 5 inches, 3 inches, and 1 ½ inches in width. Each bronze medallion features the image of a folded burial flag adorned with laurels and is inscribed with the word "Veteran" at the top and the branch of service at the bottom. Next of kin who order the medallion will also receive a kit that will allow the family or the staff of a private cemetery to affix the medallion to a headstone, grave marker, or mausoleum or columbarium niche cover. In 2011 VA furnished over 7,000 medallions for Veterans graves in private cemeteries.

Respondents to the 2011 Memorial Products Survey reported very high levels of satisfaction with VA memorials. Ninety-five percent of respondents who are the next of kin of Veterans who recently received a Government headstone or marker responded that they either agreed or strongly agreed that the quality of the headstone or marker was excellent. Ninety-four percent of next of kin respondents agreed that the quality of the Presidential Memorial Certificate that they received from VA was excellent.

Overall, respondents to the 2011 Memorial Products Survey reported a high level of satisfaction with their experience with VA. Ninety-three percent of next of kin respondents indicated that they were either somewhat or very satisfied with their experience with VA.

VA continued its partnerships with various civic organizations that provide volunteers and other participants to assist in maintaining the appearance of national cemeteries. In addition to the support of civic organizations, many national cemeteries have agreements with State, county, or local law enforcement entities for community service workers and select inmates to perform grounds maintenance work.

Under a joint venture with VHA, national cemeteries provide therapeutic work opportunities to Veterans receiving treatment in the Compensated Work Therapy/Therapeutic Work Experience/Veterans Industries programs. A number of the patients who have utilized these programs have been permanently hired by NCA. Lastly, NCA also partners with VBA to assist Veterans participating in the Work Study program to provide job opportunities while attending a trade or vocational school. Veterans are provided the opportunity to work for pay, regain lost work habits, and learn new work skills while the national cemeteries are provided a supplemental workforce.

In 2011, 95 percent of survey respondents (family members and funeral directors combined) agreed that the quality of service provided by the national cemeteries was excellent. This result demonstrates VA's continued commitment to providing a dignified and respectful environment at all national cemeteries in order to honor the service and sacrifice Veterans have made.

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 2011, 98 percent of survey respondents (family members and funeral directors combined) rated the overall appearance of



national cemeteries as 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's Organizational Assessment and Improvement Program identifies and prioritizes improvement opportunities and enhances program accountability by providing managers and staff at all levels with a cemetery-specific rating or score based upon a uniform, NCA-wide set of standards. 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 reflects the diversity of our system in terms of age, size, workload, and climate. To date, NCA has completed 74 site visits assessing 119 national cemeteries. In 2011, 9 visits assessing 14 national cemeteries were conducted.

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 pages II-108–II-117.

Complete Listing of Measures Supporting Integrated Strategy 1e

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.

Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target
	2007	2008	2009	2010	Results	Targets	
Percent of respondents who rate the quality of service provided by the national cemeteries as excellent	94%	94%	95%	95%	95% Y	97%	100%
Percent of respondents who rate national cemetery appearance as excellent	97%	98%	98%	98%	98% Y	99%	100%
Percent of respondents who agree or strongly agree that the quality of the headstone or marker received from VA was excellent	N/Av	N/Av	N/Av	94%	95% G	94%	100%
Percent of respondents who agree or strongly agree that the quality of the Presidential Memorial Certificate received from VA was excellent	N/Av	N/Av	N/Av	96%	94% Y	96%	100%

Recap	
Green	1
Yellow	3
Red	0
Total	4



Integrated Objective Two

Educate and empower Veterans and their families through proactive outreach and effective advocacy

INTEGRATED STRATEGY 2a

Use clear, accurate, consistent, and targeted messages to build awareness of VA's benefits amongst our employees, Veterans and their families, and other stakeholders.

Making a Difference for Veterans

VA Creates Women Veterans Call Center



Representatives at VA's Health Resource Center place calls to women Veterans, asking them to share their experiences with VA and suggest potential enhancements.

The Department of Veterans Affairs (VA) has embarked on a major initiative to reach out to women Veterans to solicit their input on ways to enhance the health care services VA provides them.

"We are taking a proactive approach to enhancing VA health care for women Veterans," said Secretary of Veterans Affairs Eric K. Shinseki. "We are seeking the input of women Veterans so that VA can continue to provide high quality health care to the growing numbers of women Veterans."

Representatives at VA's Health Resource Center (HRC) are placing calls to women Veterans nationwide, asking them to share their experiences with VA and suggest potential enhancements that will further VA's mission to provide the best care anywhere.

Women Veterans are one of the fastest growing segments of the Veteran population. Of the 22.7 million living Veterans, more than 1.8 million are women. They comprise nearly 8 percent of the total Veteran population and 6 percent of all Veterans who use VA health care services.

VA estimates by 2020 women Veterans will constitute 10 percent of the Veteran population and 9.5 percent of VA patients. The HRC, which started placing calls on June 1, 2011, is contacting women Veterans who have enrolled but have not begun using VA services.

"Through this contact center, we are placing friendly, conversational calls to women Veterans," said Patricia Hayes, Chief Consultant of the VA's Women Veterans Health Strategic Health Care Group. "We want these Veterans and their caregivers to talk candidly about why they are not using VA, whether they are aware of the gender-specific services we offer, and what additional services they would like to see VA offer."

The HRC representatives making the calls are also informing women Veterans about the services VA offers and quickly connecting them with appropriate departments if they are interested in trying VA health care. Veterans who have complaints about VA are connected to a patient advocate who helps resolve issues.



VA has trained professionals in all aspects of women's health, including general primary care, osteoporosis management, heart disease, mental health care, menopausal services, and obesity-related issues such as diabetes. Preventive screenings for breast and cervical cancer are also areas in which VA excels. Soon, all VA facilities will offer comprehensive primary care for women from a single provider.

The Women Veterans Health Care program has made significant changes in the last few years to enhance the health care offered to eligible women Veterans. This progress includes:

- Adopting key policies to improve access and enhance services for women Veterans.
- Implementing comprehensive primary care for women Veterans.
- Conducting cutting-edge research on the effects of military service on women's lives.
- Improving communication and outreach to women Veterans.
- Providing mental health, homelessness, and other services designed to meet the unique needs of women Veterans.

For more information about VA programs and services for women Veterans, please visit the [Web](http://www.va.gov/womenvet) sites at: www.va.gov/womenvet and www.publichealth.va.gov/womenshealth.

She Served, She Deserves—2011 National Training Summit on Women Veterans



Participant in discussion with VA staff members at the 2011 National Training Conference on Women Veterans
Pictured from left to right: Lt. Col. Judith J. Mathewson, USAF, Chief, Equal Opportunity, National Guard Bureau; Dr. Marianne Mathewson-Chapman, OEF/OIF Outreach Office for Guard/Reserve and Families, VA; and Dr. Susan McCutcheon, National Director, Family Services, Women's Mental Health and Military Sexual Trauma, VA.

VA's Center for Women Veterans sponsored the 2011 National Training Summit on Women Veterans (Summit). Nearly 700 participants—women Veterans; women Veterans advocates from across the Nation; active, Reserves, and National Guard women Servicemembers; representatives from Veterans Service Organizations and nonprofit agencies; and VA staff who care for women Veterans—converged upon Washington on July 15-17, 2011, to collaborate and discuss issues facing women Veterans and women Servicemembers. A first ever, one-day training day for VA staff members who provide care and services to women Veterans was held on July 15.

The purpose of the Summit was to inform and educate participants on VA's enhancements to benefits and services and DoD's initiatives for women Servicemembers as well as to provide an exchange of information with stakeholders and providers to resolve women Veterans' issues and concerns.

Secretary of Veterans Affairs, Eric K. Shinseki, gave opening remarks at the Summit, thanking the participants for their service, announcing a call to action, and creating a **VA Task Force on Women Veterans**. "Tell me the two most

important things VA does for women and tell me one thing I need to fix," Shinseki said.

The Summit featured engaging sessions with VA experts and our collaborative partners and informative workshops on issues confronting women Veterans and women Servicemembers. VA reached out to those who could not attend by hosting a live Blog. The Summit was also featured on VA's blog [Vantage Point](http://www.va.gov/vantagepoint). For more information about the Summit and VA programs and services for women Veterans, please visit the Center for Women Veterans [Web](http://www.va.gov/womenvet) site at: www.va.gov/womenvet.



VA Uses Collaboration to Provide Outreach to Veterans



VA Veterans Roundtable co-hosted by Center for Faith-based and Neighborhood Partnerships and Vocational Rehabilitation and Employment in Las Vegas.

The mission of the Center for Faith-based and Neighborhood Partnerships (CFBNP) is to develop partnerships with and provide relevant information to faith-based and secular organizations and expand their participation in VA programs to better serve the needs of Veterans, their families, and survivors. In 2011, CFBNP partnered with Vocational Rehabilitation and Employment (VRE) to co-host "Veterans Roundtables." At such a roundtable in Las Vegas in February, approximately 180 faith-based and community organizations attended.

CFBNP joined other agency Centers for Faith-based and Neighborhood Partnerships at White House regional conferences. At the conferences, CFBNP staff moderated a workshop and roundtable discussion on the programs and

services VA provides for Veterans experiencing homelessness or who are at risk for becoming homeless. Panelists included VA staff members who serve our Veterans as Homeless Program Coordinators, OEF/OIF/OND (Operation Enduring Freedom, Operation Iraqi Freedom, and Operation New Dawn) Program Coordinators, Minority Veteran Program Coordinators, Women Veteran Program Coordinators, and VRE Coordinators and Counselors. In addition to learning about the programs and services VA provides, this was an opportunity for faith-based and community leaders and organizations to learn how they can work collaboratively with VA through Chaplaincy and Voluntary Service Departments at their local VA medical center.

For information about CFBNP, visit the [Web](#) at <http://www.va.gov/cfbnpartnerships/>, e-mail VAPartnerships@va.gov, or call (202) 461-7689.

Minority Veterans Program Coordinators National Training Conference



Pictured left to right: Lucretia McClenney, Director, Center for Minority Veterans; Alonzo Price, MVPC, Dallas VAMC; and Earl Newsome, Deputy Director, Center for Minority Veterans at the MVPC Conference. Mr. Price was recognized for his efforts in helping to organize the conference.

The Center for Minority Veterans (CMV) conducted the 11th Biennial Minority Veterans Program Coordinators (MVPC) National Training Conference June 6-10, 2011, in Dallas, Texas. The conference targeted individuals appointed by facility directors in the role of MVPCs at VA medical centers, regional offices, and national cemeteries. The national conference provided support for training and education to approximately 200 MVPCs to increase their effectiveness and outreach efforts to minority Veterans. The conference also provided activities that educate and sensitize internal staff to the unique needs of minority Veterans. Presentations focused on cultural competency, communication using consistent messaging, and outreach.

The conference was a collaborative partnership between CMV, VBA, VHA, NCA, and VA Learning University.

For more information on the MVPC program, visit the MVPC [Web](#) site at http://www.va.gov/CENTERFORMINORITYVETERANS/Minority_Veterans_Programs_Coordinators_MVPC.asp or call 202-461-6191 to explore this and other services offered by the Center for Minority Veterans.



Significant Trends, Impacts, Use, and Verification of 2011 Results

Supporting Measure			
PERCENT OF VA IT SYSTEMS THAT AUTOMATICALLY REUSE ALL REDUNDANT CLIENT INFORMATION IN OTHER SYSTEMS			
Performance Trends		Impact on Veterans	
	2010	2011	Strategic Target
Results	0%	9.5%	
Targets	N/A	16%	100%
Desired Direction		Impact on Veterans	
		No progress was made on achieving this goal due to resources being diverted to accomplish other SECVA major initiatives.	
Status		Impact on Veterans	
		Veterans must enter personal identification each time services/entitlements are accessed placing undue burden upon and causing frustration for Veterans, their dependents, and Servicemembers.	
How VA Verifies Results Data for Accuracy		How VA Leadership Uses Results Data	
Initial entry of a Veteran's data is verified at the time of data collection during application for benefits. As applications for benefits are processed within the system, multiple checks are made to ensure data integrity and accuracy.		Reducing the amount of redundant Veteran information captured/entered by the Veteran will improve the efficiency of application processing and increase customer satisfaction rates.	

Additional Performance Information for Integrated Strategy 2a

Activities of the Office of Survivors Assistance (OSA)

Congressionally mandated by P.L. 110-389 in October 2008, OSA serves as a resource regarding all benefits and services furnished by VA to Survivors and dependents of deceased Veterans.

In 2011, OSA accomplished the following activities:

- **Outreach:** Launched an extensive internal and external outreach campaign to increase knowledge of available Survivor benefits and services.
- **Communication and Marketing:** Developed new and innovative communications materials and products to include OSA's first outreach brochure and education video; leveraged technology with use of social media and a re-designed, comprehensive Web site; and conducted presentations to diverse internal and external organizations.
- **Partnerships:** Expanded current and fostered new collaborative partnerships



with public and private sector organizations to further the mission of OSA. These partnerships included Survivor groups, U. S. Army Survivor Outreach Service, National Guard Bureau Transition Assistance Advisors Program, hospice and funeral industries, and VA Advisory Committees, to name a few.

For more information, visit the [Web](#) site at www.va.gov/survivors, or call (202) 461-1077.

Program Evaluations

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

New Policies, Procedures, or Process Improvements and Other Important Results

The Office of Information Technology (OIT) continues to improve responsiveness to developing systems meeting a critical business need. Product Development's realignment along the lines of the Secretary's 16 Major initiatives, its use of agile development within the context of a maturing Project Management Accountability System process, and increases in project management staff contribute to OIT's continuing success in developing IT systems that provide the most assistance to Veterans, their families, and their Survivors. During the past 12-month period, we have delivered over 80 percent of all scheduled product capability. This represents more than 320 new products or product enhancements that have had a positive impact on Veteran-facing functionality.

To date, OIT has delivered call routing capabilities, audio recording for 100 percent of all calls into the national call centers, the ability to retain data, Exterior Chat Service integration, Computer Telephony Integration with Customer Relationship Management lab pilot requirements, and speech recognition

requirements. Future plans include progressive dialing for the outbound call campaign; virtual hold; scheduled call back; interactive voice response (including self-service options and integration with knowledge management); and Web chat, secure messaging, and faxing capabilities. These capabilities will establish the infrastructure necessary to support the Health Resource Center for Women Veterans.

VA's OIT conducted a Privacy Impact Assessment (PIA). VA provided overall compliance reviews of 643 Major Applications. This consisted of specific Privacy reviews of 243 Major Applications, 420 Validation Letters, and over 6,500 Minor Applications. This equated to a 98.7 percent compliance approval metric that ensures both Privacy and Security controls are in place to protect Veteran and employee privacy-related information. The PIA review is a primary requirement in attaining Authority to Operate and is a reportable item under the Federal Information Security Management Act.

VA's Center for Faith-based and Neighborhood Partnerships (CFBNP) provided VA outreach information to more than 600 faith-based and community organizations in 2011.

CFBNP updated its Web site to provide an effective interactive method of sharing VA program materials, outreach event blogs, collaborative outreach events, and Internet links to the White House Office of Faith-based and Neighborhood Partnerships (WH OFBNP) and other Agency Faith-based Centers. In collaboration with the WH OFBNP, CFBNP has an online Partnership Guide: http://www.hhs.gov/partnerships/resources/partnerships_toolkit.pdf.

Data Verification and Quality

VA's data quality improvement efforts, including its work on data verification and validation, are described in the Assessment for Data Quality on page II-95.



Complete Listing of Measures Supporting Integrated Strategy 2a

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.

Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target
	2007	2008	2009	2010	Results	Targets	
Percent of VA IT systems that automatically reuse all redundant client information in other systems (OIT)	N/Av	N/Av	N/Av	0%	9.5% R	16%	100%

Recap	
Green	0
Yellow	0
Red	1
Total	1

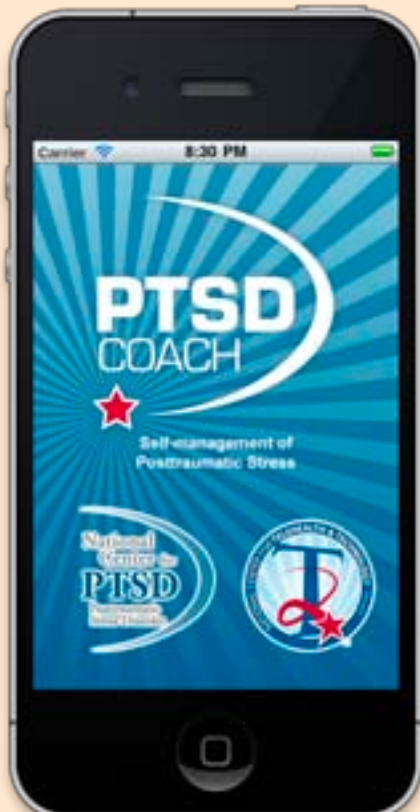


INTEGRATED STRATEGY 2b

Leverage technology and partnerships to reach Veterans and their families and advocate on their behalf.

Making a Difference for Veterans

VA/DoD Smart Phone App Helps Veterans Manage PTSD



The PTSD application lets users track their PTSD symptoms, link to public and personalized support sources, and learn helpful strategies for managing PTSD symptoms.

Veterans dealing with symptoms of Post-Traumatic Stress Disorder (PTSD) can turn to their smart phones for help anytime with the PTSD Coach application (app) created by the Department of Veterans Affairs (VA) and the Department of Defense (DoD).

"This is about giving Veterans and Servicemembers the help they earned when and where they need it," said Secretary of Veterans Affairs Eric K. Shinseki. "We hope they, their families, and their friends download this free app. Understanding PTSD and those who live with it is too important to ignore."

PTSD Coach lets users track their PTSD symptoms, links them with local sources of support, provides accurate information about PTSD, and teaches helpful individualized strategies for managing PTSD symptoms at any moment.

"This application acknowledges the frequency with which our Warriors and Veterans use technology and allows them to get help when and where they feel most comfortable," said Assistant Secretary of Defense for Health Affairs Dr. Jonathan Woodson.

The PTSD Coach is primarily designed to enhance services for individuals who are already receiving mental health care, though it is certainly helpful for those considering entering mental health care and those who just want to learn more about PTSD.

"This is a great service we are providing to Veterans, Servicemembers, and their families and friends, but it should not be seen as a replacement for

traditional therapy," said VA's Under Secretary for Health Dr. Robert Petzel. "Veterans should utilize all of the benefits they have earned with their service and one of the best things about this app is it will get Veterans connected to the places that are out there to provide help."

The application is one of the first in a series of jointly designed resources by the VA National Center for PTSD and DoD's National Center for Telehealth and Technology to help Servicemembers,



Veterans, and their families and friends manage their readjustment challenges and get anonymous assistance.



Since its launch, the PTSD Coach app has been downloaded by thousands of individuals. While most of the users are located in the United States, the app has also been downloaded in many other countries. The app lets users track their PTSD symptoms, links them with public and personalized sources of support, provides accurate information about PTSD, and teaches helpful strategies for managing PTSD symptoms on the go.

Comments from Veterans and family members are overwhelmingly positive and one user describes the app as “a must for every spouse who has a family member with PTSD.” Professionals have sent positive reviews, suggestions, and offers to collaborate on research evaluating the PTSD Coach app. Staff members at the Veterans Crisis line have begun to regularly recommend this resource to callers.

Information on the PTSD Coach app is on the VA's National Center for PTSD **Web** site at <http://www.ptsd.va.gov/public/pages/PTSDCoach.asp>. More apps from DoD's National Center for Telehealth and Technology can be found at <http://www.t2health.org/apps>.



Significant Trends, Impacts, Use, and Verification of 2011 Results

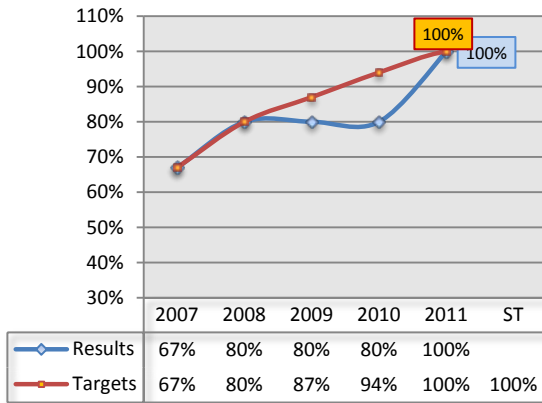
Key Measure			
<p>PERCENT OF MILESTONES COMPLETED LEADING TO THE USE OF GENOMIC TESTING TO INFORM THE COURSE OF CARE (PREVENTION, DIAGNOSIS, OR TREATMENT) OF PATIENTS WITH MENTAL ILLNESS (INCLUDING PTSD, SCHIZOPHRENIA, AND MOOD DISORDERS)</p>			
Performance Trends		Impact on Veterans	
	2010	2011	Strategic Target
Results	25%	35%	
Targets	N/A	35%	100%
		<p>Desired Direction</p> 	<p>In 2011, Veterans were enrolled in the study. Blood sample analysis is scheduled to begin in 2012, and data analysis will begin once enrollment and sample analysis are completed. Thus, it will be several years before the results impact Veterans.</p>
		<p>Status</p> 	
<p>How VA Verifies Results Data for Accuracy</p> <p>This performance measure involves enrollment of Veterans in a clinical study; therefore, human subjects research protection procedures must be followed. This requires that all procedures, including data entry, are documented and followed.</p>		<p>Once the study is completed, genetic variants that contribute to functional disability associated with bipolar illness and schizophrenia can be identified. In addition, the study will assess the relationship between the characteristics of functional disability and the genetics that influence the likelihood of succumbing to mental illness. This information can be used to determine better treatments and/or likely outcomes for patients.</p>	



Key Measure

**PROGRESS TOWARDS DEVELOPMENT OF ONE NEW TREATMENT FOR POST-TRAUMATIC STRESS DISORDER (PTSD)
(ONE MILESTONE TO BE ACHIEVED OVER 1 YEAR)**

Performance Trends



ST = Strategic Target

Impact on Veterans

Desired Direction



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.

Status



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, all of which have been completed. Data from the fourth trial are being analyzed.

How VA Verifies Results Data for Accuracy

Data are analyzed and verified locally by the VA researcher based on milestones achieved and related scientific data.

How VA Leadership Uses Results Data

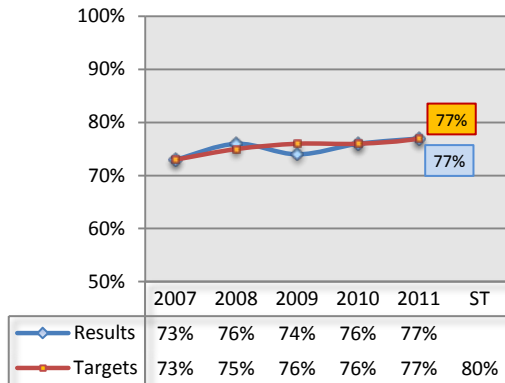
Results of PTSD studies are rapidly translated into clinical practice at VA. Recent findings have been published in the *Journal of the American Medical Association* and *Biological Psychiatry*. Results of VA's research have been discussed at conferences attended by VA, DoD, and university attendees.



Key Measure

REHABILITATION RATE (GENERAL)

Performance Trends



ST = Strategic Target

How VA Verifies Results Data for Accuracy

Data are verified monthly against the source data by Vocational Rehabilitation and Employment (VR&E) Service analysts and distributed to regional offices. The regional offices review the data to ensure alignment with activities performed and that the data agree with the raw data submitted for analysis.

The data collection staff is comprised of skilled professionals trained in the proper procedures for collecting and analyzing raw data. All data collection procedures are documented and followed.

Impact on Veterans

Desired Direction



A "rehabilitated" Veteran is one who successfully completes the rehabilitation program plan and is equipped with the required skills and tools needed to obtain and maintain suitable employment or gain independence in daily living.

Status



How VA Leadership Uses Results Data

VA leadership uses the rehabilitation rate to assess the performance of Vocational Rehabilitation Counselors, Counseling Psychologists, Employment Coordinators, VR&E Officers, and Regional Office Directors as well as the overall effectiveness of the program and services provided.

To improve performance in this area, VA leadership continues to place an increased emphasis on developing a culture that is forward looking, innovative, and Veteran-focused.

Therefore, within the context of the above-cited tenets, VBA leadership has identified several areas of emphasis:

- More focus on Veterans maintaining suitable employment.
- Continue to enhance the VetSuccess.gov Web site because it provides Veterans with an employment tool that they can adapt to their individual needs.
- Continue to sponsor career fairs geared toward today's Veteran.
- Train employment coordinators in the best methods for placing Veterans in jobs.



Additional Performance Information for Integrated Strategy 2b

Program Evaluations

As part of VA's existing Business Transformation Contract, Booz Allen Hamilton provided a Business Process Reengineering (BPR) analysis that included "Current State" and "Future State" analyses. These analyses provided VR&E with the opportunity to identify potential improvements to operational processes, reduce cycle time, improve staffing and performance management, and determine ways to enhance case management technologies. VR&E is in the process of implementing the key recommendations.

One of the key recommendations implemented in 2011 is the Knowledge Management Portal (KMP), released to the Regional Offices (ROs) on July 12, 2011. The KMP is a one-stop shop for VR&E Program resources and information. It is designed to increase efficiency by providing a centralized location for the most up-to-date information, including the laws and regulations governing the provision of VR&E services, policy letters, circulars, forms, letters, and links to additional resources.

New Policies, Procedures, or Process Improvements and Other Important Results

VA enacted two public laws in 2011 that increased the number of participants applying for benefit services, P.L. 111-275 and 111-377. The Veterans Benefits Improvement Act of 2010 (P.L. 111-275), enacted in 2011, increased the limit of new beneficiaries who may enter a plan of Independent Living Services. With the limit increased from 2,600 to 2,700 per fiscal year, the VR&E program is able to continue to provide services to those Veterans with severe-

service-connected disabilities, who may not currently consider work.

VR&E anticipates an increase in the number of Veterans applying for Chapter 31 benefits due to P.L. 111-377. Effective on August 1, 2011, P.L. 111-377 allows a Veteran entitled to services under Chapter 31, who is also eligible to receive education benefits through the Chapter 33 Post 9/11 GI Bill, to elect an alternate payment in lieu of Chapter 31 subsistence allowance. The alternate payment is higher than the current Chapter 31 allowance in most locations and because of that, VR&E anticipates more Veterans with service-connected disabilities who are eligible for Chapter 33 education benefits to elect to apply for Chapter 31 benefits.

VR&E conducted employee training sessions on the following topics:

- Post-Traumatic Stress Disorder
- Traumatic Brain Injury
- Self-Employment
- Independent Living
- Knowledge Management Portal

VR&E developed 4 Electronic Performance Support System (EPSS) modules that deployed to the ROs in October 2010. EPSS is used as a job aid to provide standardized training, references, and resources to VR&E Counselors in the evaluation, decision-making, and case management process for providing rehabilitation services to eligible Veterans. EPSS provides step-by-step instruction on VR&E processes.

In 2011, VR&E was involved in multiple Veterans Affairs Innovation Initiative (VAi2) projects. The area of focus for the VR&E program's VAi2 Projects is finding solutions to



support Veterans in launching and building businesses by providing effective self-employment preparation and support services using direct and virtual tools.

- Business Incubator/Accelerator
- Integrated Business Accelerator – The Veteran Self-Employment Accelerator
- EAdvantage Project

Another area of focus for VR&E's Vai2 project is self-management. Some Veterans have difficult backgrounds, such as poor work histories and learning disabilities, which can present a challenge to successfully meet their goals. VR&E is looking at innovative self-management applications and strategies, such as assistive technology and applications for mobile phones, to assist these Veterans to obtain and maintain career-level employment opportunities.

VR&E also launched a VBA-wide Employee Innovation project in April 2011 to solicit ideas from field staff to make VR&E a highly

productive and effective program that meets the needs of our Nation's Servicemembers and Veterans with disabilities. A total of 732 ideas were submitted for consideration by VR&E field staff, and 10 finalists were chosen to present their ideas to an Executive Selection Board. The winners of the Employee Innovation Competition were notified in September 2011 with a projected implementation of select pilots in 2012.

In 2011, the Office of Research and Development established a research-specific contracting office. This will allow researchers to obtain assistance with their contracting needs.

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 pages II-108–II-117.



Complete Listing of Measures Supporting Integrated Strategy 2b

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.

Recap	
Green	10
Yellow	3
Red	0
Total	13

Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target
	2007	2008	2009	2010	Results	Targets	
Progress towards development of one new treatment for post-traumatic stress disorder (PTSD) (One milestone to be achieved over 1 year) (Measure being dropped after 2011)	67%	80%	80%	80%	100% G	100%	100%
Percent of milestones completed leading to the use of genomic testing to inform the course of care (prevention, diagnosis, or treatment) of patients with mental illness (including PTSD, schizophrenia, and mood disorders)	N/Av	N/Av	N/Av	25%	35% G	35%	100%
Rehabilitation Rate (General)	73%	76%	74%	76%	77% G	77%	80%
Percent of milestones completed towards development of one new objective method to diagnose mild Traumatic Brain Injury (TBI)	N/Av	N/Av	N/Av	N/Av	22% Y	33%	100%
Progress toward researching, developing, and implementing innovations in clinical practice that ensure improved access to health care for Veterans, especially in rural areas	N/Av	N/Av	N/Av	N/Av	42% G	42%	100%
Percent increase in number of enrolled Veterans participating in telehealth (This focus is on Office of Telehealth Services, Telehome Health, and Store and Forward Telehealth services only.)	N/Av	N/Av	N/Av	N/Av	TBD	30%	75%
Serious Employment Handicap (SEH) Rehabilitation Rate (1) Corrected	73%	76%	74%	(1) 76%	77% G	77%	80%
Employment Rehabilitation Rate	N/Av	N/Av	Baseline	73%	74% Y	75%	80%
Independent Living Rehabilitation Rate	N/Av	N/Av	Baseline	93%	95% G	92%	95%



Part II - Performance Summaries by Integrated Strategy

Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target
	2007	2008	2009	2010	Results	Targets	
Speed of Entitlement Decisions in average days (VR&E)	54	48	51	49	44 G	45	40
Accuracy Rate of Decisions (Services) (VR&E)	77%	82%	80%	81%	82% Y	85%	96%
Accuracy rate of Vocational Rehabilitation Program Completion Decisions	93%	96%	96%	97%	97% G	97%	99%
Average cost of professional counseling services for participants (using constant 2009 dollars) (VR&E) (1) A strategic target has not been established for this measure because it is for transparency and not benchmarking purposes.	N/Av	N/Av	\$810	\$825	N/Av	\$862	(1) N/ Ap
Conversion rate of disabled SGLI members to VGLI (Insurance)	40%	45%	32%	37%	55% G	39%	50%
Percent of federally recognized Native American tribes contacted by VA for outreach purposes (OPIA)	1%	1%	1%	80%	80% G	80%	100%



INTEGRATED STRATEGY 2c

Reach out proactively and in a timely fashion to communicate with Veterans and their families and promote Veteran engagement.

Making a Difference for Veterans

VA Launches Official Blog



In November 2010, VA launched its first official blog (VAntage Point) to open a new line of communication between VA and its stakeholders. Features of the blog include a daily column of articles and a section comprised of guest pieces submitted by employees, stakeholders, and the general public.

In November, VA launched its first official blog, opening a new line of communication between the Department and its stakeholders. The debut marks VA's latest outreach effort aimed at improving the way VA and its clients engage online. Called VAntage Point and edited by VA's Director of Online Communications Brandon Friedman, the blog launched with two primary features: a main column of articles written each day by VA staff and a

section comprised of guest pieces submitted by other employees, stakeholders, and the general public. Readers are able to comment and participate on all articles.

VAntage Point's guest pieces essentially function as "letters to the editor." Whether from a VA physician, a student going to school on the Post-9/11 GI Bill, or a representative from a Veterans Service Organization, all pieces will be considered for publication based on their rationale and reasoned points—not on how closely their views align with those of the Department. The VA blog expands VA's social media reach, adding to its presence on Facebook, Twitter, Flickr, and YouTube. Each VA administration has its own Facebook page and Twitter feed, and these platforms are being adopted by VA medical centers. The Department currently has the largest Facebook subscriber base among cabinet-level agencies. To view the blog, visit www.blogs.va.gov. For more information, visit the VA [Web](http://www.va.gov) site at www.va.gov.



Significant Trends, Impacts, Use, and Verification of 2011 Results

There were no measures under this Integrated Strategy in 2011.

Performance Information for Integrated Strategy 2c

Program Evaluations

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

New Policies, Procedures, or Process Improvements and Other Important Results

During the past year, VA improved outreach through its Wordpress blog platform by launching *VAntage Point 2.0*, the second iteration of the Department's primary blog, which included an improved comment feature, an RSS feed, a comprehensive archive, and more. Additionally, VA launched its second blog, called *VA Careers*, as a way to inform stakeholders about how to obtain jobs at VA and what life at VA is like.

VA also published Directive 6515, *Use of Web-based Collaboration Technologies*, to enhance communication, stakeholder outreach collaboration, and information exchange; streamline processes; and foster productivity improvements. The directive provides policy and guidance for VA's social media points of contact and other VA employees and personnel to maximize their efficacy when communicating with Veterans and the public.

VA will also roll out Facebook pages for all 152 VA Medical Centers by the end of the 2011 calendar year. VAMCs on Facebook provide a local point of contact on the Web for Veterans.

Facebook pages can provide updates on the status of the medical center during extreme weather, updates on availability of service, and a place for Veterans to interact with VA employees. A current list of the VA Medical Centers using Facebook can be found at VA's new [Social Media Directory](http://www.va.gov/opa/socialmedia.asp): www.va.gov/opa/socialmedia.asp.

In 2011 the National Cemetery Administration (NCA) conducted a robust outreach program to educate and inform Veterans and their dependents about VA memorial benefits and services they may be entitled to receive. During the year, staff at VA's national cemeteries participated in over 2,000 events, reaching nearly 700,000 attendees. On Veterans Day and Memorial Day, NCA held a total of 155 ceremonies nationwide reaching more than 200,000 people. These types of celebrations increase community awareness of the services and benefits provided by NCA.

The strategy is multi-tiered to provide memorial benefits information to stakeholders through major communications platforms such as Web 1.0, social media, printed products, and face-to-face events. NCA is also highly visible at recruitment events and minority Veterans events. Employees including cemetery directors, administrative staff, VA Central Office personnel, as well as designated Minority Veteran Program Coordinators, participate.

In 2010 NCA established a presence on Facebook and Twitter. Through 2011, the



number of individuals connected to NCA through these social media outlets continued to show steady growth, demonstrating the continued effectiveness of sharing NCA information with Veterans and their families through social media. Statistics show that most

of these clients are in the 25-54 age range, demonstrating that the use of social media has proven effective at reaching younger Veterans.



INTEGRATED STRATEGY 2d

Engage in two-way communications with Veterans and their families to help them understand available benefits, get feedback on VA programs, and build relationships with them as our clients.

Making a Difference for Veterans

Retroactive Traumatic Injury Benefits No Longer Just For OEF/OIF Injuries



Army Veteran Anthony Radetic lost the use of his legs after a motor vehicle accident in 2004, but was not eligible for TSGLI under the original legislation. Thanks to the retroactive TSGLI provision, he is now eligible for the TSGLI benefit.

The Department of Veterans Affairs (VA) is extending retroactive traumatic injury benefits to Servicemembers who suffered qualifying injuries during the period October 7, 2001 to November 30, 2005, regardless of the geographic location where the injuries occurred.

“Now all of our Nation’s Servicemembers who suffered severe traumatic injuries while serving their country can receive the same traumatic injury benefits, regardless of where their injury occurred,” said Secretary of Veterans Affairs Eric K. Shinseki. “We at VA appreciate the efforts of Congress and the President to improve benefits for our troops.”

Effective October 1, 2011, the Servicemembers’ Group Life Insurance (SGLI) Traumatic Injury Protection benefit, known as TSGLI,

will be payable for all qualifying injuries incurred during this period. This retroactive benefit is payable whether or not the Servicemember had SGLI coverage at the time of the injury.

The Veterans’ Benefits Improvement Act of 2010 removes the requirement that injuries during this period be incurred in Operations Enduring or Iraqi Freedom (OEF/OIF). This is welcome news for the many Servicemembers who suffered serious traumatic injuries while serving stateside or in other areas outside of OEF/OIF during this time period, but who until now have not been eligible for TSGLI.

TSGLI provides a payment ranging from \$25,000 to \$100,000 to Servicemembers sustaining certain severe traumatic injuries resulting in a range of losses. National Guard and Reserve members who were injured during the retroactive period and suffered a qualifying loss are also eligible for a TSGLI payment, even if the cause was not related to military service. National Guard and Reserve members make up more than 40 percent of the total force which has been deployed since 9-11. Those who are no longer in the National Guard or Reserves can also apply as long as their injury occurred while they were in service.

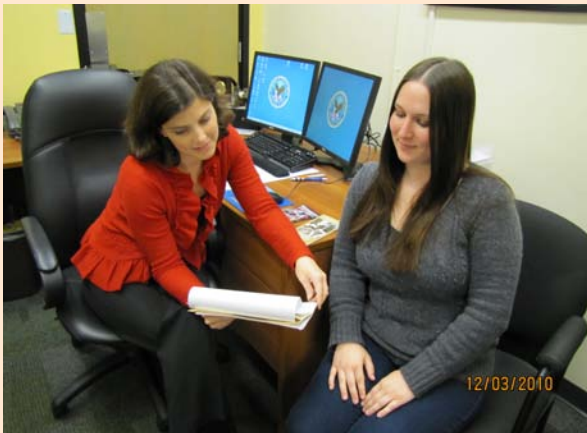
“I am extremely pleased that these total force warriors who defend our freedoms are getting the recognition and benefits they have rightfully earned in service to our Nation,” added Under Secretary for Benefits Allison A. Hickey.

VA is working with the Department of Defense to publicize this change in the TSGLI law. Additionally, all of the branches of service are identifying any claims previously denied because the injury was not incurred in OEF/OIF and reaching out to those individuals.



For more information or to apply for a TSGLI payment, Servicemembers and Veterans should go to the **Web** site at <http://www.insurance.va.gov/sqliSite/TSGLI/TSGLI.htm> or contact their branch of service TSGLI Office (contact information available at above link).

VA Reaching Out to Veterans on Campus Through VetSuccess



Jeanine Frederick, Vocational Rehabilitation Counselor, sits with a VetSuccess on Campus program participant to VA benefits and discuss career options.

The Department of Veterans Affairs (VA) made a concerted effort this past spring to reach out to student Veterans at eight VetSuccess on Campus sites to make them aware that VA counselors are standing by to help ease their transition from active-duty military to college life.

"Veteran-students transitioning from active duty service to civilian educational pursuits face unique challenges entering the college setting," said Secretary of Veterans Affairs Eric K. Shinseki. "The VetSuccess on Campus program continues this Administration's commitment and responsibility to meet the needs of Veterans and their families through effective peer-to-peer counseling and other services."

Under the VetSuccess on Campus program, a full-time, experienced Vocational Rehabilitation Counselor and a part-time Vet Center Outreach

Coordinator are assigned at each campus to provide VA benefits outreach, support, and assistance to ensure their health, educational, and benefit needs are met.

To make Veteran-students aware of the VetSuccess on Campus program at each of the eight sites, VA conducted outreach activities through direct e-mails, posters, social media posts, articles in campus newspapers, campus Web site links, and outreach events at the student commons.

The VetSuccess on Campus program began in June 2009 as a pilot project at the University of South Florida. In September 2009, the program was expanded to two additional universities: Cleveland State University and San Diego State University.

A fourth pilot was started at the Community College of Rhode Island in December 2010. Agreements have recently been reached between VA and Arizona State University, Texas A&M Central Texas, Rhode Island College, and Salt Lake Community College.

Under the VetSuccess on Campus program, vocational testing, career and academic counseling, and adjustment counseling are provided to work to resolve challenges interfering with completion of education programs and entrance into employment.

The Vet Center Outreach Coordinator provides peer-to-peer counseling and referral services. Both the counselor and the coordinator may refer Veterans for more intensive health services, including mental health treatment through VHA Medical Centers, Community-Based Outpatient Clinics, or Vet Centers. They also provide additional information on VA benefits and services.

For more information on VA's Vocational Rehabilitation Program and VetSuccess, visit the **Web** site at <http://www.vba.va.gov/bln/vre/index.htm> or www.vetsuccess.gov or call 1-800-827-1000.



Significant Trends, Impacts, Use, and Verification of 2011 Results

Key Measure																						
RATE OF HIGH CLIENT SATISFACTION RATINGS ON SERVICES DELIVERED (INSURANCE)																						
Performance Trends	Impact on Veterans																					
<table border="1"> <tr> <td></td> <td>2007</td> <td>2008</td> <td>2009</td> <td>2010</td> <td>2011</td> <td>ST</td> </tr> <tr> <td>Results</td> <td>96%</td> <td>95%</td> <td>96%</td> <td>95%</td> <td>95%</td> <td></td> </tr> <tr> <td>Targets</td> <td>95%</td> <td>95%</td> <td>95%</td> <td>95%</td> <td>95%</td> <td>95%</td> </tr> </table>		2007	2008	2009	2010	2011	ST	Results	96%	95%	96%	95%	95%		Targets	95%	95%	95%	95%	95%	95%	<p>Desired Direction</p> <p>Status</p> <p>VA's Insurance Program achieves high levels of client satisfaction by providing quality service and implementing and administering insurance programs that meet the needs of Veterans and their beneficiaries. Results over past years have consistently confirmed that Veterans' insurance needs are being met.</p>
	2007	2008	2009	2010	2011	ST																
Results	96%	95%	96%	95%	95%																	
Targets	95%	95%	95%	95%	95%	95%																
<p>ST = Strategic Target</p>	<p>How VA Leadership Uses Results Data</p> <p>Leadership analyzes the results of the monthly client satisfaction surveys of 11 insurance services and addresses any problems identified. One question the surveys ask is, "What could we do better?" VA takes action on these comments, including reviewing processes, implementing refresher training on customer service, and so forth.</p> <p>For example, during 2011, VA created a team to improve quality in the Veterans Mortgage Life Insurance program in response to survey comments. The team is developing methods for improving timeliness and responsiveness to enhance customers' experiences.</p>																					
<p>How VA Verifies Results Data for Accuracy</p> <p>VA reviews and tabulates the client satisfaction survey responses each month per written guidelines. VA validates the results by re-entering randomly selected monthly responses to determine if similar results are calculated.</p>																						



Additional Performance Information for Integrated Strategy 2d

Program Evaluations

VA contracted with Millennium Corporation to complete a work measurement study to determine how much time Vocational Rehabilitation Counselors, Employment Coordinators, and VR&E Officers spend on various activities. The final report from Millennium was completed in April 2011. VA incorporated the findings and recommendations of this study to VR&E's current business process re-engineering project team.

New Policies, Procedures, or Process Improvements and Other Important Results

VR&E has been working with Inverness, Inc., to transform the Disabled Transition Assistance Program (DTAP) by changing the way Servicemembers with service-connected disabilities are informed about VA benefits and services available to them. A new training plan was developed involving a promotional video and a newly designed DTAP presentation. The training plan also features new delivery methods such as Web-based and computer training as well as Web conferencing. The work to complete and implement this training will begin in 2012.

VA established a team to improve quality and timeliness in the Service-Disabled Veterans Insurance (S-DVI) program. The team developed and implemented several new processes that resulted in an 86 percent reduction in the number of pending applications. Process improvements included triaging incoming applications to quickly

identify and disapprove those that do not meet the basic eligibility requirements and using electronic systems to obtain rating decisions necessary to underwrite insurance applications. These procedures also resulted in a 90 percent reduction in timeliness to process new S-DVI applications.

VA's Insurance Program validates its customer survey results by participating in the American Customer Satisfaction Index (ACSI), which is the national indicator of customer evaluations of the quality of goods and services available to U.S. residents. It is the only uniform, cross-industry/government measure of customer satisfaction. The ACSI tracks trends in customer satisfaction and provides valuable benchmarking insights for companies, industry trade associations, and government agencies.

In 2011, VA earned a score of 87 (on a 100 point scale) for customer satisfaction related to our insurance awards processing. VA's scores exceeded the Federal Governmentwide score of 65. ACSI also examined the level of customer satisfaction with the Insurance Call Center. In 2011, VA's Insurance Call Center earned a customer satisfaction index of 87, well above the Federal Government call center aggregate benchmark of 69 and the private sector call center aggregate benchmark of 77.

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 pages II-108–II-117.



Complete Listing of Measures Supporting Integrated Strategy 2d

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.

Recap	
Green	1
Yellow	0
Red	0
Total	1

Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target
	2007	2008	2009	2010	Results	Targets	
Rate of high client satisfaction ratings on services delivered (Insurance)	96%	95%	96%	95%	95% G	95%	95%
Overall satisfaction rate (%) (Compensation) (1) Data for the Voice of the Veteran client satisfaction survey package will start being collected in 2012. Thus, the baseline year has been changed to 2012.	N/Av	N/Av	N/Av	(1) N/Av	N/Av	N/Av	TBD
Overall satisfaction rate (%) (Pension) (1) Data for the Voice of the Veteran client satisfaction survey package will start being collected in 2012. Thus, the baseline year has been changed to 2012.	N/Av	N/Av	N/Av	(1) N/Av	N/Av	N/Av	TBD
Percent of beneficiaries very satisfied or somewhat satisfied with the way VA handled their education claim (1) Data for the Voice of the Veteran client satisfaction survey package will start being collected in 2012. Thus, the baseline year has been changed to 2012.	N/Av	N/Av	N/Av	(1) N/Av	N/Av	N/Av	TBD
Percent of beneficiaries that believe their VA educational assistance has been either very helpful or helpful in the attainment of their educational or vocational goal (See (1) above)	N/Av	N/Av	N/Av	(1) N/Av	N/Av	N/Av	TBD
Veterans' satisfaction with the Vocational Rehabilitation and Employment Program (1) Data for the Voice of the Veteran client satisfaction survey package will start being collected in 2012. Thus, the baseline year has been changed to 2012.	N/Av	N/Av	N/Av	(1) N/Av	N/Av	N/Av	TBD
Lender Satisfaction with VA Loan Guaranty Program (1) The Lender Satisfaction Survey was not conducted in 2010 or 2011. It was determined that response rates were not sufficiently high to warrant another annual survey in 2010. LGY plans to conduct the survey again in 2012, and then biennially after that.	92.0%	N/Av	95.0%	(1) N/Av	(1) N/Av	94.5%	97.0%
Veterans' Satisfaction Level with the VA Loan Guaranty Program (1) Data for the Voice of the Veteran client satisfaction survey package will start being collected in 2012. Thus, the baseline year has been changed to 2012.	N/Av	N/Av	N/Av	(1) N/Av	N/Av	N/Av	TBD



Integrated Objective Three

Build our internal capacity to serve Veterans, their families, our employees, and other stakeholders efficiently and effectively.

INTEGRATED STRATEGY 3a

Anticipate and proactively prepare for the needs of Veterans, their families, and our employees.

Making a Difference for Veterans

Simplifying Heart Attack Diagnosis



A new microchip sensor called the Nano-Bio-Chip that processes saliva and yields instant results was recently developed to detect heart attacks.

A new diagnostic tool to detect heart attacks using a person's saliva began being tested in September 2010 at the Michael E. DeBakey VA Medical Center in Houston through collaboration with Baylor College of Medicine and researchers at Rice University's BioScience Research Collaborative. John T. McDevitt, Professor of Chemistry and Bioengineering at Rice University, and his team of researchers have developed a microchip sensor called the Nano-Bio-Chip that processes saliva and yields instant results. Biykem Bozkurt, MD, Professor of Medicine at Baylor College of Medicine, explained, "The device works by analyzing saliva, looking for cardiac biomarkers of injury implicated in the heart attack."

Typically when a heart attack occurs, hospital staff or emergency medical technicians use an electrocardiogram machine to review heart activity. If the electrocardiogram is abnormal, the patient is immediately moved to an area to be treated. Unfortunately, electrocardiograms fail to correctly diagnose about a third of patients having a heart attack. These patients are monitored carefully in the emergency room, where further blood tests are used to look for certain biomarkers to verify whether a heart attack occurred. Blood test results can take anywhere from 90 minutes to 3 hours, and in many cases, it may be 12 to 24 hours before patients know if they had a heart attack.

"At the DeBakey VA, we follow this same procedure but also include the saliva test to determine whether salivary biomarkers will perform similar to blood markers in diagnosing a heart attack," said Bozkurt, who is also Chief of Cardiology at the DeBakey VA. Over the next 2 years, samples will be collected from approximately 500 patients who come to the DeBakey VA emergency room with chest pain or heart attack-related symptoms.

"We find the electrocardiograms provide more accurate information when combined with the saliva test," McDevitt said. "Saliva-based tests have the potential to quickly diagnose heart attack victims as well as to find false alarms." Nano-Bio-Chips deliver all the capabilities of a traditional laboratory but do not require expensive instrumentation to get results. Manufactured with techniques pioneered by the



microelectronics industry, they have the potential to analyze large amounts of biomarker data at significantly lower cost than traditional tests. McDevitt said the new test could save lives, time, and money by allowing doctors to identify those suffering from a heart attack before administering a battery of costly tests.

Performance Information for Integrated Strategy 3a

Program Evaluations

Mental Health

VA's Office of Policy and Planning (OPP) working with Altarum Institute and RAND-University of Pittsburgh Healthcare Institute conducted the VA Mental Health program evaluation over a 4-year period starting in 2006. RAND has described this as "perhaps the largest and most comprehensive systematic assessment of a mental health system ever undertaken." Overall, the study evaluated whether mental health services are meeting VA's intended goals and outcomes. It also compared VA care to that in the private sector. The program evaluation collected data on approximately one million Veterans with schizophrenia, post-traumatic stress disorder, bipolar disorder, major depressive disorder, and substance use disorder.

The final report found that VA performance is as good as or better than that reported in the literature for other populations and/or treatment settings. Results demonstrated the performance level was achieved despite a significant annual increase in the numbers of Veterans served during the 4-year study period. Further, the evaluation developed extensive performance indicators that can be used to evaluate quality of care in other settings.

Oncology

The VA Oncology program evaluation was conducted by OPP in conjunction with Abt Associates and Harvard Medical School over a 5-year period starting in 2005. The study was a result of requirements in the Government

Performance and Results Act and Title 38, both of which require such evaluations. It looked at 12 research questions for all patients with 5 different types of cancers and evaluated whether services for oncology patients are meeting VA's intended goals and outcomes. It also compared VA care to that in the private sector. Harvard researchers concluded that cancer care and outcomes in VA are generally similar to that in the private sector.

The report concluded that for the great majority of treatment quality indicators across all the cancers examined, and survival outcomes for colon, rectal, and lung cancer, the quality of oncology care provided by VHA is generally equal to that provided by the private sector through Medicare for patients 65 and older. The results also suggest that Veterans with cancer are receiving overall relatively high quality care at the end of life, which includes maximizing symptom management and palliative care and minimizing invasive care that is unlikely to prolong life.

New Policies, Procedures, or Process Improvements and Other Important Results

The Office of Policy & Planning took the following actions in 2011:

- Coordinated the DoD and VA Integrated Disability Evaluation System (IDES) effort to standardize processing procedures and created a Departmental memorandum of understanding for operations at each site.
- Developed, in conjunction with VHA, a new research population model to provide better insight on service-connected environmental exposures.



- Improved a number of programs to enhance the transition of Servicemembers to Veteran status.
- Established the Strategic Studies Group to aid the Department in developing long-term insights and perspectives on emerging Veterans' issues.
- Conducted VA's first-ever 10-20 year environmental scan—identifying the key issues that will drive VA over the next 10 years.
- Provided statistical and geospatial analysis to support recurring and ad-hoc reporting. Examples of these statistical products include the geographical distribution of VA expenditures report, the unique Veterans use of VA benefits and services brief, the VA information pocket card, and the VA disability evaluation system trend analysis.



Complete Listing of Measures Supporting Integrated Strategy 3a

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.

Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target
	2007	2008	2009	2010	Results	Targets	
Number of arrests, indictments, convictions, criminal complaints, pretrial diversions, and administrative sanctions (OIG)	2,303	1,884	2,250	1,929	1,939 Y	2,300	2,750
Number of reports (audit, inspection, evaluation, contract review, and CAP reports) issued that identify opportunities for improvement and provide recommendations for corrective action (OIG)	217	212	235	263	301 G	240	300
Monetary benefits (dollars in millions) from audits, investigations, contract reviews, inspections, and other evaluations (OIG)	\$820	\$500	\$2,931	\$1,914	\$7,122 G	\$1,000	\$1,500
Return on investment (monetary benefits divided by cost of operations in dollars) Beginning in 2009, the cost of operations for the Office of Healthcare Inspections, whose oversight mission results in improving the health care provided to Veterans rather than saving dollars, is not included in the return on investment calculation (see the OIG's September 2010 Semiannual Report to Congress, page 4)	11 to 1	6 to 1	38 to 1	20 to 1	76 to 1 G	11 to 1	15 to 1
Percentage of:							
Prosecutions successfully completed	95%	94%	94%	97%	99% G	94%	95%
Recommendations implemented within 1 year to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural changes in VA	86%	88%	94%	86%	87% Y	90%	95%
Recommended recoveries achieved from postaward contract reviews (New)	N/Av	N/Av	N/Av	N/Av	100%	Baseline	98%
OIG Customer satisfaction survey scores (based on a scale of 1 - 5, where 5 is high):							
Investigations	4.9	4.6	4.9	4.9	4.9 G	4.5	5.0
Audits and Evaluations	3.7	4.0	4.0	4.0	4.4 G	4.0	5.0
Healthcare Inspections	4.4	4.7	4.7	4.6	4.6 G	4.6	5.0
Contract Review	N/Av	N/Av	4.6	4.7	4.8 G	4.2	5.0

Recap	
Green	8
Yellow	2
Red	0
Total	10



INTEGRATED STRATEGY 3b

Recruit, hire, train, develop, deploy, and retain a diverse VA workforce to meet current needs and future challenges.

Making a Difference for Veterans

VA's 'Medical Team' Approach Reduces Operating Room Mortality Rates



A VA study published in the Journal of the American Medical Association concluded that Medical Team Training (MTT) improves communication, teamwork, and efficiency in VA operating rooms, resulting in significantly lower mortality rates.

A Department of Veterans Affairs (VA) study published October 20, 2010, in the Journal of the American Medical Association concludes that a concept called Medical Team Training (MTT) improves communication, teamwork, and efficiency in VA operating rooms, resulting in significantly lower mortality rates.

"Patients can suffer inadvertent harm at times, despite care from well-trained, experienced, and conscientious health care providers," noted Dr. Douglas Paull, a VA surgeon and Co-Director of the Medical Team Training program at VA's National Center for Patient Safety in Ann Arbor, Michigan. "The cause in many such instances is faulty teamwork and communication. Fortunately, teamwork and communication skills—often referred to as non-technical skills—can be measured, learned, practiced, and enhanced," Paull continued. "The MTT Program improves these non-technical skills among providers, delivering on the promise of a safer health care system."

VA's nationwide study involved the analysis of more than 100,000 surgical procedures conducted at 108 of its hospitals from 2006 to 2008. MTT had been introduced at 74 of these hospitals. The study found that the decline in the risk-adjusted mortality rate was 50 percent greater in the MTT group than in the non-MTT group.

"MTT is all about communication," said Dr. Lisa Mazzia, who runs VA's MTT Program along with Dr. Paull. "MTT empowers every member of the surgical team to immediately speak up if they see something that's not right. When people talk and listen to each other, fewer errors occur in the operating room. That's the bottom line."

Julia Neily, Associate Director of VA's National Center for Patient Safety Field Office in Vermont and one of the study's nine authors, said conducting briefings prior to starting surgery, much like pilot and crew work through a pre-flight checklist, proved to be a key component in reducing mortalities because it gave the surgical team "a final chance" to correct potential problems.

Post-operative debriefings also proved valuable, the study found, because they led directly to the prompt resolution of glitches that occurred during surgery. Examples included fixing broken equipment or instruments, ordering extra back-up sets of instruments, and improving collaboration between the operating room and the radiology department—all of which led to fewer delays.

To find out more about the MTT Program, contact VA's National Center for Patient Safety at 734-930-5884, or visit the [Web](#) site at www.patientsafety.gov.

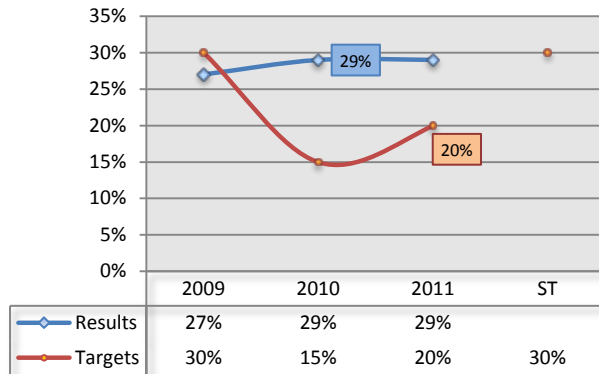


Significant Trends, Impacts, Use, and Verification of 2011 Results

Supporting Measure

PERCENT OF VHA CLINICAL HEALTHCARE PROFESSIONALS WHO HAVE HAD VA TRAINING PRIOR TO EMPLOYMENT

Performance Trends



ST = Strategic Target

Impact on Veterans

Desired Direction



This measure quantifies how VA's clinical training programs contribute to the recruitment of VA's health care delivery workforce. In this context, approximately 115,000 clinical trainees receive training in VA each year.

Status



By providing an excellent learning environment for trainees, VA is better positioned to recruit and retain new health care professionals. In turn, these health care professionals are able to deliver exceptional care to Veterans using the most current medical practices. As the data show, approximately 29 percent of VA's clinical workforce trained in VA prior to employment.

How VA Verifies Results Data for Accuracy

The VA All-Employee Survey is an anonymous survey of all VA employees conducted each spring. As part of the demographic section of the 2011 survey, employees were asked, "Before becoming a VA employee, did you take part in a training or educational program based partly or entirely in VA (such as paid or unpaid internships, residencies, fellowships, or clinical or administrative rotations)?" The answer to this question forms the basis for the data shown.

How VA Leadership Uses Results Data

VA leadership and governance bodies are particularly interested in these data broken down by clinical disciplines. For example, nearly 60 percent of VA physicians and 70 percent of psychologists report having trained in VA prior to employment.

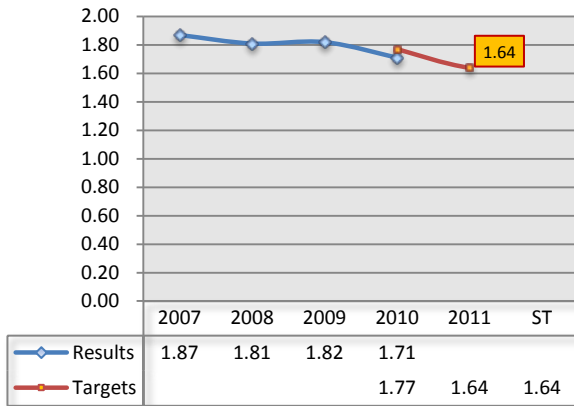
These data reflect the success of VA's training programs in particular disciplines and can also identify disciplines where training program expansion may be appropriate in the future.



Supporting Measure

WORKERS' COMPENSATION LOST TIME CASE RATE (LTCR)

Performance Trends



(1) While data were collected in past years, a formal measure was not activated until 2010. Therefore, no target data are available for 2007-2009.
 (2) ST = Strategic Target

How VA Verifies Results Data for Accuracy

VA receives/obtains data from the Department of Labor. VA uses the Workers' Compensation Occupational Safety and Health/Management Information System to monitor the lost time case rate.

Impact on Veterans

Desired Direction



Status



2011's result continues several years of steady improvement. The continued reduction in LTCR means that employees' lost time from work due to job-related injuries, that is, workers' compensation claims, is decreasing.

How VA Leadership Uses Results Data

VA Leadership uses the LTCR to focus attention on safety programs and the types and causes of injuries/illnesses that are occurring, which allows for analysis of prevention efforts.



Additional Performance Information for Integrated Strategy 3b

Program Evaluations

In 2011, an Employee Safety Perception Survey was completed via a contract with the National Safety Council under VA's Human Capital Investment Plan. VA initiated the development of an action plan to focus on improvement opportunities.

New Policies, Procedures, or Process Improvements and Other Important Results

VA's corporate data system (Workers' Compensation Occupational Safety and

Health/Management Information System) is migrating to a Web based system with upgrades to functionalities that will improve the timeliness of obtaining Lost Time Case Rate data.

VA issued an Information Letter (guidance letter) to field staff providing clarification on how to improve the accuracy of reporting lost time cases.

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 II-95.



Complete Listing of Measures Supporting Integrated Strategy 3b

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.

Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target
	2007	2008	2009	2010	Results	Targets	
Percent of VHA clinical healthcare professionals who have had VA training prior to employment	N/Av	N/Av	27% (Baseline)	29%	29% G	20%	30%
Alternative Dispute Resolution (ADR) participation rate in the informal stage of the Equal Employment Opportunity (EEO) complaint process (HRA) (1) Corrected	28%	46%	48%	(1) 52%	53% G	53%	55%
Percentage of VA employees who are Veterans (HRA)	31%	30%	30%	31%	32% G	31%	33%
Workers' Compensation Lost Time Case Rate (LTCR) (HRA)	1.87	1.81	1.82	1.71	TBD	1.64	1.64
Percent of employees in mission critical and key occupations who participated in a competency based training program within the last 12 months (HRA) (Through August)	N/Av	N/Av	N/Av	20%	* 46.8% G	45%	95%

Recap	
Green	4
Yellow	0
Red	0
Total	4

*These are partial or estimated data; final data will be published in the 2013 Congressional Budget and/or the 2012 Performance and Accountability Report.



INTEGRATED STRATEGY 3c

Create and maintain an effective, integrated, Departmentwide management capability to make data-driven decisions, allocate resources, and manage results.

Making a Difference for Veterans

The Million Veteran Program: VA's Genomics Game-Changer Launches Nationwide



Dr. Mike Gaziano, Co-Principal Investigator, discusses the MVP with Secretary Shinseki.

An unprecedented Department of Veterans Affairs (VA) research program that promises to advance the sophisticated science of genomics went national on May 5.

"It is my honor," said Secretary of Veterans Affairs Eric K. Shinseki, "to join with so many fellow Veterans in keeping VA at the leading edge of genomics research. This innovative research program will support VA's mission to provide Veterans and their families with the care they have earned."

Dr. Robert A. Petzel, VA's Under Secretary for Health, said, "The Veterans Affairs Research and Development Program has launched the Million Veteran Program, or MVP—an important partnership between VA and Veterans to learn more about how genes affect health, and thus, transform health care for Veterans and for all Americans."

The MVP is a trail-blazing VA effort to consolidate genetic, military exposure, health, and lifestyle information together into one single database. The database will be used only by authorized researchers with VA, other Federal health agencies, and academic institutions within the United States—in a secure manner—to conduct health and wellness studies to determine which genetic variations are associated with particular health issues. By identifying gene-health connections, the program could advance disease screening, diagnosis, and prognosis and point the way toward more effective, personalized therapies.

Launched in January at one VA medical center, MVP has expanded to achieve the goal of national participation by Veterans receiving VA care over the next 5 to 7 years. Among those participating are VA Secretary Shinseki, Deputy Secretary W. Scott Gould, and Chief of Staff John R. Gingrich.

Patient safety and information security are the top priorities in MVP and all VA research initiatives. To protect Veterans' confidentiality, blood samples containing genetic material and health information collected for MVP will be stored in a secure manner and labeled with a barcode instead of personal information. The researchers who are approved to access samples and data will not receive the name, address, social security number, or date of birth of participating Veterans. Importantly, the data will not move to the researchers, but rather researchers will come to the data—through the VA GenSIS computing environment—to increase security.

The program has been developed in close coordination with the VA Genomic Medicine Program Advisory Committee—comprised of private and public health, scientific, legal experts in the field of genetics and Veteran representatives—which advises the Secretary of VA, and partners such as Veterans Service Organizations, the Department of Defense, and the National Institutes of Health.

VA is superbly positioned to conduct complex genomics research thanks to its large and diverse patient population and other unrivaled assets. "We have a research establishment that is embedded in an integrated health care system with a state-of-the-art electronic health record, fully equipped genomic laboratories with the



latest in technology, and top-caliber investigators—most of whom also provide direct patient care,” said Dr. Joel Kupersmith, VA’s chief research and development officer. “The merger of these distinct attributes—with the Veteran as a partner—makes VA uniquely able to conduct this ground-breaking genomic research.”

Significant Trends, Impacts, Use, and Verification of 2011 Results

Supporting Measure																											
GROSS DAYS REVENUE OUTSTANDING (GDRO) FOR 3 RD PARTY COLLECTIONS																											
Performance Trends			Impact on Veterans																								
<table border="1"> <thead> <tr> <th></th> <th>2007</th> <th>2008</th> <th>2009</th> <th>2010</th> <th>2011</th> <th>ST</th> </tr> </thead> <tbody> <tr> <td>Results</td> <td>59</td> <td>56</td> <td>55</td> <td>45</td> <td>48</td> <td></td> </tr> <tr> <td>Targets</td> <td>58</td> <td>57</td> <td>55</td> <td>54</td> <td>48</td> <td>37</td> </tr> </tbody> </table>				2007	2008	2009	2010	2011	ST	Results	59	56	55	45	48		Targets	58	57	55	54	48	37	<p>Desired Direction</p> <p>↓</p> <p>Status</p> <p>G</p> <p>Third party GDRO indicates how long it will take a facility to liquidate its current amount of third party MCCF accounts receivable (AR) at the average daily rate of its billings for the past 3 months and is a calculated measure comprised of total third party AR divided by the third party Average Daily Billings.</p> <p>Nationally, since 2007, third party GDRO has declined (improved) 11 days. Third party collections from insurers are returned to the VHA facilities to provide health care services for the Veterans; so the assumption is that a decreasing GDRO indicates that collections are being returned more quickly to VHA facilities.</p>			
	2007	2008	2009	2010	2011	ST																					
Results	59	56	55	45	48																						
Targets	58	57	55	54	48	37																					
<p>(1) Actual data through 08/2011. Final data are expected in 11/2011.</p> <p>(2) ST = Strategic Target</p>			<p>How VA Leadership Uses Results Data</p> <p>Widely used in the private health care industry, third party GDRO specifically defines the age of outstanding third party receivables and the number of third party accounts receivable (AR)</p>																								



How VA Verifies Results Data for Accuracy

Each month, the Chief Business Office (CBO) VistA Data Extract (VDE) data base staff perform quality assurance checks to validate that what was received at the data base host site, Allocation Resource Center (ARC), from each Medical Center's VistA system was loaded without error and included in the appropriate monthly performance metric reports. Staff check transmissions of VistA files daily to ensure that all Stations reported. VistA support teams are notified if a Station has not sent files for three consecutive days and the files are automatically resent.

In addition, the daily, weekly, and monthly file manipulation and loading processes incorporate imbedded quality assurance checks to validate that the files received and the content of the files are completely and correctly loaded. Additional manual checks are performed in order to uncover potential data issues.

liquidation days. Generally, the metric measures the efficiency in billing and/or managing AR. This metric is reported to VA leadership in the Monthly Performance Review. VHA leadership uses third party GDRO to compare cash flow and level of receivables among facilities.



Additional Performance Information for Integrated Strategy 3c

Program Evaluations

VHA regularly evaluates the effectiveness of revenue cycle operations. Consolidated Patient Account Centers routinely conduct internal controls and risk management reviews to ensure compliance with required guidelines. Additionally, Revenue Cycle Enhancement Teams (RCET) conduct visits to facilities to identify opportunities for enhancing operational efficiencies. RCET reviews consist of an assessment of the revenue core functions from intake through accounts receivable. The methodology employed generally includes a combination of trend analysis (evaluation of data and information from various reports to identify significant trends), comparative analysis (comparison of like functions and operations), individual and/or panel interviews, and workflow analysis.

In 2011 the Office of Policy and Planning awarded a contract to Abt Associates and its partners PricewaterhouseCoopers and Harvard Medical School to conduct an evaluation of the VA medical research program. Phase I was devoted to collecting extensive data on program processes, structure, management, and outcomes and to the identification of program strengths and weaknesses. In August of 2011, these weaknesses were presented to VA in the form of "problem sets." In Phase II, VA will choose two of these problem sets for resolution using a systematic decision-making process called the "analysis of alternatives" to be completed by the fall of 2012. The intent of Phase II is to provide forward-looking, strategic, and actionable recommendations for VA Senior Leadership to make informed data driven-decisions regarding resource allocation for future VA medical research investments most likely to result in improved outcomes for Veterans.

New Policies, Procedures, or Process Improvements and Other Important Results

Consolidated Patient Account Centers use guidebooks to ensure standardized processes and to test compliance with requirements. VA makes adjustments to policies based on testing and results from risk management activities. RCET visits identify opportunities for improvements based on cataloguing audit results by type and frequency of occurrence.

NCA has centralized its accounting and procurement functions through the use of both the Centralized Administrative Accounting Transaction System (CAATS) and eCMS, an electronic contract management system. By the end of 2011, all of NCA's funded sites were centralized under CAATS. The centralization and standardization accomplished through CAATS will better position VA national cemeteries to serve Veterans by increasing internal operational efficiencies.

Prior to the creation of the Office of Regulations in 2003, VA rulemakings sometimes languished in the planning and concurrence process. Without centralized management and adequate accountability, the average processing time for VA regulations was more than 33 months. The Office of Regulations reduced the average processing times by over 50 percent, to 17 months, and continues to set improvement standards for VA's rulemaking process.

The Office of Regulations added two new procedures to VA's rulemaking process to improve overall coordination and efficiency. These procedures allow VA's regulatory approving authority to designate certain regulations for electronic transmission to the Office of the Federal Register and designate which regulations should be accompanied by media releases. These official determinations,



made earlier in the rulemaking process, now provide additional time for planning and coordination in advance of a regulation's publication. VA is one of the few Federal agencies that routinely submits their regulations and notices to the Federal Register electronically.

The Office of Acquisition, Logistics, and Construction's (OALC) VA Acquisition Academy (VAAA) has been recognized in multiple publications, including *Chief Learning Officer* magazine, *Defense AT&L* magazine, *Federal Computer Week* magazine, *Contract Management* magazine, *The Public Manager* magazine, and Federal News Radio, for the innovative development of VA's acquisition workforce. The Academy was also recognized with two learning and development awards, including Elearning! Media Group's Learning! 100 award for learning culture, innovation, and learning support; and *Chief Learning Officer* magazine's 2011 LearningElite! Award for learning strategy, learning impact, leadership commitment, learning execution, and business performance results. The VAAA intern program is designed to grow the next generation of entry-level acquisition professionals through the use of a holistic approach to developing technical, interpersonal, and leadership skills. The VAAA's intern program has demonstrated a more rapid time to competency than traditional programs. The intern program graduated its first set of interns from the 3-year program. The inaugural class will not only support VA's acquisition transformation initiatives, but has also served as valuable feedback toward improvements in the intern program.

In addition to contracting expertise, the OALC VAAA has trained more than 2,000 program and project managers in a comprehensive skill development program. VA's program manager training program is designed to ensure the classroom training is taken back into the workforce to make immediate improvements in

VA's programs and culminates with a comprehensive performance-based certification examination. Additionally, OALC VAAA has facilitated workshops to help program teams develop necessary skills for program success. Surveys regarding these trained employees demonstrate an 80 percent increase in the use of best practices, and 73percent have made a positive impact to their program's cost, performance, or schedule.

VA continues to lead the Federal Government in the use of Federal Strategic Sourcing Initiative (FSSI) contracts for domestic delivery services. In 2011, the Department's participation in the small package express and ground domestic delivery program yielded VA a cost avoidance of \$149.6 million with estimated spending of \$57.7 million according to data provided by the General Services Administration. VA also leads the Federal Government in the use of the FSSI Second Generation Office Supply contracts, saving over \$10 million annually on the purchase of office supplies. VA's innovative strategic sourcing methodology uses detailed spend and procurement data to develop focused spend reduction hypotheses and supporting business cases in the areas of medical-surgical supplies, health care services, information technology, and construction/facilities management. Strategic sourcing continues to provide top level services, excellent vendor performance, and a best value program to VA and our Nation's Veterans.

VA hosted a Construction and Facilities Management (CFM) Forum in June 2011 to solicit input from industry leaders in large-scale health care Integrated Design Construct/Construction Management. More than 50 companies attended, representing architects, engineers, construction management firms, construction companies, and related trade associations throughout the United States. The agenda for the event



included facilitated breakout sessions and structured live question and answer sessions.

The Office of Policy and Planning took the following actions in 2011:

- Developed the FY 2011-2013 VA/DoD Joint Strategic Plan and continued process improvement of performance-based metrics to measure VA-DoD collaboration efforts.
- Created a planning, programming, budgeting, and evaluation (PPBE) process, which established a 2012 program baseline; delivered a prototype programming database to demonstrate programming concepts and capabilities; issued integrated programming/ budgeting guidance for the 2013-2017 resource cycle; and established a PPBE integration team to ensure synchronization, coordination, and synergy of VA's PPBE efforts.
- Completed cost estimation demonstration projects for 2 of 16 major initiatives, forming the foundation to continue with full cost estimates of remaining initiatives.
- Conducted an assessment of cost estimates for the integrated electronic health record, in collaboration with the Office of the Secretary for Defense's Office of Cost Assessment and Program Evaluation.
- Instituted changes to the strategic planning process including the establishment of a collaborative working structure and a Senior level Strategic Planning Council as well as formalizing the strategic planning process and integrating it with the PPBE process.
- Instituted changes to the Governance process that results in more decisions being brought before cross-organizational senior VA leadership, thus increasing the integration, alignment, and collaboration across VA efforts and entities.
- Supported the implementation of the VA Strategic Capital Investment and Planning

models with corporate predictive modeling and forecasting capabilities.

- Established business intelligence data environment tools and processes to transform data into information to support planning, analytic, and research activities.
- Led the establishment of the VA Data Governance Council and the VA Data Management Working Group to improve the quality and value of VA data; establish VA policies and standards involved in the creation, collection, and dissemination of authoritative data; resolve cross-organizational data-sharing issues; support initiatives, programs, or project teams in the access and utilization of common VA data; inventory and document VA source databases, including all major Administration data systems; establish the VA Data Governance Directive; and launch the new VA data and statistics Web site with more contents on Veteran demographic, socioeconomic, and VA utilization statistics.
- Conducted detailed execution reviews and lockdowns of major initiatives to provide independent assessment of progress, identified barriers to success, and helped define solutions to ensure collective execution of 397 acquisition packages worth \$784 million.
- Conducted a business process reengineering study of sanitation operations and biomedical engineering services across VHA and monitored the implementation of the recently reengineered plant operations and grounds maintenance functions.

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 II-95.



Complete Listing of Measures Supporting Integrated Strategy 3c

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.

Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target
	2007	2008	2009	2010	Results	Targets	
Obligations per unique patient user (VHA) (Through August) (2007 results are expressed in constant dollars based on the Bureau of Labor Statistics Consumer Price Index (CPI). The OMB CPI for all Urban Consumers (CPI-U) was used for the 2008-2011 numbers.)	\$5,740	\$5,891	\$6,317	\$6,551	* \$6,454 G	\$6,757	TBD
Gross Days Revenue Outstanding (GDRO) for 3rd party collections (VHA) (Through August)	59	56	55	45	* 48 G	48	37
Total amount expended for health care services rendered to VA beneficiaries at a DOD facility (\$ Millions) (New)	N/Av	N/Av	N/Av	N/Av	\$84.0M G	\$79M	\$92M
Amount billed for health care services provided to DoD beneficiaries at VA facilities (\$ Millions) (New)	N/Av	N/Av	N/Av	N/Av	\$183.2M G	\$108M	\$125M
Dollar value of 1st party and 3rd party collections (VHA):							
1st Party (\$ in millions)	\$915	\$922	\$892	\$870	\$911 G	\$863	\$956
3rd Party (\$ in millions)	\$1,261	\$1,497	\$1,843	\$1,904	\$1800 Y	\$1,954	\$2,475
Percent of NonVA claims paid in 30 days (VHA) (New)	N/Av	N/Av	N/Av	N/Av	77%	Baseline	98%
Percentage of responses to pre- and post-hearing questions that are submitted to Congress within the required timeframe (OCLA) (Through August)	27%	57%	75%	12%	* 96% G	85%	90%
Percentage of testimony submitted to Congress within the required timeframe (OCLA) (Through August)	75%	58%	80%	62%	* 93% G	85%	90%
Percentage of title 38 reports that are submitted to Congress within the required timeframe (OCLA)	40%	59%	76%	63%	36% R	85%	95%

Recap	
Green	12
Yellow	3
Red	1
Total	16

*These are partial or estimated data; final data will be published in the 2013 Congressional Budget and/or the 2012 Performance and Accountability Report.



Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target
	2007	2008	2009	2010	Results	Targets	
Average processing time for VA regulations (number of months) (OGC) (Through July)							
-Requiring advance notice and public comment (2-stage)	N/Av	21.7	19.4	19.6	* 19.6 G	19.6	19.6
-Without advance notice and public comment (1-stage)	N/Av	7.4	7.8	7.5	* 7.5 G	7.5	7.5
Number of material weaknesses (OM)	4	3	4	1	1 G	1	0
Percent Condition Index (owned buildings) (OAEM) (1) Corrected **(Standard government-wide measure required by the Federal Real Property Council) The Office of Asset Enterprise Management (OAEM) develops VA policy that governs the Department's Capital Asset Management. Policy execution is done by VA's business lines (Veterans Health Administration, Veterans Benefits Administration, and National Cemetery Administration), and annual performance results are reported by OAEM.	74%	66%	74%	(1) 71%	78% G	76%	87%
Percent of space utilization as compared to overall space (owned and direct-leased) (OAEM) (1) Corrected (See ** above)	112%	113%	113%	(1) 121%	117% Y	108%	100%
Ratio of non-mission dependent assets to total assets (OAEM) (1) Corrected (See ** above)	12%	12%	(1) 12%	(1) 9%	11% G	11%	10%
Ratio of operating costs per gross square foot (GSF) (OAEM) (1) Corrected (See ** above)	\$5.80	\$6.47	\$6.95	(1) \$7.64	\$7.98 Y	\$7.38	\$6.41
Percent of annual major construction operating plan executed (OALC)	N/Av	N/Av	N/Av	N/Av	82%	Baseline	90%

*These are partial or estimated data; final data will be published in the 2013 Congressional Budget and/or the 2012 Performance and Accountability Report.



INTEGRATED STRATEGY 3d

Create a collaborative, knowledge-sharing culture across VA and with DoD and other partners to support our ability to be people-centric, results-driven, and forward looking at all times.

Making a Difference for Veterans

Launch of the Nation's First VA/DoD Federal Health Care Center



Congressional, civic, and government leaders look on as the flag is raised in recognition of the official launch of the Nation's first joint VA/DoD Federal health care center.

During a ceremony in front of more than 1,500 people on October 1, 2010, congressional, civic, and government leaders showed the Nation why integrating medical facilities and resources from the Department of Defense (DoD) and VA makes sense.

"Our gathering here today marks a major milestone, capping several years of hard work—planning, designing, programming, and activating the first-ever joint VA/DoD federal health care center," said Patrick Sullivan, the new center's director. "Today, we are no longer proud staff and volunteers of the North Chicago VA or Naval Health Clinic Great Lakes, but proud staff and volunteers of the Captain James A. Lovell Federal Health Care Center. We are part of a much larger mission."

As nearly a dozen speakers addressed the crowd that filled the entrance to the new ambulatory care center, a common theme among the presenters was the notion that getting to the point of complete integration was far from easy or quick. As many at the podium acknowledged, the path to integration began many years ago with a concept that it would be financially beneficial and more convenient for patients to have a single health care center, instead of two that are fewer than 2 miles from one another. Although admittedly complex

and challenging at times, the goal remained clear and unified: deliver the absolute best patient-centered care in the Nation.

The unique nature of the center means a blending of missions for "military medical readiness" and "Veteran care" under a single governance structure. This means the health care center will see active duty military, Veterans, military family members (including children), and military retirees. The facility will serve patients at five distinct locations in northern Illinois and southern Wisconsin.

"Our integration is truly a win-win-win for all parties involved," said Sullivan. "It's good for taxpayers, it's good for staff members, and most importantly, it's good for our patients." Sullivan explained that taxpayers are saving approximately \$20 million annually by integrating operations, staff members are



able to care for a larger population of patients, and patients are able to benefit from robust, state-of-the-art health care.

While the ceremony commemorated years of work and progress, it was by no means a conclusion. In fact, many at the ceremony appropriately noted that it was the metaphoric "launch" of the health care center. "While the ceremony was an absolute success, I really feel like it fittingly set the tone for the goals we're striving towards," said Sullivan. "At the end of the day it's our common goal of patient care that truly remains our guiding beacon."

For more information, visit the **Web** site at <http://www.lovell.fhcc.va.gov/index.asp>.

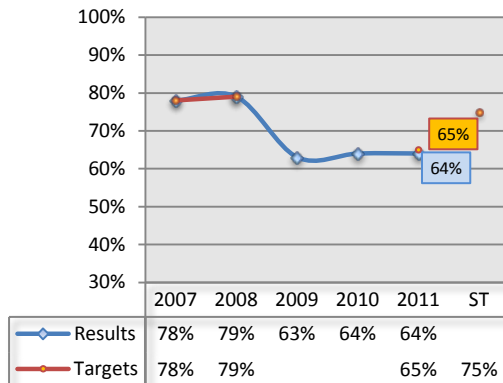


Significant Trends, Impacts, and Use and Verification of 2011 Results

Key Measure

PERCENT OF PATIENTS RATING VA HEALTH CARE AS 9 OR 10 ON A SCALE FROM 0 TO 10 (INPATIENT)

Performance Trends



(1) VHA has moved to a nationally standardized tool, a family of surveys known as Consumer Assessment of Healthcare Plans and Systems. 2009 was a re-baseline year to determine both annual and strategic targets. The 2009 results are not comparable with prior years and cannot be compared to 2010 due to additional changes to the survey instrument and administration protocol that were implemented in 2010. On the 0 to 10 scale, 0 represents the worst hospital and 10 represents the best hospital.

(2) ST = Strategic Target

How VA Verifies Results Data for Accuracy

Data are collected through the VA-issued Consumer Assessment of Healthcare Plans and Systems (CAHPS). Information gathered measures Veterans' perceptions of VA health care.

The CAHPS survey is administered using a standardized, documented, consistent methodology. Patients are randomly selected for inclusion in the CAHPS 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 Veterans

Desired Direction



Veterans who receive VA care are entitled to health care that includes emotional support, education, shared decision making, safe environments, family involvement, respect, and management of pain and discomfort.

Status



The Veteran's level of overall satisfaction is impacted by the extent to which his or her needs are met. Satisfaction is therefore a key indicator of how well VA meets these expectations. This measure addresses how well these expectations are met in the *inpatient* setting.

How VA Leadership Uses Results Data

VA leadership uses results from this measure to focus on areas and/or facilities where scores do not meet or exceed performance targets.

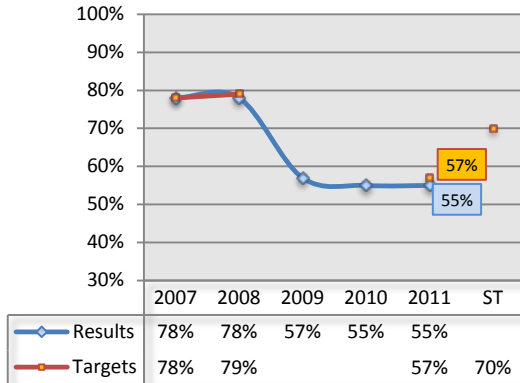
Reports identify satisfaction scores for high- and low-performing facilities. During national conference calls, facilities that do not achieve high scores are encouraged to contact facilities that do achieve high scores for advice and assistance.



Key Measure

PERCENT OF PATIENTS RATING VA HEALTH CARE AS 9 OR 10 ON A SCALE FROM 0 TO 10 (OUTPATIENT)

Performance Trends



(1) VHA has moved to a nationally standardized tool, a family of surveys known as Consumer Assessment of Healthcare Plans and Systems. 2009 was a re-baseline year to determine both annual and strategic targets. The 2009 results are not comparable with prior years and cannot be compared to 2010 due to additional changes to the survey instrument and administration protocol that were implemented in 2010. On the 0 to 10 scale, 0 represents the worst health care and 10 represents the best health care.

(2) ST = Strategic Target

How VA Verifies Results Data for Accuracy

Data are collected through the VA-issued CAHPS. Information gathered measures Veterans' perceptions of VA health care.

The CAHPS survey is administered using a standardized, documented, consistent methodology. Patients are randomly selected for inclusion in the CAHPS 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 Veterans

Desired Direction



Veterans who receive VA care are entitled to health care that includes emotional support, education, shared decision making, safe environments, family involvement, respect, and management of pain and discomfort.

Status



The Veteran's level of overall satisfaction is impacted by the extent to which his or her needs are met. Satisfaction is therefore 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 uses results from this measure to assess performance of VISNs and VA Medical Centers relative to the VA national average scores.

Reports identify specific CAHPS composites that are correlated with overall satisfaction scores. Facilities can focus improvement activities on these composites and anticipate an associated improvement in overall satisfaction scores.



Additional Performance Information for Integrated Strategy 3d

Program Evaluations

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

New Policies, Procedures, or Process Improvements and Other Important Results

The Office of Quality and Performance (OQP) has updated a report intended to identify those aspects of care most likely to improve the patient's overall ratings, called Attributable Effects. This is a simple yet useful tool to

identify the most influential relationships between Survey of Healthcare Experiences of Patients (SHEP) questions and the Overall Rating questions. In addition, OQP has identified several Quality Improvement strategies that could provide useful insight into improving the overall patient experience.

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 pages II-108–II-117.

Complete Listing of Measures Supporting Integrated Strategy 3d

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.

Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target	
	2007	2008	2009	2010	Results	Targets		
Percent of patients rating VA health care as 9 or 10 on a scale from 0 to 10: (VHA has moved to a nationally standardized tool, a family of surveys known as Consumer Assessment of Healthcare Plans and Systems (CAHPS). 2009 was a re-baseline year to determine both annual and strategic targets. The 2009 results are not comparable with prior years and cannot be compared to 2010 due to additional changes to the survey instrument and administration protocol that were implemented in 2010.)								
	Inpatient	78%	79%	63% (Baseline)	64%	64% Y	65%	75%
	Outpatient	78%	78%	57% (Baseline)	55%	55% Y	57%	70%
Percent of Veterans who report "yes" to the Shared Decision-making questions in the Inpatient Surveys of the Health Experiences of Patients (SHEP) (2011 was a baseline year after measure validation was completed in 2010.)	N/Av	N/Av	N/Av	71%	72% G	68% (Baseline)	75%	

Recap	
Green	1
Yellow	2
Red	0
Total	3



INTEGRATED STRATEGY 3e

Manage physical and virtual infrastructure plans and execution to meet emerging needs.

Making a Difference for Veterans

VA Funds Solar Energy Projects at 40 VA Facilities



Solar Photovoltaic System at the West Los Angeles VA Medical Center.

The Department of Veterans Affairs (VA) has awarded several contracts to build solar photovoltaic (PV) systems in support of ongoing energy efficiency and renewable energy initiatives.

"With these investments in clean energy and other renewable energy projects, we are marching forward with the President's initiative to expand innovation in the Federal Government and create new jobs," said VA Secretary Eric K. Shinseki. "The benefits of using solar power are profound, from reducing greenhouse gas emissions to improving the quality of the air we breathe. This initiative is good for Veterans and good for our environment."

By summer 2012, VA will install the solar PV systems at five VA medical centers in sunny locations, from Texas to California. VA selected the sites based on feasibility studies that determined the most ideal locations to invest in on-site renewable energy projects.

Solar PV installations are slated for Oklahoma City; Temple, Texas; Amarillo, Texas; Loma Linda, California; and West Los Angeles.

VA's goal is to increase renewable energy consumption to 15 percent of annual electricity usage by 2013. The installation of these five solar PV systems will help VA meet that goal. Renewable energy projects such as solar PV and wind turbines provide free energy to power VA facilities and provide a variety of benefits.

VA has also awarded 35 additional solar PV systems at medical centers and national cemeteries across the Nation. VA has been investing in renewable energy projects since 2009. For more information, visit the [Web](#) site at www.green.va.gov.



Significant Trends, Impacts, Use, and Verification of 2011 Results

Supporting Measure
PERCENT OF CURRENT YEAR ELECTRICITY CONSUMPTION GENERATED WITH RENEWABLE ENERGY SOURCES

Performance Trends		Impact on Veterans																						
<table border="1"> <thead> <tr> <th></th> <th>2007</th> <th>2008</th> <th>2009</th> <th>2010</th> <th>2011</th> <th>ST</th> </tr> </thead> <tbody> <tr> <td>Results</td> <td>3%</td> <td>4%</td> <td>3%</td> <td>7%</td> <td>5%</td> <td></td> </tr> <tr> <td>Targets</td> <td></td> <td>3%</td> <td>3%</td> <td>5%</td> <td>5%</td> <td>15%</td> </tr> </tbody> </table>			2007	2008	2009	2010	2011	ST	Results	3%	4%	3%	7%	5%		Targets		3%	3%	5%	5%	15%	<p>Desired Direction</p> <p>Status</p> <p>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. Additionally, the cost savings generated by the use of renewable electricity is redirected to VA's mission of caring for Veterans and their families.</p>	
	2007	2008	2009	2010	2011	ST																		
Results	3%	4%	3%	7%	5%																			
Targets		3%	3%	5%	5%	15%																		

(1) 2011 data are expected in 01/2012.
 (2) ST = Strategic Target—15% by 2013.

How VA Verifies Results Data for Accuracy
 Current year data are verified through comparisons with corresponding prior-year data and through direct contact 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.

How VA Leadership Uses Results Data
 With this data, VA leadership is able to determine how well VA is progressing towards meeting its goals to increase renewable cleaner energy use and to build lasting change that reduces VA's impact on the environment. Achieving these results enables and supports VA's primary mission to provide the highest quality care and services to our Veterans and their families.



Additional Performance Information for Integrated Strategy 3e

Program Evaluations

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

New Policies, Procedures, or Process Improvements and Other Important Results

During 2009, NCA began implementing renewable energy projects using funding from the American Recovery and Reinvestment Act. In 2011 NCA brought a 50 kilowatt wind turbine online at the Massachusetts National Cemetery. It is the largest operating wind turbine in operation in VA. The 120-foot tall structure is projected to produce up to 95 percent of the cemetery's annual electricity usage, which will allow the facility to operate almost entirely on renewable energy. The wind turbine project is part of an overall VA energy conservation initiative that includes renewable energy generation technologies, metering systems, and energy conservation and water-saving measures.

VA also brought online a 200 kilowatt Photo Voltaic System at San Joaquin National Cemetery in 2011, and contracts were awarded for two additional 200 kilowatt Photo Voltaic Systems at Riverside and Sacramento Valley National Cemeteries in California. NCA began installation of a Photo Voltaic System at the Fort Rosecrans National Cemetery Annex at Miramar, California, and is exploring the use of Photo Voltaic Systems at 7 additional national cemeteries.

In 2011 VA introduced the use of electronic vehicles at national cemeteries. Two compact electric vehicles, a four-passenger people mover and a two seat, short-bed utility model,

were purchased for use at Willamette National Cemetery in Portland, Oregon, as part of VA's Green Management Program. The vehicles are initially being used to transport staff between the administrative and field support complexes and serve in light maintenance applications. Riverside National Cemetery added four low-speed electric vehicles to its fleet. The vehicles are being used for tasks involving light loads such as moving cremation urns, irrigation, and facilities maintenance.

In July 2011, VA's Continuity Coordinator signed the Department's Devolution Plan. This plan ensures the continuation of VA essential functions in the event that the National Capitol Region facilities are incapacitated and personnel are unavailable or incapable of deploying to their primary continuity facility. Members of VA's Devolution Emergency Response Group are trained, and they used the Devolution Plan during the Eagle Horizon 2011 Exercise.

In August 2011, VA's Continuity Coordinator signed the Department's first Reconstitution Plan. The Reconstitution Plan ensures the effective transition and phase-down of continuity operations at the continuity facility or devolution site and the transfer of essential functions back to VACO (a temporary operating facility or a new/temporary replacement operating facility) following a Continuity of Operations incident. The Federal Emergency Management Agency incorporated VA's Reconstitution Plan in their Reconstitution Workshop. Staff members from Federal Departments and Agencies in addition to State and local representatives who are developing their own Reconstitution Plans participated in the Workshop.

In September 2011, VA's Continuity Coordinator signed the Department's Master Continuity Plan. The Continuity Plan encompasses VA's



Administrations' and Staff Offices/Organizations' plans and procedures for continuity responses to emergencies. This plan helps to fulfill VA's strategic goal to raise readiness to provide services and protect people and assets continuously and in time of crisis as well as to enhance the preparedness to meet emergent national needs.

VA published VA Handbook 0321.1 *VA Integrated Operations Center (IOC)* in September 2011. This Handbook provides procedures for the operations of the VA IOC, which hosts Watch Officers from 15 VA Administrations and Staff Offices/Organizations. The IOC is the Department's 24/7 fusion point for all incoming and outgoing data that may impact the Department's operations and is operative during all-hazard emergencies. The IOC responded to the earthquake that occurred in Washington, DC in August and to Hurricane Irene in addition to participating in national exercises.

The IOC has increased VA's capability for fusions, predictive analysis, and timely recommendations to VA Senior leadership. The IOC's increased staffing of Watch Officers that represent their Administrations or Staff

Offices/Organizations has allowed this increased capability.

In June 2011, the Capital Region Readiness Center was completed and became operational for daily functions.

During 2011, VA invested in energy-related projects such as renewably fueled combined heat and power plants, E-85 fueling stations, and wind and solar generating systems. VA evaluated 178 medical centers for sustainability. From the results, VA selected 11 campuses for third-party certification, which equates to 20 million square feet. Thirty-four alternative fueling stations are now under construction. By the end of 2011, VA's investments in renewably fueled generation projects represent 70 megawatts of electrical generating capacity, enough to power nearly 9,000 typical U.S. households.

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 II-95.



Complete Listing of Measures Supporting Integrated Strategy 3e

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.

Recap	
Green	0
Yellow	0
Red	0
Total	0

Integrated Objective/Measure (Key Measures in Bold)	Past Fiscal Year Results				2011		Strategic Target
	2007	2008	2009	2010	Results	Targets	
Percent of current year electricity consumption generated with renewable energy sources (OAEM) **The Office of Asset Enterprise Management (OAEM) develops VA policy that governs the Department's Capital Asset Management. Policy execution is done by VA's business lines (Veterans Health Administration, Veterans Benefits Administration, and National Cemetery Administration), and annual performance results are reported by OAEM.	3%	4%	3%	7%	TBD	5%	15% by 2013
Cumulative percent decrease in greenhouse gas emissions (OAEM) (See ** above)	N/Av	N/Av	N/Av	3%	TBD	3%	30% by 2020



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.

I. Data Accuracy

VHA's Data Quality Program and data quality workgroups provide guidance on data quality policies and practices. In 2011, the Program accomplishments related to data accuracy included:

- Delivery of monthly training in identity management to enhance skills and understanding of data entry staff at the local level.
 - Development of policy and guidance for data content, context, and meaning of specific data elements in VHA databases for field and other staff.
 - Provision of VHA metadata requirements to inform VA's Data Architecture Repository (DAR), which will provide data users and consumers with a better understanding of what the data mean and how they are represented.
 - Delivery of training and education on Data Quality to users through presentations at the Administrative Data Quality Council, VHA Data Consortium, and program-specific conferences.
 - Continuation of updates to documentation of best practices and data quality guidance through the VHA Data Quality Web site <http://vaww.vhaco.va.gov/DataQuality/>; VHA Healthcare Identity Management Web site http://vista.med.va.gov/mpi_dqmt/; and through Administrative Data Quality Council Tips of the Month to improve data entry.
- Review of Master Veteran Index (MVI) electronic exceptions for accuracy. Data are verified through expert review and corrected where necessary.
 - Dissemination of a quarterly data quality newsletter and publication of user guides on subjects such as Data Quality, Data Stewardship, Analysis and Profiling efforts relating to the Corporate Data Warehouse and Nationwide Health Information Network (NwHIN) efforts, and Healthcare Identity Management and Catastrophic Overwrites that affect patient health care records.
 - Assessment and development of approach for resolving 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.
 - Provision of data quality guidance to field sites through collaboration with VA Product Support (via Remedy© application).
 - Participation in various workgroups providing stewardship of and expertise on VHA data that provided increased data quality for future efforts such as Health_eVet VistA and in VA workgroups such as the effort to reduce uses of social security numbers in electronic systems and other records and to develop alternatives for individual identification.
 - Provision of leadership for the Administrative Data Quality Council, which is a collaborative group of subject matter experts from the field and the national level who identify and address data quality issues and provide guidance, training, and



expertise to the field in the area of administrative data quality. The Data Quality Program provided leadership for this Council, in partnership with the Chief Business Office, establishing priorities, determining membership, and guiding all activities of the Council.

- Resolution of over 23,000 cases by the Healthcare Identity Management (HC IdM) team, which included the resolution of duplicate entries on the MVI, Catastrophic Edits or Merges, identity theft, or some other type of data quality issue.
- Analysis and profiling of data related to race, ethnicity, gender, and test patients not identified to assess data quality by the Business Product Management Analysis and Profiling staff.
- Analysis of data for data quality issues and potential duplicates in preparation for integrating NCA, VHA, and legacy VHA systems with MVI by the Business Product Management Analysis and Profiling staff.
- Analysis, profiling, and data validation on CDW data from multiple domains, e.g., inpatient and outpatient encounters, laboratory, compensation and pension, mental health, and appointments by the Business Product Management Analysis and Profiling staff.
- Development of metadata as part of the CDW domain analysis process to include descriptions of data characteristics and limitations.
- Guidance and training by HC IdM to Health Eligibility Center (HEC) staff on data quality best practices and prevention of catastrophic edits to patient identity.

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 Social Security Number, 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.

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.

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 percent confidence interval at the national and MSN levels and for cemeteries having at least 400 interments per year.

NCA also utilizes an annual mail-out survey to assess customer satisfaction with VA's memorial programs. This survey is administered by an independent contractor. Data are accurate at a 95 percent confidence interval.

Performance data are 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 Information Technology 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 established an Organizational Assessment and Improvement Program in 2004 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

VHA's abstracted data provide a reliable estimate of the quality of care being provided and are 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. In support of these efforts, the Data Quality Program in 2011:

- Continued Data Quality staff participation in the Performance Management Work Group.
- Participated in Corporate Data Warehouse (CDW) data domain implementation activities. At the request of the Under Secretary for Health, Dr. Robert A. Petzel, the CDW is increasing its holdings by adding domains to better meet the needs of its stakeholders. In addition, the CDW Data Governance Board requested that a template be developed to define VHA's role in implementing this initiative. CDW data are used for reporting and critical decision making. Data quality staff has specifically supported this by:
 - Guiding template development and leveraging initial domain activity to include the processes, work plan, tools, stakeholders, and corporate knowledge.
 - Assisting in validation and quality analysis of data within domains, e.g. , Patient Treatment File (PTF), Outpatient Pharmacy, and Lab Chemistry.
 - Providing Domain Team support including coordination, membership, leadership, standardization, and monitoring.
 - Providing data comparison and query support to domain teams.



- Identifying, training, coordinating, and supporting Data Stewards for priority CDW domains.

The Office of Performance Analysis and Integrity (OPA&I) in VBA 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 are comparable between years, and are routinely reported during the Monthly Performance Review, in annual budget submissions, and in other forums.

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 and Tribal Organization 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 national cemetery client satisfaction 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.

Data from respondents to NCA's annual memorial programs client satisfaction mail-out survey are also collected and reported by an independent contractor. These data are accurate at a 95 percent confidence interval. Data provided by this survey are reliable and are used by NCA management to assess client satisfaction with the quality and appearance of memorial products.

III. Data Consistency

The consistency and accessibility of patient data is vital to VHA's ability to provide quality health care and is used to make clinical decisions. The VHA Data Quality Program participated in the following activities in support of data consistency and accessibility through data sharing and interoperability in 2011:

- Development of requirements, policies, and business flows necessary for the implementation of Nationwide Health Information Network (NwHIN) pilots and other activities.
- Efforts to achieve a VA/DoD Virtual Lifetime Electronic Record (VLER).
- Leadership of the Veterans Relationship Management (VRM) Identity and Access Management Workgroup. The Data



Quality Director serves as the co-chair of this group and staff members also chair the sub-group for this effort. Requirements were provided to standardize identity services across VA.

- Development of data quality and governance metadata repository requirements (e.g., description of data sources, requirements for documenting definitions, and identification of authoritative data stewards) necessary to implement data management.
- Creation of a prioritization list of initial VHA metadata sets for the VA Data Architecture Repository (DAR).
- Provision of guidance, testing, and data quality expertise to the OIT DAR project team.

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.

Since 1999, NCA has consistently used a 75-mile standard for determining the percent of Veterans served by a burial option within a reasonable distance of their residence. NCA uses 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 national cemetery client satisfaction 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 methodology for assessing customer satisfaction on NCA's memorial programs annual mail-out survey has remained consistent from its inception in 2010 to the 2011 survey. 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 the furnishing of a memorial 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.

Cases Reviewed and Employees Assigned by Program		
	Cases Reviewed	Employees Assigned
Compensation and Pension (C&P) (STAR Accuracy Reviews)	31,488	40
Education	1,954	4
Vocational Rehabilitation and Employment	6,394	14
Loan Guaranty (Housing)	19,177	10
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 (C&P) 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 Disability Evaluation Management Office (DEMO) - formerly 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 conducted for a specified purpose and can be either one-time or recurring in nature. The fourth tier of the national quality assurance program focuses on rating consistency. Data analysis of 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. Further review is conducted on identified statistical outliers to determine root causes of inconsistency.



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 (also identified as entitlement reviews), authorization work (claims that generally do not require a rating decision, also identified as maintenance reviews), 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 August 31, 2011, are as follows:

	Compensation Entitlement (Rating) Reviews		Compensation Maintenance (Authorization) Reviews		Pension Management Center Entitlement (Rating) Reviews		Pension Management Center Maintenance (Authorization) Reviews	
	Reviewed	Accuracy	Reviewed	Accuracy	Reviewed	Accuracy	Reviewed	Accuracy
Benefit Entitlement	14,044	84%	13,512	97%	759	96%	755	98%
Decision Documentation & Notification	14,044	84%	13,328	94%	759	96%	755	95%

The fiduciary work review focuses on the appointment of fiduciaries, the content of field examinations, and the accountings submitted by fiduciaries. The fiduciary review in 2011 was based on 3,669 cases with an accuracy rate of 88 percent. Most of the errors were found in the area of "fiduciary accountability." "Fiduciary accountability" 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

Training remains a priority and is conducted using a variety of mediums including monthly national Quality Calls, training letters, and computer-assisted training. C&P Training and STAR staffs collaborate on training based on error trend analysis. STAR continues to conduct a date-of-claim accuracy review on all compensation and pension cases selected for



quality assessment. The rating sample includes a review of brokered work completed by the Resource Centers and the Tiger Team. Since 2010, the sample size for both compensation and pension entitlement decisions is sufficient to allow measurement at 95 percent confidence with a 5 percent margin of error. Ongoing reviews of Disability Evaluation System cases and Appeal Management Center cases continue to be part of the monthly compensation quality sample.

In order to assure accuracy of STAR finding, a second level peer review of all comments is conducted. The second level review includes all cases in which a date-of-claim error is cited.

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 quality assurance program transitioned to the Nashville Quality Assurance office in January 2011. Common STAR error findings are used for discussion and training during scheduled site visits and as agenda items for monthly fiduciary program teleconference calls.

VBA continues to work closely with VHA to improve C&P examination reports. VBA and VHA established an executive level group to identify significant improvements to disability examination processes. This group is working to establish a new way forward for the C&P process, one that collaboratively addresses the

need for substantive improvements in the way VBA and VHA support Veterans' claims for disability compensation and pension. The scope of the group's activity was to focus on near-term and longer-term improvements, including the development and implementation of Disability Benefits Questionnaires (DBQs).

P.L. 110-389, Section 224 requires VA to contract with a 3rd party entity to conduct a 3-year assessment of the quality assurance program, evaluate a sample of employees' work, measure performance of VA regional offices and accuracy of rating, assess employees' and managers' performances, and produce data to help identify trends. This assessment has been completed and the final report is due to Congress on October 10, 2011.

Summary of Findings and Trends - Education

Education Service reviewed 1,954 cases in 2011. From 2010 to 2011, payment accuracy has increased from 96.6 percent to 98.2 percent. Errors in determining training time (part or full time) were 32 percent of all payment errors. Failure to process an enrollment document in the file accounted for 11 percent of the errors. Determining the correct date for reduction or termination of payment accounted for 16 percent. These three main causes accounted for 59 percent of all payment errors for the FYTD in 2011. Training time errors, reduction or termination date errors, and interval pay errors, which constituted 61 percent of payment errors in 2010, were reduced to 59 percent in 2011. The remaining errors were from a wide variety of causes, with only a few instances of each.

This indicates that training is having an effect in reducing systematic error trends. The complexity of Education programs and legislative changes to the Post-9/11 GI Bill still result in errors.



Actions Taken to Improve Quality - Education

The 2011 quarterly quality results identified error trends and causes. These then were used as topics for refresher training in regional processing offices. Annual appraisal and assistance visits to the regional processing offices, which were not conducted in 2009 due to activities associated with the implementation of the Post-9/11 GI Bill, were resumed in 2011.

In 2011, Education Service continued to update the materials available for standardized training for employees. In addition, a new processing system for the Post-9/11 GI Bill was launched in early 2010. This new system eliminated the manual eligibility and payment calculations that were necessary during the implementation

phase of the Post-9/11 GI Bill. As a result, there was a significant improvement in quality from 2010 to 2011. As legislative changes occur, Education Service pursues changes to electronic processing systems and develops and conducts training needed to implement changes.

Summary of Findings and Trends - Vocational Rehabilitation and Employment (VR&E)

VR&E completed quality assurance (QA) reviews 7,021 cases for 2011, including Independent Living and Maximum Rehabilitation Gain case reviews. The national QA reviews are conducted over a 12-month period, with each regional office reviewed during each of the eight monthly review sessions during the fiscal year.

Accuracy Elements	Target Score 2011	Actual Score 2011
Accuracy of Entitlement Determinations	96%	98%
Accuracy of Evaluation, Planning, and Rehabilitation Services	83%	82%
Accuracy of Fiscal Decisions	92%	91%
Accuracy of Outcome Decisions	97%	97%
Maximum Rehabilitation Gain Accuracy	90%	72%



In addition to review of cases from each regional office, the QA & Field Survey Team conducted site visits of 14 regional offices in 2011.

Actions Taken to Improve Quality - Vocational Rehabilitation and Employment

The VR&E accuracy scores met or exceeded the target scores for 2011 in two elements: Accuracy of Entitlement Determinations 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.

Current initiatives to improve performance include the VR&E Business Process Redesign Project, development of the Electronic Performance Support System, development of a new QA Web site, 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 recently redesigned its quality review process and implemented this new process in 2011. As a result, first-level quality reviews that were previously performed onsite by Regional Loan

Center staff are now the responsibility of Loan Guaranty Central Office. The redesigned quality review process provides an objective third-party review of the work being done by the Regional Loan Center staff and produces a more representative sample than previously attained. The Loan Guaranty Central Office staff reviewed 19,177 cases under its quality review process in 2011.

The housing quality assurance program includes elements beyond the review of cases. The VBA Lender Monitoring Unit performed 36 on-site audits and 11 in-house audits of lenders participating in VA's home loan program. VA audits of lenders during 2011 amounted to \$2,289,471 in liability avoidance via indemnification agreements. VA has also collected \$2,764,081 in 2011 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 100 billing invoices and completed 4,824 associated invoice reviews of the portfolio services contractor, as well as 2,186 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. These monies are from bankruptcy trustee funds and foreclosure proceedings that are collected by the Department of Justice as a result of handling foreclosures on behalf of VA. The amount traced and recovered for VA in 2011 is \$2,681.

In 2011, the reviews by Loan Management/PLOU recovered excessive contractor charges in the amount of \$1,100,000. PLOU also discovered approximately \$34,714 of potentially recoverable amounts from VA-guaranteed loan lenders in connection with tax issues. Additionally, PLOU researched and provided



legal descriptions to the Bank of America tax unit on 1,342 Real Estate Owned properties.

Actions Taken to Improve Quality - Loan Guaranty (Housing)

The Loan Guaranty Service disseminates the results of its quality reviews to field offices on a monthly basis. The Service prepares and releases trend reports that identify negative trends and action items found during on-site visits. The reports are published to assist field personnel in identifying frequent problems facing loan guaranty management. Any negative findings not resolved during on-site visits are to be addressed by field management within 30 days as to the corrective actions taken or planned. Conversely, any procedures discovered during on-site visits that would benefit other field stations can be deemed as best practices. 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. For instance, lenders who significantly fail to comply with VA's loan underwriting policies are either required to enter into indemnification agreements with VA or immediately repay the agency for its losses.

The property management service provider is Bank of America (BAC), which is authorized to manage and sell all VA-acquired properties as a result of foreclosure or termination. The Property Management Oversight Unit (PMOU) monitors the management and marketing of the properties by BAC. These assets are valued at approximately \$1.2 billion. The PMOU monitors BAC's performance by inspecting properties nationwide to ensure compliance with the contract requirements and performs on-site case reviews at BAC's operations center

on a quarterly basis. The PMOU is also responsible for reviewing and certifying all payments made to BAC, including reimbursement of expenses for the management and sale of acquired properties. This requires quality assurance checks to ensure that BAC is entitled to the claimed reimbursement.

Summary of Findings and Trends - Insurance

The Insurance program's principal quality assurance tool is the Statistical Quality Control (SQC) review. SQC assesses the ongoing quality and timeliness of work products by reviewing a random sample of completed and pending work. Ten categories of work from the Policyholders Services and Claims divisions are reviewed.

Policyholders Services, whose work products deal with the maintenance of active insurance policies, had an overall accuracy of 94.3 percent for 2011. Work products included correspondence, applications, disbursements, record maintenance and refunds. The Policyholders Services Division also responds to telephone inquiries from Veterans and their beneficiaries. In 2011, the average speed of answer was 16 seconds. The percent of abandoned calls was 1.9 percent, and the percent of blocked calls was 0.2 percent. 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 98.2 percent. Work products included death claims, awards maintenance, beneficiary designation changes, disability claims, and medical reinstatement applications. In total, the accuracy rate for all 2011 insurance work products was 96.3 percent.

The timeliness rate for Policyholders Services Division work products was 95.7 percent, and



98.1 percent for Insurance Claims work products. The overall timeliness rate for 2011 insurance work products was 97.8 percent.

The insurance quality assurance program also includes internal control reviews and individual employee performance reviews. The Internal Control staff 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. The Internal Control staff also reviews 100 percent of all employee-prepared disbursements. 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.

VA utilizes a client satisfaction survey instrument for the purpose of measuring satisfaction and to identify areas that need improvement. VA surveys 40 randomly selected Veterans and beneficiaries per month for each of 11 insurance end products. Veterans are asked to evaluate different aspects of service delivery on a five-point scale. Low ratings in a particular area indicate the need for process improvements or additional training.

Actions Taken to Improve Quality - Insurance

SQC 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. VA's Insurance Program management also uses these data to identify training needs and opportunities for process improvements.

The survey contains a section titled, "What could we do better?" VA analyzes the responses to determine where process improvements can be made. VA makes an effort to implement customer suggestions where appropriate to increase the effectiveness and efficiency of operations and increase customer satisfaction.

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, client satisfaction surveys, 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 fifteen job aids and tools 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.



Key Performance Measure Sorted by Integrated Strategy	Definition	Measure Validation	Data Source and Frequency
<p>Strategy 1a Prevention Index IV</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 IV.</p>	<p>The Prevention Index IV 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>Source: 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>Frequency: Data are reported quarterly with a cumulative average determined annually.</p>
<p>Strategy 1a Clinical Practice Guidelines Index III</p>	<p>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 III.</p>	<p>The CPGI III 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.</p>	<p>Source: 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>Frequency: Data are reported quarterly with a cumulative average determined annually.</p>
<p>Strategy 1a National accuracy rate - compensation entitlement claims</p>	<p>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.</p>	<p>This measure assesses the quality of claims processing and assists VBA management in identifying improvement opportunities and training needs.</p>	<p>Source: 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.</p> <p>Frequency: Case reviews are conducted daily. The review results are tabulated monthly on a 12-month rolling basis.</p>
<p>Strategy 1a National accuracy rate - pension maintenance claims</p>	<p>The claims processing accuracy for pension claims that normally do not require rating decisions (i.e., 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>Source: Findings from C&P Service STAR are entered in an Intranet database maintained by the Philadelphia LAN Integration Team and downloaded monthly to the PA&I information storage database.</p> <p>Frequency: Case reviews are conducted daily. The review results are tabulated monthly and annually.</p>
<p>Strategy 1a Percent of Compensation and Pension pending inventory that is more than 125 days old</p>	<p>The percentage of claims pending greater than 125 days is measured by the number of days pending for each compensation and pension claim requiring a rating decision. 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 claims pending 125 days or greater by the total number of cases pending.</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>Source: VETSNET Operations Reports (VOR).</p> <p>Frequency: Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.</p>



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 collection staff is skilled and trained in gathering statistically valid random samples of medical records for review. Data Accuracy Rating: 4	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. Data Reliability Rating: 4	Collection standards are documented/available/used. Data Consistency Rating: 4	None
Data collection staff is skilled and trained in gathering statistically valid random samples of medical records for review. Data Accuracy Rating: 4	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. Data Reliability Rating: 4	Collection standards are documented/available/used. Data Consistency Rating: 4	None
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. Data Accuracy Rating: 5	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. Data Reliability Rating: 4	Collection sampling standards are documented, available, and used; source data are well defined and documented; data reporting schedules are documented, distributed, and followed. Data Consistency Rating: 5	There is a slight chance of an erroneous entry by the end user.
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. Data Accuracy Rating: 5	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. Data Reliability: 4	Collection sampling standards are documented, available, and used; source data are well defined and documented; data reporting schedules are documented, distributed, and followed. Data Consistency Rating: 5	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. Data Accuracy Rating: 5	Data can be used to make decisions such as those regarding realignment of resources; data are released monthly; data can be compared between years to assess progress or program effectiveness; and supporting documentation is maintained and readily available. Data Reliability Rating: 5	Collection standards are documented and programmed electronically; source data are well defined and documented; and data are reported monthly. Data Consistency Rating: 5	None

Part II - Key Measures Data Table



Key Performance Measure Sourced by Integrated Strategy	Definition	Measure Validation	Data Source and Frequency
Strategy 1a 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.	Source: Education claims processing timeliness is measured by using data captured automatically through VBA's Benefits Delivery Network (BDN). This information is reported through VBA's data warehouse using the Distribution of Operational Resources (DOOR) system. Frequency: Monthly
Strategy 1a Default Resolution Rate	This measure represents the joint efforts of VA and VA-guaranteed loan servicers in assisting borrowers with defaulted VA-guaranteed loans. The Default Resolution Rate is the percent of defaulted VA-guaranteed loans that are successfully resolved via a loss mitigation option.	The primary goal of Loan Guaranty Service is to assist Veterans in purchasing, retaining, and adapting homes in recognition of their service to the Nation. The Default Resolution Rate gauges VA's and Loan Servicers' ability to assist Veterans in maintaining home ownership during times of financial hardship.	Source: VA-guaranteed loan servicing data are extracted from the Veterans Affairs Loan Electronic Reporting Interface (VALERI) System. This system is used to monitor and oversee the servicing of VA-guaranteed loans. Frequency: Loan servicing data are collected on a monthly basis.
Strategy 1a Percent of graves in national cemeteries marked within 60 days of interment	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.	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.	Source: Burial Operations Support System (BOSS); data input by field station staff. Frequency: Monthly
Strategy 1a 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.	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.	Source: Burial Operations Support System (BOSS); data input by field station staff. Frequency: Monthly
Strategy 1b 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.	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.	Source: For 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 2008-2010 and projected data, the number of Veterans and the number of Veterans served were extracted from the VetPop2007 model using 2000 census data. Frequency: 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.



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			
<p>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 are verified through sampling on a quarterly basis during Quality Assurance reviews. Timeliness error rates of 3 percent or more on Quality Assurance reviews result in corrective refresher training. No 3rd party evaluations are conducted.</p> <p>Data Accuracy Rating: 5</p>	<p>Timeliness data are 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 include both detail and summary information to ensure reliability for decision-making.</p> <p>Data Reliability Rating: 5</p>	<p>Timeliness data are 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.</p> <p>Data Consistency Rating: 5</p>	<p>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.</p>
<p>VA-guaranteed loan servicing personnel are skilled and trained in proper data reporting procedures, which ensures documented data reporting procedures are followed. VA Loan Administration staff are skilled and trained in loan servicing and proper data reporting procedures. Submitted loan servicing data are verified through sampling against loan data. The accuracy of loan servicing data is also established via VALERI's business rules process. Additionally, procedures for making changes to previously entered loan data are documented and followed.</p> <p>Data Accuracy Rating: 5</p>	<p>VA-guaranteed loan servicing data can be used to make program decisions and can be compared between years to assess progress or program effectiveness. VA-guaranteed loan servicing data are timely and can be used to make critical policy and program decisions. Supporting loan servicing documentation is maintained and readily available.</p> <p>Data Reliability Rating: 5</p>	<p>VA-guaranteed loan servicing data are well defined and documented. Definitions of loan servicing data elements are available and used. Collection standards and data reporting schedules for loan servicing data are documented, available, and used.</p> <p>Data Consistency Rating: 5</p>	<p>None</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 internet data in BOSS.</p> <p>Data Accuracy Rating: 5</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 GPRR reports and VA internal Monthly Performance Reviews. Data are comparable between years, enabling NCA and its stakeholders to assess program progress and effectiveness.</p> <p>Data Reliability Rating: 5</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>Data Consistency Rating: 5</p>	<p>None</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 internet data in BOSS.</p> <p>Data Accuracy Rating: 5</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 GPRR reports and VA internal Monthly Performance Reviews. Data are comparable between years, enabling NCA and its stakeholders to assess program progress and effectiveness.</p> <p>Data Reliability Rating: 5</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>Data Consistency Rating: 5</p>	<p>None</p>
<p>NCA staff is trained and skilled in proper procedures for calculating the number of Veterans who 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 Reviews. 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>Data Accuracy Rating: 5</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 Veterans cemetery grants. Data are timely, are used in VA Monthly Performance Reviews and annual GPRR reports, and enable VA stakeholders to assess VA's progress toward meeting the burial needs of Veterans on an annual basis.</p> <p>Data Reliability Rating: 5</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>Data Consistency Rating: 5</p>	<p>Provides performance data at specific points in time while at the same time, Veteran demographics are constantly changing.</p>

Part II - Key Measures Data Table



Key Performance Measure Sorted by Integrated Strategy	Definition	Measure Validation	Data Source and Frequency
<p>Strategy 1c Non-institutional, long-term care average daily census (ADC)</p>	<p>The Average Daily Census (ADC) captures the Veteran days of care in Home and Community Based-Care Programs including Care Coordination/Home Telehealth Programs; Community Residential Care; Home-based Primary Care; Purchased Skilled Home Health Care; Adult Day Health Care (VA and Community); Homemaker/Home Health Aid Services; Home Hospice and Home Respite; and Medical Foster Homes.</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 who are appropriate for this level of care. The measure drives both expansion of the variety of services and expansion of geographic access.</p>	<p>Source: 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>Frequency: Quarterly</p>
<p>Strategy 1d Percent of primary care appointments completed within 14 days of the desired date</p>	<p>This measure tracks the time in days between the day on which the new patient primary care appointment is created and the date on which the appointment is actually completed, and the time in days between the desired date entered for an established patient appointment and the date on which the appointment is actually completed. The percent is calculated using the numerator, which is all appointments completed within 14 days of create date (new) and desired date (established) (i.e., includes both new and established patient experiences), and the denominator, which is all completed appointments in primary care clinics as posted in the scheduling software during the review period.</p>	<p>Provides a reliable measure of timeliness of access to care as well as responsiveness to the patient's stated needs.</p>	<p>Source: VistA scheduling software</p> <p>Frequency: Monthly</p>
<p>Strategy 1d Percent of specialty care appointments completed within 14 days of the desired date</p>	<p>This measure tracks the time in days between the day on which the new patient specialty care appointment is created and the date on which the appointment is actually completed, and the time in days between the desired date entered for an established patient appointment and the date on which the appointment is actually completed. The percent is calculated using the numerator, which is all appointments completed within 14 days of create date (new) and desired date (established) (i.e., includes both new and established patient experiences), and the denominator, which is all completed appointments in specialty care clinics as posted in the scheduling software during the review period.</p>	<p>Provides a reliable measure of timeliness of access to care as well as responsiveness to the patient's stated needs.</p>	<p>Source: VistA scheduling software</p> <p>Frequency: Monthly</p>
<p>Strategy 1d Percent of new patient appointments completed within 14 days of the desired date</p>	<p>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 14 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).</p>	<p>Provides a reliable measure of timeliness of access to care as well as responsiveness to the patient's stated needs.</p>	<p>Source: VistA scheduling software</p> <p>Frequency: Monthly</p>
<p>Strategy 1e 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>Source: 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>Frequency: Annually</p>



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 are verified through sampling against source data. The data captured are verified against previously captured data to determine the percent increase of Veterans receiving home and Community-Based Care. Data Accuracy Rating: 5	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. Data Reliability Rating: 5	Collection standards are documented/available/used. Data Consistency Rating: 5	None
Data collection staff is 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. Data Accuracy Rating: 5	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. Data Reliability Rating: 5	Source data are well defined and documented; definitions are available and used. Data Consistency Rating: 5	None
Data collection staff is 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. Data Accuracy Rating: 5	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. Data Reliability Rating: 5	Source data are well defined and documented; definitions are available and used. Data Consistency Rating: 5	None
Data collection staff is 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. Data Accuracy Rating: 5	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. Data Reliability Rating: 5	Source data are well defined and documented; definitions are available and used. Data Consistency Rating: 5	None
Data are collected by an independent contractor skilled in data collection and analytical techniques. 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 Accuracy Rating: 5	Data for this measure are used by VA management to inform budget formulation, for VA internal Monthly Performance Reviews and annual GPRA reports, and to enable stakeholders to assess VA's annual performance on providing quality service to Veterans and their families. Data Reliability Rating: 5	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. Data Consistency Rating: 5	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.



Key Performance Measure Sourced by Integrated Strategy	Definition	Measure Validation	Data Source and Frequency
<p>Strategy 1e 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>Source: 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>Frequency: Annually</p>
<p>Strategy 2b Progress towards development of one new treatment for post-traumatic stress disorder (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>Source: 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>Frequency: Annually</p>
<p>Strategy 2b Percent of milestones completed leading to the use of genomic testing to inform the course of care (prevention, diagnosis, or treatment) of patients with mental illness (including PTSD, schizophrenia, and mood disorders)</p>	<p>Improve the understanding of serious mental illness, including its causes, by using advanced laboratory and gene-based scientific methods. As medical science advances, there is a growing ability to use genetic information for better understanding how individual differences can affect and/or improve treatment outcomes. It is important to obtain and advance knowledge in the science, methodology, and application of personalized medicine to our Veterans. This performance measure will ensure that VA research helps place the VA health care system in a position for delivering state-of-the-art health care in key diseases affecting the Veteran population.</p>	<p>The goal of the study is to obtain genetic material from blood samples for genome scanning to identify genetic variants that contribute to functional disability associated with bipolar illness and schizophrenia. In addition, the study will assess the relationship between the characteristics of functional disability and the genetics that influence the likelihood of succumbing to mental illness. As medical science advances, there is a growing ability to use genetic information for better understanding how individual differences can affect and/or improve treatment outcomes, as well as improve diagnosis resulting in prevention or early intervention. It is important to obtain and advance knowledge in the science, methodology, and application of genomics and personalized medicine to our Veterans. This performance measure will ensure that VA research helps place the VA health care system in a position for delivering state-of-the-art health care in a key disease area affecting the Veteran population, namely, serious mental illness.</p>	<p>Data Source: The enrollment data will be obtained from the Cooperative Studies Program Coordinating Center for the multi-site study.</p> <p>Frequency: The data will be obtained quarterly.</p>
<p>Strategy 2b Rehabilitation Rate (General)</p>	<p>The rehabilitation rate calculation is as follows: (1) the number of disabled Veterans who successfully complete VA's Vocational Rehabilitation program and acquire and maintain suitable employment and Veterans with disabilities for whom employment is infeasible but who obtain independence in their daily living with assistance from the program divided by (2) 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 under one of three conditions: the Veteran (a) reached "maximum rehabilitation gain" due to choosing to be employed in a job that is not suitable, (b) reached "maximum rehabilitation gain" due to being unemployed but employable and not seeking employment, or not employable for medical or psychological reasons, or (c) elected to discontinue his or her VR&E plan to pursue educational goals utilizing Post-9/11 GI Bill Benefits (Chapter 33).</p>	<p>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.</p>	<p>Source: VR&E management reports</p> <p>Frequency: Quality Assurance Reviews evaluate the accuracy and reliability of data and are conducted twice a month.</p>



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 are collected by an independent contractor skilled in data collection and analytical techniques. 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 Accuracy Rating: 5	Data for this measure are used by VA management to inform budget formulation, for VA internal Monthly Performance Reviews and annual GPRA reports, and to enable stakeholders to assess VA's annual performance on maintaining national cemeteries as national shrines. Data Reliability Rating: 5	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. Data Consistency Rating: 5	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.	
Research scientists are skilled and trained in anxiety disorder and the data verification needed to provide accurate data. Data Accuracy Rating: 5	Results data derived from this measure are rapidly translated into clinical practice. The findings are published and discussed to help meet the needs of Veterans and others suffering from PTSD. Data Reliability Rating: 5	Collection standards are documented/available/used. Source data are well defined and documented; definitions are available and used. Data Consistency Rating: 5	None	
Since the performance measure involves enrollment of subjects in a clinical study, human subjects research protections procedures must be followed. This requires that data entry procedures are documented and followed.	* Data can be used to make program decisions. * Supporting documentation is maintained and readily available. Data Reliability Rating: 5	The procedures are defined in the protocol and informed consent documents approved by the Institutional Review Board (IRB). Any deviations must be reported to the IRB. Data Consistency Rating: 5	None	
Data Accuracy Rating: 5	Data are collected and compiled on a monthly basis. Data collected are 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. Data Reliability Rating: 4	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. Data Consistency Rating: 4	There is a slight chance of an erroneous entry by the end user.	



Key Performance Measure Sorted by Integrated Strategy	Definition	Measure Validation	Data Source and Frequency
<p>Strategy 2d Rate of high client satisfaction ratings on services delivered (Insurance)</p>	<p>This measure represents the percent of insurance clients 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.</p>	<p>VA's insurance program uses the results of the surveys to identify opportunities for improvement in order to maintain high levels of client satisfaction by providing quality service and implementing and administering insurance programs that meet the needs of Veterans and their beneficiaries.</p>	<p>Source: Insurance sends client satisfaction surveys to 40 randomly selected Veterans and beneficiaries for each of 11 end products. Frequency: Monthly</p>
<p>Strategy 3d Percent of patients rating VA health care as 9 or 10 (on a scale from 0 to 10): Inpatient and Outpatient</p>	<p>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 rated their care as 9 or 10 (on a scale from 0 to 10).</p>	<p>Satisfaction surveys are the most effective way to determine patient expectations and provide a focused critique on areas for improvement.</p>	<p>Source: Survey of Health Experiences of Patients Frequency: Surveys are conducted as follows: Inpatient - Semi-annually Outpatient - Quarterly</p>



Part II - Key Measures Data Table

Accuracy	Data Verification/Quality		Data Limitations
	Reliability/Comparability	Consistency	
	Data Verification/Quality Rating Scale: 5-Very High; 4-High; 3-Medium; 2-Low; 1-Very Low		
<p>Insurance Service reviews and tabulates survey responses and independently validates the results of the tabulated responses by re-entering randomly selected monthly responses in order to determine if similar results are calculated. Data Accuracy Rating: 5</p>	<p>Data collected are used to measure client satisfaction. VBA Insurance managers use the results of this measure to inform and drive quality improvement. Data Reliability Rating: 5</p>	<p>Data are collected on an on-going basis throughout the month for recording and verification. Data results are reported once per month. Data Consistency Rating: 5</p>	<p>The necessity for manual input of survey data opens the possibility of data entry errors. Re-entering the data a second time helps to identify possible data entry errors.</p>
<p>The data collection process is documented and followed when surveys are received. Data Accuracy Rating: 5</p>	<p>Data collected are used by VHA to measure patient satisfaction. The results are used to inform and drive quality improvement. Data Reliability Rating: 5</p>	<p>Collection standards are documented, available, and used. Data Consistency Rating: 5</p>	<p>None</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 2011 result as compared to the 2011 target 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 measures 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 Shortfall Analysis tables beginning on page I-87 for this information.

For those measures where 2011 results are partial or estimated, we will publish final data in the 2013 Congressional Budget and/or the 2012 Performance and Accountability Report.

The table showing measures by organization and program includes the total amount of resources (FTE and obligations) for each 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 integrated objectives, integrated strategies, and performance targets.

VA continues working to ensure the quality and integrity of our data. The Key Measures Data Table starting on page II-108 provides the definition, data source, frequency of collection, any data limitations, and data verification and measure validation for each of VA's 23 key measures. The Assessment of Data Quality beginning on page II-95 provides an overall view of how our programs verify and validate data for all of the measures. Definitions for the supporting measures are located in Part IV.



Part II - Performance Measures Tables

Organization/Program/Measure (Key Measures in Bold)	Results History				2011		Strategic Targets
	2007	2008	2009	2010	Results	Targets	
Veterans Health Administration							
<i>Medical Care Programs</i>							
Resources							
FTE	207,615	219,535	238,927	245,263	254,835		
Total Program Costs (\$ in millions)	\$36,433	\$42,531	\$44,537	\$51,705	\$52,822		
Performance Measures							
Prevention Index IV (The 2007-2008 results are PI III. The 2009-2011 numbers are PI IV.)	88%	88%	89%	91%	92% Y	93%	94%
Clinical Practice Guidelines Index III (The 2007-2008 results are CPGI II. The 2009-2011 numbers are CPGI III.)	83%	84%	91%	92%	91% Y	92%	93%
Non-institutional, long-term care average daily census (ADC) (Through July)	41,022	54,053	72,315	85,940	* 93,736 Y	109,256	154,152
Percent of primary care appointments completed within 14 days of the desired date (New)	N/Av	N/Av	N/Av	93%	94% G	93%	95%
Percent of specialty care appointments completed within 14 days of the desired date (New)	N/Av	N/Av	N/Av	93%	95% G	93%	96%
Percent of new patient appointments completed within 14 days of the desired date (New)	N/Av	N/Av	N/Av	84%	89% G	85%	88%
Percent of patients rating VA health care as 9 or 10 (on a scale from 0 to 10) (VHA has moved to a nationally standardized tool, a family of surveys known as Consumer Assessment of Health Care Plans and Systems (CAHPS). 2009 was a re-baseline year to determine both annual and strategic targets. The 2009 results are not comparable with prior years and cannot be compared to 2010 due to additional changes to the survey instrument and administration protocol that were implemented in 2010.)							
Inpatient	78%	79%	63% (Baseline)	64%	64% Y	65%	75%
Outpatient	78%	78%	57% (Baseline)	55%	55% Y	57%	70%

*These are partial or estimated data; final data will be published in the 2013 Congressional Budget and/or the 2012 Performance and Accountability Report



Organization/Program/Measure (Key Measures in Bold)	Results History				2011		Strategic Targets
	2007	2008	2009	2010	Results	Targets	
Percent of VA Hospitals whose unplanned readmissions rates are less than or equal to other hospitals in their community (Through August)	N/Av	N/Av	N/Av	N/Av	* 98% G	80%	100%
Number of Health Care Associated Complications (HAC) (1) Data for this measure are currently not available. The Office of Analytics and Business Intelligence is committed to developing, testing, and validating a composite HAC rate in keeping with the goals of the Partnership for Patients.	N/Av	N/Av	N/Av	N/Av	(1) N/Av	18	<12
Percent of Veterans who successfully obtain resident status as a result of vouchers distributed through the U.S. Department of Housing and Urban Development and Veterans Affairs Supportive Housing (HUD-VASH) program (Supports Priority Goal) (Through July)	N/Av	N/Av	N/Av	88%	* 93% G	80%	90%
Number of Homeless Veterans on any given night (Supports Priority Goal) (Joint VHA-OPIA measure) The 2007 and 2008 numbers are based on Community Homelessness Assessment, Local Education and Networking Groups (CHALENG) data. The numbers for 2009 and subsequent years are based upon the Annual Homeless Assessment Report (AHAR). (2011 data will be available in March 2012.) (1) Corrected	154,000	131,000	(1) 75,609	76,329	TBD	80,000	0
Percent of Eligible Patient Evaluations Documented within 14 days of New MH Patient Index Encounter (Supports Priority Goal)	N/Av	N/Av	96%	96%	95% Y	96%	96%
Percent of eligible patients screened at required intervals for PTSD (Supports Priority Goal)	80%	84%	96%	98%	99% G	97%	97%
Percent of eligible patients screened at required intervals for alcohol misuse (Supports Priority Goal)	N/Av	N/Av	N/Av	97%	97% G	97%	98%
Percent of eligible patients screened at required intervals for depression (Supports Priority Goal)	N/Av	N/Av	N/Av	97%	97% G	96%	98%

* These are partial or estimated data; final data will be published in the 2013 Congressional Budget and/or the 2012 Performance and Accountability Report.



Part II - Performance Measures Tables

Organization/Program/Measure (Key Measures in Bold)	Results History				2011		Strategic Targets
	2007	2008	2009	2010	Results	Targets	
Percent of OEF/OIF Veterans with a primary diagnosis of PTSD who receive a minimum of 8 psychotherapy sessions within a 14-week period (Supports Priority Goal)	N/Av	N/Av	N/Av	11%	15% G	15%	60%
Percent of eligible OEF/OIF PTSD patients evaluated at required intervals for level of symptoms (Supports Priority Goal)	N/Av	N/Av	N/Av	5%	TBD	10%	80%
Percent of patients who report being seen within 20 minutes of scheduled appointments at VA health care facilities (Through July)	74%	76%	79%	74%	* 75% G	75%	91%
Percent of clinic "no shows" and "after appointment cancellations" for OEF/OIF Veterans (Through August)	N/Av	N/Av	N/Av	13%	* 22% R	15%	10%
Percent increase in number of enrolled Veterans participating in telehealth (This focus is on Office of Telehealth Services, Telehome Health, and Store and Forward Telehealth services only.)	N/Av	N/Av	N/Av	N/Av	TBD	30%	75%
Percent of VHA clinical healthcare professionals who have had VA training prior to employment	N/Av	N/Av	27% (Baseline)	29%	29% G	20%	30%
Obligations per unique patient user (VHA) (Through August) (2007 results are expressed in constant dollars based on the Bureau of Labor Statistics Consumer Price Index (CPI). The OMB CPI for all Urban Consumers (CPI-U) was used for the 2008-2011 numbers.)	\$5,740	\$5,891	\$6,317	\$6,551	* \$6,454 G	\$6,757	TBD
Gross Days Revenue Outstanding (GDRO) for 3rd party collections (VHA) (Through August)	59	56	55	45	* 48 G	48	37

* These are partial or estimated data; final data will be published in the 2013 Congressional Budget and/or the 2012 Performance and Accountability Report.



Organization/Program/Measure (Key Measures in Bold)	Results History				2011		Strategic Targets
	2007	2008	2009	2010	Results	Targets	
Total amount expended for health care services rendered to VA beneficiaries at a DOD facility (\$ Millions) (New)	N/Av	N/Av	N/Av	N/Av	\$84.0M G	\$79M	\$92M
Amount billed for health care services provided to DoD beneficiaries at VA facilities (\$ Millions) (New)	N/Av	N/Av	N/Av	N/Av	\$183.2M G	\$108M	\$125M
Dollar value of 1st party and 3rd party collections (VHA):							
1st Party (\$ in millions)	\$915	\$922	\$892	\$870	\$911 G	\$863	\$956
3rd Party (\$ in millions)	\$1,261	\$1,497	\$1,843	\$1,904	\$1,800 Y	\$1,954	\$2,475
Percent of NonVA claims paid in 30 days (VHA) (New)	N/Av	N/Av	N/Av	N/Av	77%	Baseline	98%
Percent of Veterans who report "yes" to the Shared Decision-making questions in the Inpatient Surveys of the Health Experiences of Patients (SHEP) (2011 was a baseline year after measure validation was completed in 2010.)	N/Av	N/Av	N/Av	71%	72% G	68% (Baseline)	75%
Medical Research							
Resources							
FTE	3,175	3,142	3,226	3,352	3,523		
Total Program Costs (\$ in millions)	\$867	\$981	\$967	\$476	\$580		
Performance Measures							
Progress towards development of one new treatment for post-traumatic stress disorder (PTSD) (One milestone to be achieved over 1 year) (Measure being dropped after 2011)	67%	80%	80%	80%	100% G	100%	100%
Percent of milestones completed leading to the use of genomic testing to inform the course of care (prevention, diagnosis, or treatment) of patients with mental illness (including PTSD, schizophrenia, and mood disorders)	N/Av	N/Av	N/Av	25%	35% G	35%	100%
Percent of milestones completed towards development of one new objective method to diagnose mild Traumatic Brain Injury (TBI)	N/Av	N/Av	N/Av	N/Av	22% Y	33%	100%
Progress toward researching, developing, and implementing innovations in clinical practice that ensure improved access to health care for Veterans, especially in rural areas	N/Av	N/Av	N/Av	N/Av	42% G	42%	100%



Part II - Performance Measures Tables

Organization/Program/Measure (Key Measures in Bold)	Results History				2011		Strategic Targets
	2007	2008	2009	2010	Results	Targets	
Veterans Benefits Administration							
Compensation							
Resources							
FTE	8,410	9,943	12,049	12,871	14,064		
Total Program Costs (\$ in millions)	\$35,306	\$37,589	\$41,659	\$45,440	\$54,547		
Performance Measures							
National accuracy rate - compensation entitlement claims (Supports Priority Goal)	88%	86%	84%	84%	84% R	90%	98%
Compensation maintenance claims - average days to complete	N/Av	N/Av	N/Av	99	94 R	89	60
Compensation entitlement claims - average days to complete (1) Corrected	N/Av	N/Av	N/Av	(1) 169	197 R	158	90
Burial claims processed - average days to complete (Compensation)	91	84	78	76	113 R	70	21
National accuracy rate (Compensation maintenance claims)	92%	95%	95%	96%	97% G	96%	98%
National accuracy rate - burial claims processed (Compensation)	95%	96%	93%	96%	97% Y	98%	98%
Overall satisfaction rate (%) (Compensation) (1) Data for the Voice of the Veteran client satisfaction survey package will start being collected in 2012. Thus, the baseline year has been changed to 2012.	N/Av	N/Av	N/Av	(1) N/Av	N/Av	N/Av	TBD
Pension							
Resources							
FTE	1,515	1,461	1,157	2,238	1,491		
Total Program Costs (\$ in millions)	\$3,823	\$4,020	\$4,259	\$4,502	\$4,773		
Performance Measures							
National accuracy rate - pension maintenance claims	91%	93%	95%	96%	97% G	95%	98%
National accuracy rate - pension entitlement claims	91%	87%	95%	96%	98% G	96%	98%
Overall satisfaction rate (%) (Pension) (1) Data for the Voice of the Veteran client satisfaction survey package will start being collected in 2012. Thus, the baseline year has been changed to 2012.	N/Av	N/Av	N/Av	(1) N/Av	N/Av	N/Av	TBD



Organization/Program/Measure (Key Measures in Bold)	Results History				2011		Strategic Targets
	2007	2008	2009	2010	Results	Targets	
Combined Compensation and Pension Measures							
Percent of Compensation and Pension pending inventory that is more than 125 days old (Supports Priority Goal) (New)	N/Av	N/Av	N/Av	36%	60% G	60%	0%
Compensation and Pension National accuracy rate - fiduciary work	84%	81%	82%	85%	88% Y	90%	98%
Appeals resolution time (From NOD to Final Decision) (Average Number of Days) (Joint BVA-VBA Compensation and Pension measure)	660	645	709	656	747 Y	695	675
Percent of claims where a portion of the required forms were filed electronically (Supports Priority Goal) **This measure applies to any on-line benefit application. However, it is displayed under compensation and pension since the number of compensation and pension claims filed will have the most impact on this measure's result and target. VONAPP Direct Connect, a Web-based program for Veterans to file claims electronically, is being developed. The first pilot is scheduled for December 2011 with Nationwide deployment expected in 2013. Therefore, the baseline year has been changed to 2012.	N/Av	N/Av	N/Av	N/Av	N/Av	Baseline	TBD
Percent of separating servicemembers that are provided with VA and DOD benefit information within 6 months of the expiration of their term of service (ETS) through the eBenefits portal (See ** above)	N/Av	N/Av	N/Av	N/Av	N/Av	Baseline	TBD
National Call Center Successful Call Rate (New) (Supports Priority Goal) This measure applies to all VBA business lines but is placed within the C&P performance plan because most of the calls are C&P related. The baseline year has been changed to 2012 because a full year of new technology and appropriate staffing will be in place at the call centers in 2012.	N/Av	N/Av	N/Av	N/Av	N/Av	Baseline	TBD



Part II - Performance Measures Tables

Organization/Program/Measure (Key Measures in Bold)	Results History				2011		Strategic Targets
	2007	2008	2009	2010	Results	Targets	
Percent of IDES participants who will be awarded benefits within 30 days of discharge The baseline year has been changed to 2012 pending the full deployment of the Integrated Disability Evaluation System (IDES) in 2012.	N/Av	N/Av	N/Av	N/Av	N/Av	Baseline	TBD
The indicators below are the component end-products for average days to complete disability rating claims. We do not establish separate performance goals for these indicators.							
	2007	2008	2009	2010	2011	Claims Completed in 2011	
Average days to complete C&P disability rating claims	183	179	161	166	188	1,032,334	
Initial disability compensation	208	198	179	183	219	215,119	
Initial death compensation/DIC	132	121	109	149	145	31,776	
Reopened compensation	196	195	173	170	214	464,259	
Initial disability pension	118	113	92	112	99	49,343	
Reopened pension	123	120	113	146	123	61,440	
Reviews, future exams	82	74	97	112	132	28,954	
Reviews, hospital	56	52	65	68	87	8,067	
Agent Orange Claims	N/A	N/A	N/A	N/A	144	173,376	
Education							
Resources							
FTE	958	1,002	1,410	1,961	1,967		
Total Program Costs (\$ in millions)	\$3,080	\$3,097	\$3,693	\$8,444	\$11,452		
Average days to complete original Education claims (Supports Priority Goal)	32	19	26	39	24 Y	23	10
Average days to complete supplemental Education claims (Supports Priority Goal)	13	9	13	16	12 G	12	7
Percent of claims processed through the automated claims processing system (Education)	N/Av	N/Av	N/Av	N/Av	TBD	Baseline	TBD
Percent of Montgomery GI Bill or Post 9/11 GI Bill participants who successfully completed an education or training program	N/Av	N/Av	N/Av	N/Av	TBD	Baseline	TBD



Organization/Program/Measure (Key Measures in Bold)	Results History				2011		Strategic Targets
	2007	2008	2009	2010	Results	Targets	
Montgomery GI Bill usage rate (%) for Veterans who have passed their 10-year eligibility period (Measure being dropped after 2011.)	70%	70%	70%	71%	TBD	71%	80%
Education Claims Completed Per FTE	N/Av	N/Av	N/Av	N/Av	TBD	Baseline	TBD
Payment accuracy rate (Supports Priority Goal) (Education) (1) Corrected	95%	96%	96%	(1) 95%	98% G	95%	97%
Education Call Center - Abandoned call rate	14%	5%	11%	17%	20% R	10%	5%
Percent of beneficiaries very satisfied or somewhat satisfied with the way VA handled their education claim (1) Data for the Voice of the Veteran client satisfaction survey package will start being collected in 2012. Thus, the baseline year has been changed to 2012.	N/Av	N/Av	N/Av	(1) N/Av	N/Av	N/Av	TBD
Percent of beneficiaries that believe their VA educational assistance has been either very helpful or helpful in the attainment of their educational or vocational goal (See (1) above)	N/Av	N/Av	N/Av	(1) N/Av	N/Av	N/Av	TBD
Vocational Rehabilitation and Employment							
Resources							
FTE	1,187	1,283	1,276	1,301	1,284		
Total Program Costs (\$ in millions)	\$771	\$775	\$827	\$960	\$1,034		
Performance Measures							
Rehabilitation Rate (General)	73%	76%	74%	76%	77% G	77%	80%
Serious Employment Handicap (SEH) Rehabilitation Rate (1) Corrected	73%	76%	74%	(1) 76%	77% G	77%	80%
Employment Rehabilitation Rate	N/Av	N/Av	Baseline	73%	74% Y	75%	80%
Independent Living Rehabilitation Rate	N/Av	N/Av	Baseline	93%	95% G	92%	95%



Part II - Performance Measures Tables

Organization/Program/Measure (Key Measures in Bold)	Results History				2011		Strategic Targets
	2007	2008	2009	2010	Results	Targets	
Speed of Entitlement Decisions in average days (VR&E)	54	48	51	49	44 G	45	40
Accuracy Rate of Decisions (Services) (VR&E)	77%	82%	80%	81%	82% Y	85%	96%
Accuracy rate of Vocational Rehabilitation Program Completion Decisions	93%	96%	96%	97%	97% G	97%	99%
Average cost of professional counseling services for participants (using constant 2009 dollars) (VR&E) (1) A strategic target has not been established for this measure because it is for transparency and not benchmarking purposes.	N/Av	N/Av	\$810	\$825	N/Av	\$862	(1) N/Av
Veterans' satisfaction with the Vocational Rehabilitation and Employment Program (1) Data for the Voice of the Veteran client satisfaction survey package will start being collected in 2012. Thus, the baseline year has been changed to 2012.	N/Av	N/Av	N/Av	(1) N/Av	N/Av	N/Av	TBD
Housing							
Resources							
FTE	983	911	883	875	834		
Total Program Costs (\$ in millions)	\$240	\$978 (a)	\$480	\$962	\$1,541		

(a) Includes positive subsidy, administrative expenses, and upward reestimates, which are required to comply with Credit Reform Act guidelines.

Performance Measures							
Default Resolution Rate (1) Corrected	N/Av	N/Av	(1) 71.5%	76.3%	83% G	73.0%	75.0%
Program Review Accuracy Rate (Housing) (New)	N/Av	N/Av	N/Av	N/Av	Baseline	Baseline	TBD
Rate of homeownership for Veterans compared to that of the general population (2011 Estimate) (1) Corrected	N/Av	115.2%	1) 117.2%	117.2%	* 118% G	118.0%	119.0%
Default Resolution Efficiency Ratio (Through August) (1) Corrected	N/Av	N/Av	(1) 32.0:1	55.7:1	* 68.3:1 G	36.0:1	38.0:1
Success Rate of Automated Certificate of Eligibility (ACE) System (Housing)	N/Av	N/Av	N/Av	Baseline	55% Y	62.0%	75.0%



Organization/Program/Measure (Key Measures in Bold)	Results History				2011		Strategic Targets
	2007	2008	2009	2010	Results	Targets	
Lender Satisfaction with VA Loan Guaranty Program (1) The Lender Satisfaction Survey was not conducted in 2010 or 2011. It was determined that response rates were not sufficiently high to warrant another annual survey in 2010. LGY plans to conduct the survey again in 2012, and then biennially after that.	92.0%	N/Av	95.0%	(1) N/Av	(1) N/Av	94.5%	97.0%
Veterans' Satisfaction Level with the VA Loan Guaranty Program (1) Data for the Voice of the Veteran client satisfaction survey package will start being collected in 2012. Thus, the baseline year has been changed to 2012.	N/Av	N/Av	N/Av	(1) N/Av	N/Av	N/Av	TBD
Insurance							
Resources							
FTE	451	365	348	359	352		
Total Program Costs (\$ in millions)	\$3,192	\$3,157	\$2,927	\$2,890	\$2,805		
Performance Measures							
Rate of high client satisfaction ratings on services delivered (Insurance)	96%	95%	96%	95%	95% G	95%	95%
Number of disbursements (death claims, loans, and cash surrenders) per FTE (Insurance)	1,724	1,756	1,755	1,714	1,808 G	1,750	1,750
Conversion rate of disabled SGLI members to VGLI (Insurance)	40%	45%	32%	37%	55% G	39%	50%



Part II - Performance Measures Tables

Organization/Program/Measure (Key Measures in Bold)	Results History				2011		Strategic Targets
	2007	2008	2009	2010	Results	Targets	
National Cemetery Administration							
Burial Program							
Resources							
FTE	1,541	1,512	1,622	1,670	1,676		
Total Program Costs (\$ in millions)	\$465	\$598	\$640	\$345	\$259		
Performance Measures							
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 (Supports Priority Goal)	38%	95%	93%	74%	93% G	90%	90%
Percent of graves in national cemeteries marked within 60 days of interment	94%	93%	95%	94%	93% Y	95%	95%
Percent of Veterans served by a burial option within a reasonable distance (75 miles) of their residence	83.4%	84.2%	87.4%	88.1%	89.0% G	89.0%	94.0%
Percent of respondents who rate the quality of service provided by the national cemeteries as excellent	94%	94%	95%	95%	95% Y	97%	100%
Percent of respondents who rate national cemetery appearance as excellent	97%	98%	98%	98%	98% Y	99%	100%
Percent of respondents who would recommend the national cemetery to Veteran families during their time of need	98%	98%	98%	98%	98% Y	99%	100%
Percent of gravesites that have grades that are level and blend with adjacent grade levels	83%	86%	90%	89%	91% G	89%	95%
Percent of headstones and markers that are delivered undamaged and correctly inscribed	96%	96%	96%	96%	95% Y	98%	98%
Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations	75%	84%	82%	85%	82% Y	90%	95%
Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment	69%	65%	64%	67%	70% Y	73%	90%



Organization/Program/Measure (Key Measures in Bold)	Results History				2011		Strategic Targets
	2007	2008	2009	2010	Results	Targets	
Percent of national cemetery buildings and structures that are assessed as "acceptable" according to annual Facility Condition Assessments	N/Av	N/Av	84%	84%	74% R	87%	90%
Percent of funeral directors who respond that national cemeteries confirm the scheduling of the committal service within 2 hours (Supports Priority Goal)	72%	72%	73%	77%	81% G	80%	93%
Percent of Presidential Memorial Certificate applications that are processed within 20 days of receipt (Supports Priority Goal)	N/Av	N/Av	N/Av	17%	91% G	70%	90%
Percent of headstone and marker applications from private cemeteries and funeral homes received electronically via fax or Internet (Supports Priority Goal)	N/Av	46%	52%	56%	61% G	60%	75%
Percent of respondents who agree or strongly agree that the quality of the headstone or marker received from VA was excellent	N/Av	N/Av	N/Av	94%	95% G	94%	100%
Percent of respondents who agree or strongly agree that the quality of the Presidential Memorial Certificate received from VA was excellent	N/Av	N/Av	N/Av	96%	94% Y	96%	100%
Board of Veterans' Appeals							
Resources							
FTE	444	469	525	549	535		
Administrative costs only (\$ in millions)	\$54	\$60	\$69	\$75	\$77		
Performance Measures							
Appeals resolution time (From NOD to Final Decision) (Average Number of Days) (Joint BVA-VBA Compensation and Pension measure)	660	645	709	656	747 Y	695	675
BVA Cycle Time (Excludes Representative Time) (Average Number of Days)	136	155	100	99	119 G	140	104
Appeals decided per Veteran Law Judge	721	754	813	818	784 G	752	800
Percent of Total Hearings that are Conducted via Video Conference (New)	N/Av	N/Av	N/Av	N/Av	29% Y	35%	35%



Part II - Performance Measures Tables

Organization/Program/Measure (Key Measures in Bold)	Results History				2011		Strategic Targets
	2007	2008	2009	2010	Results	Targets	
Departmental Management							
Total FTE and Program Costs (less BVA and OIG FTE and costs, which are identified separately)							
FTE	3,626	9,428(a)	10,059	9,057	9,410		
Total Program Costs (\$ in millions)	\$1,531	\$3,165	\$4,582	\$3,024	\$2,399		
(a) Increase primarily reflects the centralization of IT personnel under the Department's Chief Information Officer.							
Performance Measures							
Percent of total procurement dollars awarded to service-disabled Veteran-owned small businesses (OSDBU) (Through September; final data will be available in 06/2012) **VA's data reported may differ from data reported by the Small Business Administration due to the timing of when each agency runs its report. OIG evaluated VA's Veteran-Owned Small Business (VOSB) and Service-Disabled Veteran-Owned Small Business (SDVOSB) programs in FY 2010. At the time of the audit, OIG projected that although VA reported awarding 23 and 20 percent of its total procurement dollars to VOSBs and SDVOSBs, the FY 2010 figures were overstated by 3 to 17 percent because awards were made to ineligible businesses. OSDBU disagrees that findings in FY 2010 necessarily reflect the reality of FY 2011. We believe that due to the actions of The Center for Veterans Enterprise of a more rigorous review of eligibility, the extent of overstatement has been greatly reduced.	7.09%	12.09%	16.96%	20.0%	* 19.5% G	10.0%	10.0%
Percent of total procurement dollars awarded to Veteran-owned small businesses (OSDBU) (Through September; final data will be available in 06/2012) (See ** above)	10.13%	15.27%	19.30%	23.0%	* 21.8% G	12.0%	12.0%
Number of Homeless Veterans on any given night (Supports Priority Goal) (Joint VHA-OPIA measure) The 2007 and 2008 numbers are based on Community Homelessness Assessment, Local Education and Networking Groups (CHALENG) data. The numbers for 2009 and subsequent years are based upon the Annual Homeless Assessment Report (AHAR). (2011 data will be available in March 2012.) (1) Corrected	154,000	131,000	(1) 75,609	76,329	TBD	80,000	0
Percent of federally recognized Native American tribes contacted by VA for outreach purposes (OPIA)	1%	1%	1%	80%	80% G	80%	100%

* These are partial or estimated data; final data will be published in the 2013 Congressional Budget and/or the 2012 Performance and Accountability Report.



Organization/Program/Measure (Key Measures in Bold)	Results History				2011		Strategic Targets
	2007	2008	2009	2010	Results	Targets	
Percent of milestones achieved towards deployment and implementation of a paperless disability claims processing system (Supports Priority Goal) (OIT)	N/Av	N/Av	N/Av	N/Av	100% G	100%	100%
Percent of milestones achieved in deploying and implementing the Client Relations Management System (CRMS) (Supports Priority Goal) (OIT)	N/Av	N/Av	N/Av	N/Av	30% G	30%	100%
Percent of annual milestones achieved towards deployment and implementation of an automated GI Bill benefits delivery system (Supports Priority Goal) (OIT)	N/Av	N/Av	N/Av	N/Av	100% G	60%	100%
Percent of milestones achieved in deploying and implementing the Virtual Lifetime Electronic Record (VLER) (Supports Priority Goal) (OIT)	N/Av	N/Av	N/Av	N/Av	88%	Baseline	100%
Percent of available Veteran electronic records which can be accessed through Virtual Lifetime Electronic Record (VLER) capabilities (Supports Priority Goal) (OIT)	N/Av	N/Av	N/Av	N/Av	1%	Baseline	100%
Percent of VA IT systems that automatically reuse all redundant client information in other systems (OIT)	N/Av	N/Av	N/Av	0%	9.5% R	16%	100%
Percentage of responses to pre- and post-hearing questions that are submitted to Congress within the required timeframe (OCLA) (Through August)	27%	57%	75%	12%	* 96% G	85%	90%
Percentage of testimony submitted to Congress within the required timeframe (OCLA) (Through August)	75%	58%	80%	62%	* 93% G	85%	90%
Percentage of title 38 reports that are submitted to Congress within the required timeframe (OCLA)	40%	59%	76%	63%	36% R	85%	95%
Percent of concurrence actions completed on time (OCLA) (New) (Through August) Measure description changed for clarification purposes only.	N/Av	N/Av	N/Av	N/Av	* 95% G	85%	90%

* These are partial or estimated data; final data will be published in the 2013 Congressional Budget and/or the 2012 Performance and Accountability Report.



Part II - Performance Measures Tables

Organization/Program/Measure (Key Measures in Bold)	Results History				2011		Strategic Targets
	2007	2008	2009	2010	Results	Targets	
Alternative Dispute Resolution (ADR) participation rate in the informal stage of the Equal Employment Opportunity (EEO) complaint process (HRA) (1) Corrected	28%	46%	48%	(1) 52%	53% G	53%	55%
Percentage of VA employees who are Veterans (HRA)	31%	30%	30%	31%	32% G	31%	33%
Workers' Compensation Lost Time Case Rate (LTCR) (HRA)	1.87	1.81	1.82	1.71	TBD	1.64	1.64
Percent of employees in mission critical and key occupations who participated in a competency based training program within the last 12 months (HRA) (Through August)	N/Av	N/Av	N/Av	20%	* 46.8% G	45%	95%
Average processing time for VA regulations (number of months) (OGC) (Through July)							
-Requiring advance notice and public comment (2-stage)	N/Av	21.7	19.4	19.6	* 19.6 G	19.6	19.6
-Without advance notice and public comment (1-stage)	N/Av	7.4	7.8	7.5	* 7.5 G	7.5	7.5
Number of material weaknesses (OM)	4	3	4	1	1 G	1	0
Percent Condition Index (owned buildings) (OAEM) (1) Corrected **(Standard government-wide measure required by the Federal Real Property Council) The Office of Asset Enterprise Management (OAEM) develops VA policy that governs the Department's Capital Asset Management. Policy execution is done by VA's business lines (Veterans Health Administration, Veterans Benefits Administration, and National Cemetery Administration), and annual performance results are reported by OAEM.	74%	66%	74%	(1) 71%	78% G	76%	87%
Percent of space utilization as compared to overall space (owned and direct-leased) (OAEM) (1) Corrected (See ** above)	112%	113%	113%	(1) 121%	117% Y	108%	100%
Ratio of non-mission dependent assets to total assets (OAEM) (1) Corrected (See ** above)	12%	12%	(1) 12%	(1) 9%	11% G	11%	10%

* These are partial or estimated data; final data will be published in the 2013 Congressional Budget and/or the 2012 Performance and Accountability Report.



Organization/Program/Measure (Key Measures in Bold)	Results History				2011		Strategic Targets
	2007	2008	2009	2010	Results	Targets	
Ratio of operating costs per gross square foot (GSF) (OAEM) (1) Corrected (See ** above)	\$5.80	\$6.47	\$6.95	(1) \$7.64	\$7.98 Y	\$7.38	\$6.41
Percent of current year electricity consumption generated with renewable energy sources (OAEM) **The Office of Asset Enterprise Management (OAEM) develops VA policy that governs the Department's Capital Asset Management. Policy execution is done by VA's business lines (Veterans Health Administration, Veterans Benefits Administration, and National Cemetery Administration), and annual performance results are reported by OAEM.	3%	4%	3%	7%	TBD	5%	15% by 2013
Cumulative percent decrease in greenhouse gas emissions (OAEM) (See ** above)	N/Av	N/Av	N/Av	3%	TBD	3%	30% by 2020
Percent of annual major construction operating plan executed (OALC)	N/Av	N/Av	N/Av	N/Av	82%	Baseline	90%
Office of Inspector General							
Resources							
FTE	470	513	509	553	634		
Administrative costs only (\$ in millions)	\$74	\$78	\$97	\$113	\$113		
Performance Measures							
Number of arrests, indictments, convictions, criminal complaints, pretrial diversions, and administrative sanctions	2,303	1,884	2,250	1,929	1,939 Y	2,300	2,750
Number of reports (audit, inspection, evaluation, contract review, and CAP reports) issued that identify opportunities for improvement and provide recommendations for corrective action	217	212	235	263	301 G	240	300
Monetary benefits (dollars in millions) from audits, investigations, contract reviews, inspections, and other evaluations	\$820	\$500	\$2,931	\$1,914	\$7,122 G	\$1,000	\$1,500



Part II - Performance Measures Tables

Organization/Program/Measure (Key Measures in Bold)	Results History				2011		Strategic Targets
	2007	2008	2009	2010	Results	Targets	
Return on investment (monetary benefits divided by cost of operations in dollars) Beginning in 2009, the cost of operations for the Office of Healthcare Inspections, whose oversight mission results in improving the health care provided to Veterans rather than saving dollars, is not included in the return on investment calculation (see the OIG's September 2010 <i>Semiannual Report to Congress</i> , page 4)	11 to 1	6 to 1	38 to 1	20 to 1	76 to 1 G	11 to 1	15 to 1
Percentage of:							
Prosecutions successfully completed	95%	94%	94%	97%	99% G	94%	95%
Recommendations implemented within 1 year to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural changes in VA	86%	88%	94%	86%	87% Y	90%	95%
Recommended recoveries achieved from postaward contract reviews (New)	N/Av	N/Av	N/Av	N/Av	100%	Baseline	98%
OIG Customer satisfaction survey scores (based on a scale of 1 - 5, where 5 is high):							
Investigations	4.9	4.6	4.9	4.9	4.9 G	4.5	5.0
Audits and Evaluations	3.7	4.0	4.0	4.0	4.4 G	4.0	5.0
Healthcare Inspections	4.4	4.7	4.7	4.6	4.6 G	4.6	5.0
Contract Review	N/Av	N/Av	4.6	4.7	4.8 G	4.2	5.0



Measures dropped after 2010 that did not report final numbers in the 2010 PAR						
<i>Veterans Health Administration</i>	2006	2007	2008	2009	2010 Final	2010 Target
Total annual value of joint VA/DoD procurement contracts for high-cost medical equipment and supplies (Beginning in 2007, medical supplies were added to this measure.)	\$236M	\$328M	\$188M	\$230M	\$466.553M	\$220M
<i>Departmental Management</i>						
Cumulative percentage decrease in facility traditional energy consumption per GSF from the 2003 baseline (OAEM)	4%	8%	11%	12%	12.7%	15%
Percent of above-threshold buildings square footage in inventory that incorporates the sustainable design practices in the guiding principles (OAEM)	N/Av	N/Av	N/Av	13%	13.54%	13%
Percent of energy consumed that is renewable (OAEM) (New)	N/Av	N/Av	N/Av	N/Av	7%	Baseline

Footnotes for why measures were dropped:

"Total annual value of joint VA/DoD procurement contracts for high-cost medical equipment and supplies"

Justification: This information is no longer being tracked by VHA because it was not a strong indicator of sharing by VA and DoD. VHA replaced this measure with two additional measures that more accurately demonstrate care collaboration between VA and DoD.

"Cumulative percentage decrease in facility traditional energy consumption per gross square foot from the 2003 baseline"

Justification: This measure was dropped because it is no longer one of the key performance indicators and will only be used for internal program management purposes.

"Percent of above-threshold buildings square footage in inventory that incorporates the sustainable design practices in the building principles"

Justification: This measure was dropped because it is no longer one of the key performance indicators and will only be used for internal program management purposes.

"Percent of energy consumed that is renewable"

Justification: Percent of total facility electricity consumption that is renewable and Percent of energy consumed that is renewable were combined into one reworded measure. The combined measure (Percent of current year electricity consumption generated with renewable energy sources) is more precise.



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 the 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 2011 milestones** in response to the challenges identified by the OIG
- **Planned 2012 milestones** along with **estimated completion quarter**

VA is committed to addressing its major management challenges. Using the 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 the OIG's perspective on how the Department can improve its operations to better serve America's Veterans.

Major Management Challenge		Estimated Resolution Timeframe (Fiscal Year)	Page #
No.	Description		
OIG 1	Health Care Delivery		II-142
1A	Quality of Care	2012	II-142
1B	Access to Care	2012	II-146
1C	Effective Treatment of New and Significantly Increased Health Problems Associated with OEF/OIF/OND	2012	II-150
1D	Accountability of Pharmaceuticals in VHA Medical Facilities and Consolidated Mail Outpatient Pharmacies (CMOPs)	2014	II-152
1E	Health Care Business Processes	2012	II-154
OIG 2	Benefits Processing		II-156
2A	Effectively Managing Disability Benefits Claims Workload	2012	II-157
2B	Improving the Quality of Claims Decisions	2012	II-161
2C	VA Regional Office Operations	2012	II-163
2D	Improving the Management of VBA's Fiduciary Program	2012	II-165
2E	Addressing Benefit Issues Related to MST	2012	II-167
2F	Timely Processing of Post 9/11 GI Bill Benefits Payments	2013	II-169
OIG 3	Financial Management		II-170
3A	Achieving Financial Management System Functionality and Effective Financial Management Oversight	2012	II-170
3B	Reporting and Reducing Improper Payments	2012	II-173
3C	Improving Oversight of VA Workers' Compensation Program	2013	II-175
OIG 4	Procurement Practices		II-176
4A	Improve Oversight for VA's VOSB and SDVOSB Programs	2012	II-176
4B	Improve Oversight of Procurement Activities	2012	II-178



Major Management Challenge		Estimated Resolution Timeframe (Fiscal Year)	Page #
No.	Description		
4C	Effective Contract Administration	2012	II-180
4D	Compliance with Laws and Regulations	2012	II-181
OIG 5	Information Management		II-184
5A	Development of an Effective Information Security Program and System Security Controls	2012	II-184
5B	Strengthening Information Technology Governance	2012	II-186
5C	Effective Oversight of Active IT Investment Programs and Projects	2013	II-188
	Appendix		II-191



Department of Veterans Affairs

Memorandum

Date: July 15, 2011

From: Inspector General (50)

Subj: 2011 Performance and Accountability Report

To: Secretary of Veterans Affairs (00)

1. Please see the attached Office of Inspector General (OIG) update regarding VA's most serious management challenges for inclusion in the 2011 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. OIG is submitting this statement to the Department pursuant to Section 3516 of Title 31, United States Code. The law states that the Department may comment on, but may not modify, the OIG statement. Please ensure the Department provides all suggested changes to OIG for review prior to incorporation into the PAR.
3. On behalf of OIG staff, I am appreciative of the level of support and cooperation we have received from the Department as we work to improve VA. We especially appreciate the support you and the Deputy Secretary have exhibited as we work together to address the major challenges facing VA. We look forward to working with both of you to complete the implementation of key OIG recommendations in the future.

A handwritten signature in cursive script that reads "George J. Opfer".

GEORGE J. OPFER

Attachment



**Department of Veterans Affairs
Office of Inspector General
Washington, DC 20420**

FOREWORD

Our Nation depends on VA to care for the men and women who have sacrificed so much to protect our freedoms. These service members made a commitment to protect this Nation, and VA must continue to honor its commitment to care for these heroes and their dependents—in a manner that is as effective and efficient as possible. VA health care and benefits delivery must be provided in a way that dually meets the needs of today's and yesterday's Veterans. It is vital that VA health care and benefits delivery work in tandem with support services like financial management, procurement practices, and information management to be capable and useful to the Veterans who turn to VA for the benefits they have earned.

Office of Inspector General (OIG) audits, inspections, investigations, and reviews recommend improvements in VA programs and operations, and act to deter criminal activity, waste, fraud, and abuse in order to help VA become the best-managed service delivery organization in Government. Each year, pursuant to 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 to work with VA to address these identified issues and to ensure that the Department will provide the best possible service to the Nation's Veterans and their dependents.

A handwritten signature in cursive script that reads "George J. Opfer".

GEORGE J. OPFER
Inspector General



MAJOR MANAGEMENT CHALLENGES

The Office of Inspector General (OIG) identified the major management and performance challenges currently facing VA, that, if left uncorrected, have the potential to impede VA's ability to fulfill its program responsibilities and ensure the integrity of operations. While the Department has made much progress, there is still much to do to establish an effective and efficient organization. OIG remains committed to keeping decision makers informed of longstanding and emerging problems identified through our audits, inspections, investigations, and reviews so that the Department can take timely corrective actions. 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.

To identify major challenges facing the Department, OIG examined previously issued audit and inspection reports where corrective actions have yet to be taken; assessed ongoing audits, inspections, investigations, and reviews to identify significant vulnerabilities; and analyzed new programs and activities that could pose significant challenges due to their range and complexity. In addition, 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 *2009–2015 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.

VA has identified transformational goals designed to transform the Department into a 21st century organization that is Veteran-centric, results-driven, and forward-looking. The stated focus of these goals is to ensure VA provides high-quality care and timely delivery of benefits to Veterans over their lifetimes. The Department has acknowledged that the transformation will require resources, commitment, and teamwork. OIG will keep management informed of any challenges identified during our audits, inspections, investigations, and reviews.

The following summaries present the most serious management challenges facing VA, grouped into critical areas: (1) Health Care Delivery, (2) Benefits Processing, (3) Financial Management, (4) Procurement Practices, and (5) Information Management. OIG also assesses the Department's progress in overcoming these challenges. While these issues guide our oversight efforts, OIG continually reassesses our goals and objectives to ensure that our focus remains timely and responsive to changing priorities.



OIG CHALLENGE #1: HEALTH CARE DELIVERY -Strategic Overview-

For many years, the Veterans Health Administration (VHA) has been a national leader in the quality of care provided to patients when compared against other major U.S. health care providers. VHA's use of the electronic medical record, its National Patient Safety Program, and its commitment to data-driven metrics to improve the quality of care has sustained this high quality of medical care. VHA's action to provide the public access to extensive data sets on [quality outcomes and process measures](#) is a further step forward as a national leader in the delivery of health care. Additionally, VHA's action to determine each hospital's ability to handle complex surgical cases, give a [rating](#), and then limit the procedures that can be performed at each class of facility is further evidence of its groundbreaking efforts to maintain and improve upon the quality of care that Veterans receive.

However, VHA faces particular challenges in managing its health care activities. 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 criminal investigations. The paragraphs that follow highlight the issues most challenging to today's VHA.

OIG Sub-Challenge #1A: Quality of Care

VHA faces increased challenges in meeting the mental health needs of today's returning war Veterans. The high incidence of Post-Traumatic Stress Disorder (PTSD), depression, substance abuse, and military sexual trauma (MST) among today's Veterans challenge VHA to provide one standard of care across the country. This is especially impacted by the increase in the number of women Veterans. An OIG review of combat stress in women Veterans receiving VA health care and disability benefits found that, generally, female Veterans were more likely to use VA health care, to continue using VHA services even years after separating from active military service, and to use it more frequently than male Veterans. The study established that although female Veterans generally were more likely to be diagnosed with mental conditions, they generally were less likely than their male counterparts to be diagnosed with traumatic brain injury (TBI) and the specific mental condition of PTSD.

The patterns corroborated additional findings that higher proportions of female Veterans generally were awarded disability for mental health conditions other than PTSD, and a higher proportion of men were generally awarded disability for PTSD and TBI.

Although VHA has a high compliance with the goal of providing at-risk Veterans with suicide safety plans, VHA is challenged to ensure that coordination of care between VHA medical facilities and civilian and military facilities and providers for at-risk Veterans is improved. Deficits in the coordination of care for these high-risk patients may result in patient deaths.

VHA has demonstrated the ability to deliver a high quality of patient care as determined by standard measures of population health. However, OIG continues to note excessive variation in the quality of



care delivered. With the increasing number of Veterans receiving care at community-based outpatient clinics (CBOC), VA faces challenges in delivering quality care at CBOCs that are often distant from their parent facilities.

While CBOCs expand Veterans' access to care, they require increased oversight by VHA. An OIG audit of CBOC management oversight found that VHA lacks the means to evaluate CBOC performance at the national, regional, and local levels; ensure parent facilities provide adequate CBOC oversight; and identify health care gaps at VA and contractor-operated CBOCs. In addition, VHA lacks the management controls needed to ensure CBOCs provide Veterans consistent, quality care, further noting that CBOC Primary Care Management Module (PCMM) data, which VHA uses to make budgetary and resource management decisions, is inaccurate. Inaccurate PCMM data and problems in the completion of TBI and MST screenings at CBOCs demonstrate the need for VHA to establish CBOC-specific monitors to evaluate systemic problems and deviations from VHA's one standard of care. To address this challenge, VHA is in the process of taking action to improve the accuracy of PCMM data, monitor TBI and MST screenings, and establish a comprehensive CBOC performance monitoring system.

VHA recognizes the importance of safe and consistent reusable medical equipment (RME) practices, but continues to face problems despite efforts to comply fully with proper reprocessing procedures. Veterans seeking care at a VA facility should have assurance that any equipment they come in contact with will be properly cleaned and, if necessary, sterilized, within specifications promulgated by bodies advising on such processes. To do otherwise, at a minimum, exposes patients to unnecessary and unacceptable risk of infection. VA medical facilities have been identified as using improperly reprocessed RME in a number of instances. Specific causes of breakdowns include failure to follow manufacturer's instructions and failure to keep employees currently trained in all equipment cleaning and maintenance specifications. The task is additionally challenging because new medical product designs occur continuously, and new types of medical equipment are continually brought into the system. VA must ensure that processes are in place to ensure that Veterans' health is not placed at risk because of lax attention to detail and failure to adhere to commonly accepted standards of infection control.

VHA must also work to ensure Veterans' health is not compromised due to excessive radiation exposure during the course of receiving care at VA facilities. Although radiation is a common form of energy used to obtain clinical data, usually images of the body through procedures such as computed tomography (CT), fluoroscopy, and nuclear medicine studies, the cumulative dose of radiation that humans receive correlates with the risk of developing serious medical conditions. Despite that VHA disseminated information to hospital radiology departments in an effort to reduce CT dose variability, OIG has found no oversight of actual doses being delivered, no indication that patients or providers had data about cumulative radiation exposure available to them at the time of clinical decision making, and no evidence that patients were informed that CT scans may cause cancer. Moreover, for nearly 2 years, VHA has been developing, but has yet to publish, guidance regarding the use of fluoroscopy. VHA is challenged to ensure that Veterans' exposure to radiation is appropriate to the clinical circumstances and that the lifetime exposure dose to radiation is a factor in the selection of health care procedures that are appropriate for a patient's clinical condition.



VA's Program Response
Estimated Resolution Timeframe: 2012
Responsible Agency Official: Under Secretary for Health

Completed 2011 Milestones

VHA medical facilities, in collaboration with civilian and military facilities and providers, have improved suicide prevention practices for at-risk Veterans. For example:

- VHA Facility Suicide Prevention Coordinators now call community or military facilities and arrange for continuity at discharge if they become aware of an outside admission of a high risk patient.
- The National Suicide Prevention Lifeline consult processes require contacts be established with the Suicide Prevention Coordinator at a relevant VHA facility if a Veteran calls the lifeline.
- The identification of at-risk Veterans in patient records informs all providers at a VHA facility about a potential risk of suicide. This facilitates coordination of care if a Veteran seeks care outside of VHA.
- Each VHA facility is encouraged to develop communication strategies with local non-VHA facilities about suicide prevention involving Veterans.

VA addressed the mental health needs of today's returning war Veterans by using a multi-faceted approach. VA's Office of Mental Health Services provided sensitivity training to Women Veterans Coordinators on April 21, 2011, and this lesson, Military Sexual Trauma Sensitivity Training, was added to the Talent Management System on May 31, 2011.

VBA and the Under Secretary for Benefits brought a new focus on the processing of PTSD claims based on Military Sexual Trauma (MST).

- The Veterans Benefits Administration (VBA) incorporated sensitivity training into the 2011 National Training Curriculum mandatory training hours required for all claims processors. This mandatory curriculum includes a new MST training lesson created by VBA's Compensation Service and the *Military Sexual Trauma Sensitivity Training* lesson.
- In March 2011, signs were posted in all VBA regional offices to ensure that Veterans are aware of services and assistance provided by Women Veterans Coordinators. These coordinators case manage claims including assisting claimants in gathering the evidence necessary to decide their claims.
- In June 2011, VA's Under Secretary for Benefits issued a letter to all field personnel emphasizing the relaxed claims processing standards for MST claims.
- VBA's Compensation Service provided additional guidance in July 2011 instructing the field that corroborating evidence of a MST could be found on DD Form 2910, *Victim Reporting Preference Statement* and DD Form 2911, *Forensic Medical Report: Sexual Assault Examination* and similar forms.
- The Compensation Service drafted a new comprehensive training letter and plan for field personnel devoted to processing these claims.

VA Central Office officials now use data and other information about each CBOC's performance in the face-to-face quarterly reviews with each Veterans Integrated Service Network (VISN) Director. The



information includes outpatient quality composites and individual quality measures for Veterans receiving care in CBOC settings as well as an assessment of performance for contractor-staffed CBOCs. A revision of VHA Handbook 1006.1, Planning and Activating Community Based Outpatient Clinics, is in process. Updating monitoring criteria is an ongoing process.

Training about and monitoring of TBI and MST screening has been expanded and enhanced, including updated on-line modules, materials specific for primary care and mental health providers, and emphasis for CBOC issues. A system of sustained training, consultative support, and recurring reports with associated monitoring is in place and will be ongoing.

VHA has implemented nine inspections per year per facility using a standardized inspection tool to verify availability and use of standardized operating procedures (SOP) as well as employee competencies. The inspection results are reviewed, tracked, and trended nationally. Facilities that are not in compliance are required to develop action plans to address concerns. In reviewing and trending these data, VHA focuses on nearly 200 specific points of review. VHA has collected more than 100 inspections with the new template and is persistently following up on deficient sites. To reduce variation and increase standardization of processes to the maximum extent possible, VHA has increased consultative visits from expert staff, enhanced training, and instituted a national database to maintain manufacturers' instructions for use.

The CT protocol optimization guide is now in use. It includes important parameters for monitoring patient dose, provides reference and alert values, and describes how facilities may identify protocols that result in unusually high patient dose.

Patient education materials that include information about the effects of cumulative radiation exposure are now available, and the field has been directed to provide this information to patients undergoing a CT scan.

Planned 2012 Milestones with estimated completion quarter

VBA will enhance the rating application used to prepare disability decisions so that historical data on denied claims are not overwritten by subsequent decisions. **(Q1)**

VBA will implement any process improvements identified during the review of claims denied for PTSD due to MST. **(Q1)**

VHA Handbook 1006.1 will be completed to better define Network responsibility and require more consistency in quality of care and business processes involving CBOCs. **(Q4)**

Updates of requirements for training and verification of competencies for staff reprocessing RME are in process. **(Q1)**

Guidance regarding the use of fluoroscopy will be published. **(Q4)**



OIG Sub-Challenge #1B: Access to Care

VHA faces significant challenges related to access to care in several areas.

These areas include ensuring Veterans receive compensation and pension (C&P) medical examinations, nursing home care at State Veterans Homes (SVH), and guide and service dogs. Providing medical care to homeless Veterans, Veterans residing in rural areas, and Veterans who are residents of the U.S. Virgin Islands is also challenging VHA.

VBA relies on VHA medical facilities to perform C&P medical examinations to determine the degree of disability or provide a medical opinion as to whether a disability is related to the Veteran's military service. A 2010 OIG audit found that VA medical facilities do not consistently commit sufficient resources to ensure Veterans receive timely C&P medical examinations. This occurred because VHA has not established procedures to identify and monitor resources needed to conduct C&P medical examinations and to ensure resources are appropriately planned for, allocated, and strategically placed to meet examination demand. VHA's ability to complete C&P examinations in a timely and efficient manner is of extreme importance due to VBA's claims processing backlog. Further, because VHA committed insufficient resources to the C&P medical examination program, many Veterans did not receive timely C&P medical examinations. VHA is taking steps to capture workload data and analyze staffing models and is also developing standards on the amount of time that should be allotted when scheduling appointments for each examination.

OIG continues to monitor VA's ability to complete C&P examinations in a timely and efficient manner. During FY 2011, VHA continued to face C&P examination backlogs. In at least one Veterans Integrated Service Network (VISN), some VHA facilities conducted C&P examination "blitzes" during the spring of 2011. These facilities dedicated up to 80 percent of their primary care appointment schedules over the course of 3 weeks to address a backlog of C&P examinations. While VHA recently reorganized responsibility for VHA's C&P examination efforts under a new Office of Disability and Medical Assessment, report recommendations made in our 2010 audit report remain open. VHA needs to implement procedures to better capture data on C&P examination workload, costs, and productivity and use this data to ensure appropriate resources are dedicated to completing C&P examinations.

VHA also faces a significant challenge in ensuring Veterans obtain needed nursing home care. In March 2011, an OIG audit of VHA's State Home Per Diem Program reported that two states were denying care to eligible Veterans and none of the eight VAMCs the OIG visited had strengthened their outreach efforts to ensure Veterans denied access to SVH nursing home care obtained access to care from other VA sources. This occurred because VAMCs did not provide SVHs information on VA nursing home care options for distribution to Veterans. VHA can address this challenge by providing fact sheets on VA nursing home care options to SVHs for distribution to eligible Veterans, determining the SVHs that have denied eligible Veterans access to care, and developing and initiating a plan to conduct specific and targeted outreach activities.

The March 2011 audit also reported that VA medical facilities need to improve their oversight of SVHs to reduce risks of Veterans receiving inappropriate nursing home care. In addition, VAMCs did not properly document or ensure timely SVH submission of 32 percent of eligibility determinations and 55



percent of medical care approval requests for the sample of Veterans reviewed by OIG. This occurred because of ineffective VHA policies and procedures, insufficient oversight, and inadequate staff training. As a result, increased risks exist that Veterans will not receive needed nursing home care, and SVHs will not provide appropriate medical care. By revising VHA policies and procedures, ensuring VISNs establish oversight procedures, and providing training to VAMC staff responsible for SVH oversight, VHA can reduce the risks of Veterans receiving inappropriate SVH nursing home care.

Another challenge facing VHA relates to the Guide and Service Dog Program's implementation criteria and process of determining the appropriateness of using service dogs to assist Veterans with mental and physical impairments. For several decades, VHA assisted visually impaired Veterans in obtaining guide dogs. Only since 2008 has VHA started assisting mobility and hearing impaired Veterans with service dogs—6 years after being authorized to do so. Since FY 2009, VHA has provided financial support to just over 230 Veterans for guide dogs and financial support to only 8 Veterans for service dogs. VHA needs to provide sufficient guidance to staff to ensure decisions are consistent on Veterans' requests for service dogs. Furthermore, VHA also needs to provide comprehensive interim guidance to ensure staff is aware of qualifying criteria for service dog benefits and the benefit application process. VHA will need to ensure staff complies consistently with the new guidance once it is issued.

VA has undertaken the mission of ending homelessness among Veterans, but continues to face difficulties in serving this population of Veterans appropriately. In many instances, VHA has provided compassionate care to a most challenging population; however, the successful provision of health care to Veterans without a fixed address and with the disease burden typical of this population will require comprehensive programs and outreach. VHA faces challenges in identifying Veteran subpopulations most susceptible to homelessness, and in placing homeless or at-risk Veterans into programs that are demonstrated to be effective. Furthermore, the diagnosis and treatment of complex cardiac disease, gastrointestinal disorders, cancer, and substance abuse are examples of medical disorders that are a challenge to provide care for in disadvantaged areas and to homeless Veterans. However, VA recognizes that through the implementation of the Surgical Complexity Model, limits must be set on the types of surgical care that can be directly provided by VHA in selected underserved areas. This complex and challenging endeavor will involve 13 discrete VA programs and an investment of more than \$20 billion over 5 years.

VHA needs to strengthen the management of rural health care funding to ensure that rural health projects meet VHA's Office of Rural Health's (ORH's) goals of improving access and quality of care for rural Veterans. ORH was created in February 2007 to conduct rural health research and develop policies and programs to improve health care and services for approximately 3.3 million rural Veterans. Men and women from geographically rural areas make up a disproportionate share of service members and comprise about one-third of all Operation Enduring Freedom, Operation Iraqi Freedom, and Operation New Dawn (OEF/OIF/OND) enrolled Veterans.

In April 2011, OIG reported that VHA needed to improve the management of rural health funding, finding that ORH did not adequately manage the use of rural health funds for fee care and their rural health project selection process. Additionally, ORH did not monitor project obligations and performance measures. This occurred because of a lack of financial controls, the absence of policies and procedures to ensure staff followed management directives, and inadequate communication with key stakeholders.



Also, ORH lacked a project monitoring system, procedures to monitor performance measures, and a process to assess rural health needs. As a result, OIG determined that VHA lacked reasonable assurance that ORH's use of \$273.3 million of the \$533 million in funding received during FYs 2009 and 2010 improved access and quality of care for Veterans residing in rural areas. To address this challenge, VHA must identify high-impact projects during the formulation of the program's annual budget requests and strengthen its future proposal selection process. Completing these actions will improve VHA's accounting of funds and measuring of the rural health program's impact on the health care of rural Veterans and their families.

An OIG review also found that access to health care for Veterans who are residents of the U.S. Virgin Islands needs improvement. Improvement areas include ensuring that English language proficiency is documented for all employees occupying direct patient care positions, scheduling timely initial primary care appointments, and providing the same level of care as other Veterans in the VISN receive. To address this issue, VHA is considering the feasibility of sending medical examiners to the U.S. Virgin Islands to perform C&P examinations that do not require medical specialists or non-portable specialized medical equipment.

VA's Program Response
Estimated Resolution Timeframe: 2012
Responsible Agency Official: Under Secretary for Health

Completed 2011 Milestones

VHA has committed additional resources to improve the C&P medical examination program. For example, the VHA Office of Disability and Medical Assessment was established to develop and implement strategies to address the evolving needs of the VHA C&P medical examination programs as well as ensure appropriate measuring, monitoring, and improving quality and timeliness. Timeliness has improved. Currently, VHA C&P timeliness for exams is 29 days (standard is 30 days), and IDES timeliness for exams is 40 days (standard is 45 days).

VHA developed the "VA Long-Term Care Resources Summary Fact Sheet" about nursing home care options and implemented a communication plan to ensure effective distribution of this fact sheet, which has been shared at the National Association of State Veterans Homes and National Association of Directors of State Veterans Homes conferences. Policy updates, an improved quality assurance review process, a new State Home Audit Tool, and additional training are now in place to ensure that care provided by State Veterans Homes is appropriate for Veterans' needs.

VHA has concentrated on developing expertise about what guide and service dogs can do for Veterans and what training is needed to ensure the optimum benefit for Veterans. Draft regulations were published in the Federal Register. Policy and Clinical Practice Recommendations are being developed.

VA has concentrated its efforts to provide services to end homelessness:

- Homeless outreach initiatives reached more than 150,000 Veterans, a 24 percent increase from the previous year.



- Department of Housing and Urban Development-Veteran Affairs Supported Housing (HUD-VASH) actively housed 24,733 Veterans.
- The new Supportive Services for Veteran Families (SSVF) program awarded \$59.5 million to 85 community agencies in 40 states and the District of Columbia.
- VA launched the Homeless Operations Management and Evaluation System, an online data collection and case management system that tracks homeless Veterans as they move.
- VA allocated funding to hire 407 homeless or formerly homeless Veterans as vocational rehabilitation specialists through the Homeless Veterans Supported Employment Program; nearly 90 percent have been hired, trained in Supported Employment (SE) service provision, and are now providing SE services to other homeless Veterans.
- VA provided funding for 15 Community Resource and Referral Centers (CRRC) to co-locate with services from local and community agencies and other Federal agencies to provide direct assistance to homeless Veterans as well as referral to permanent and transitional housing services.

The Office of Rural Health has improved management and provided more effective services to Veterans in rural areas, including:

- Hiring experienced and qualified staff.
- Developing and implementing a 2011 Spend Plan in accordance with the *Standards for Internal Control in the Federal Government* for monitoring of financial transactions.
- Implementing new procedures related to funding execution and project/program management and establishing tight controls for proposal review/approval against specific project funding rating criteria.
- Improving data collection.
- Evaluating projects to ensure goals, objectives, and milestones are relevant, up-to-date, and assigned to each project as well as appropriately monitoring and measuring performance.

The need to ensure English language proficiency for physicians, nurses, and residents is being emphasized at the VA medical facility in the U.S. Virgin Islands.

Planned 2012 Milestones with estimated completion quarter

VA will identify an internist to visit the U.S. Virgin Islands at least monthly to perform non-specialty Compensation and Pension exams. **(Q1)**

The final service dog regulations and related policy about covered benefits for training, veterinary care, and hardware will be completed as well as appropriate communications to the field. **(Q2)**

VA will host a national conference about having animals in health care settings. **(Q1)**

VA will address the needs of homeless Veterans by:

- Decreasing the number of homeless Veterans to 59,000 in collaboration with HUD. **(Q4)**
- Developing a new Transition-in-Place housing model with a goal of obligating approximately \$21 million in capital, special needs, and/or transition in place grants to serve approximately 30,000 Veterans. **(Q4)**



- Improving employment outcomes through the Homeless Veterans Supported Employment Program (HVSEP) to provide services to approximately 31,000 homeless Veterans. **(Q4)**
- Establishing a training curriculum and training National Cemetery Administration (NCA) mentors for the NCA Veterans Apprenticeship Program. **(Q4)**
- Providing \$100 million for community-based service grants to serve approximately 22,000 Veterans and families through the SSVF program started in 2011. **(Q4)**
- Increasing VA’s participation in Veterans Treatment Courts and public outreach/education to Veterans, their families, and justice system staff to address the growing numbers of Operation Enduring Freedom/Operation Iraqi Freedom/Operation New Dawn (OEF/OIF/OND) Veterans who need these services. **(Q4)**
- Making all CRRCs fully operational. **(Q1)**

The Office of Rural Health will:

- Fully implement its review of project milestone progress quarterly reports and access and quality measurement data. **(Q1-4)**
- Begin monitoring project data to ensure reports and evaluations of data are timely and provide an accurate assessment of the current status of each project. **(Q1)**
- Regularly review financial reports to ensure efficient and effective utilization and obligation of funds. **(Q1-4)**
- Complete the identification of those geographic areas with the most needs to align resources to address the greatest health care needs. **(Q1)**

OIG Sub-Challenge #1C: Effective Treatment of New and Significantly Increased Health Problems Associated with OEF/OIF/OND

VHA faces significant challenges in the treatment of Veterans with health problems associated with OEF/OIF/OND service. As aforementioned in sub-challenge 1A, the current global conflicts have highlighted at least four specific issues that VA must adequately address: PTSD, TBI, substance abuse, and women’s health. Returning war Veterans must be screened, diagnosed, and treated appropriately for PTSD. Their treatment must be sufficiently described in their medical records to permit a future analysis, if appropriate, of the outcomes of therapies for this war-related illness. Likewise, TBI diagnosis requires better definition and research to determine the best therapies. VA is challenged to aggressively treat Veterans with the best current therapies and quickly advance the state of current knowledge to improve the understanding of this condition.

VHA’s challenge in treating substance abuse involves developing appropriate treatment programs for use nationwide. Physical and psychic pain often results in over-reliance on addictive medications and substances to control pain. Adequate treatment programs in VA for substance abuse are limited in many areas of the country. Treatment is complex, as the mental and physical symptoms of the disease are not easily or quickly relieved. VA must work with the substance abuse treatment community at-large to optimize opportunities for treatment of this complex illness.

Finally, though many medical conditions faced by women warriors are similar to those faced by men, many are different. VA must provide treatment options appropriate for female Veterans’ health care needs. This is especially true for MST, in which women Veterans may require specialized outpatient



mental health services focusing on sexual trauma, specialized sexual trauma treatment in residential or inpatient settings, or treatment in a program for women only. Women often have additional responsibilities that put different constraints on their ability to access health care, when compared to men; and these constraints must be creatively and timely addressed.

VA's Program Response
Estimated Resolution Timeframe: 2012
Responsible Agency Official: Under Secretary for Health

Completed 2011 Milestones

VA published a revision to VHA Handbook 1162.02, Mental Health Residential Rehabilitation Treatment Program, requiring programming specific to the needs of OEF/OIF/OND Veterans. The handbook also includes guidance regarding substance abuse and PTSD treatment services as well as information specific to the needs of women Veterans.

Vet Centers continue to provide PTSD counseling services to combat Veterans. The Readjustment Counseling Service (RCS) worked specifically with Vet Centers to correct problems regarding clinical supervision and consultation. RCS also has begun to use an electronic template to facilitate monitoring of issues identified in quality reviews.

VA began training staff at large intensive outpatient programs on the use of contingency management treatment, an evidence-based approach to the treatment of substance use disorders.

VA provided training about the use of the Brief Addiction Monitor to facilitate assessment of treatment progress to substance use disorder specialty treatment staff nationwide.

VA has developed strong collaborative ties with the Department of Defense (DoD) to complete a literature review and gap analysis of women Veterans' mental health needs and services in VA and DoD.

To address the needs of the growing number of women Veterans, VA has:

- Trained more than 1,000 VA providers in women's health primary care.
- Launched a call center to contact every woman Veteran about VA health care and services available to women Veterans. During the first month in June 2011, the Women Veterans Call Center reached nearly 1,000 women Veterans or their representatives.
- Hosted the 5th National Summit on Women Veterans involving more than 700 participants where the Secretary of Veterans Affairs announced the creation of a VA Task Force on Women Veterans charged to develop a comprehensive VA action plan that will focus on key issues facing women Veterans and the specific actions needed to resolve them.
- Planned three drop-in childcare service pilots for women Veterans with VA appointments.

Service connection or receipt of disability compensation is not required to receive free treatment for conditions resulting from MST. To address needs of women Veterans who have experienced MST, every VA facility has:



- A designated MST Coordinator who can facilitate access to appropriate VA services and programs, state and Federal benefits, and community resources.
- Providers knowledgeable about treatment for the aftereffects of MST.
- Vet Centers that provide either direct counseling or assessment and referral for MST issues. Currently, over 150 Vet Centers across the Nation have a Staff Training Experience Profile (STEP) qualified MST Counselor. All these counselors provide individual counseling and group counseling where appropriate for this cohort of Veterans.

For Veterans who need more intense treatment and support, VA offers specialized sexual trauma treatment in residential or inpatient settings.

Planned 2012 Milestones with estimated completion quarter

To ensure additional accountability for high quality clinical supervision and consultation in Vet Centers, VA will add a performance goal to the Team Leader Performance Plans for 2012 that specifies the required standards for clinical supervision and consultation in Vet Centers, including documentation of inpatient records. **(Q1)**

VA will implement contingency management treatment in large intensive outpatient substance use treatment programs. Specialty substance use disorder treatment programs will implement use of the Brief Addiction Monitor. **(Q4)**

Each medical center outpatient clinic and CBOC will have a minimum of one trained (in VHA's women's health mini-residency program or equivalent training) or experienced Designated Women's Health Provider. **(Q4)**

Ninety percent of all currently identified bathroom and other women Veteran privacy deficiencies will be corrected. **(Q4)**

VA will launch two childcare sites in fall 2011 and a third in the summer of 2012. **(Q3)**

OIG Sub-Challenge #1D: Accountability of Pharmaceuticals in VHA Medical Facilities and Consolidated Mail Outpatient Pharmacies (CMOPs)

VHA medical facilities and Consolidated Mail Outpatient Pharmacies (CMOP) dispensed approximately 130 million prescriptions for VA patients and spent about \$3.8 billion on pharmaceuticals in FY 2009. While VA has made significant strides to safeguard inventories of controlled substances regulated under the *Controlled Substance Act of 1970*, increased attention must be paid to non-controlled drugs. Of the \$3.8 billion in VA's pharmaceutical spending, approximately 95 percent was for non-controlled drugs.

In FY 2009, OIG issued a health care inspection of selected pharmacy operations in VHA facilities. OIG determined that 33 of 43 facilities experienced drug diversions during 2008. VHA faces a significant challenge in ensuring that its inventories of non-controlled drugs are safe from undetected theft or diversion. Furthermore, two OIG reports issued in 2009 identified significant deficiencies in accountability over non-controlled drugs at VHA medical facilities and CMOPs. OIG found medical



facilities and CMOPs could not accurately account for non-controlled drug inventories because of inadequate inventory management practices and inaccurate pharmacy data.

VHA also needs to strengthen its inventory management practices, ensure all pharmacy transactions are appropriately recorded, and improve its pharmacy information management systems. Both VHA's Veterans Health Information System and Technology Architecture (VistA) and CMOP's inventory management software require improvements in order to allow facilities and CMOPs to better account for pharmacy inventory.

VHA launched the Pharmacy Reengineering project in 2003 to make improvements to VistA. Although the project was slated for completion in 2005, it has been significantly delayed; it is now estimated that the project may not be completed until 2018. As needed upgrades may take years to be fully implemented, it is vital that VHA take more immediate action to improve accountability over non-controlled drugs.

VA's Program Response
Estimated Resolution Timeframe: 2014
Responsible Agency Official: Under Secretary for Health

Completed 2011 Milestones

Inventory management systems at all seven CMOPs were reviewed to identify gaps between current and state-of-the-art practices.

To ensure appropriate internal controls are in place and that pharmacy managers and staff accurately and consistently record drug-dispensing activity, VA has done the following:

- Completed implementation of VHA Directive 2010-039, Compliance with the Management of Non-controlled Drugs.
- Conducted and completed a wall-to-wall inventory report.
- Established this inventory as an annual requirement.
- Reviewed the inventory and selected non-controlled substances reports by comparing VA's results with nationally accepted variances to identify concerns.
- Addressed identified concerns at specific sites.
- Began using a Web-based national reporting tool and monitored drug dispensing activity for selected non-controlled drugs that are high cost or at high risk for diversion each year.
- Reviewed over 800 quarterly variance reports on drug names.
- Continued to provide training on the currently available inventory management tools.

Planned 2012 Milestones with estimated completion quarter

Issue a contract solicitation to either rewrite the existing CMOP inventory management software or purchase existing third-party software. **(Q1)**

Conduct and analyze the results of the annual wall-to-wall inventory. Address concerns at specific sites. **(Q2)**



Deliver software to CMOPs for testing. (Q4)

OIG Sub-Challenge #1E: Health Care Business Processes

VHA is a large and complex organization that must improve its business processes to provide cost effective services to Veterans. As previously discussed in Challenge 1A, VHA has demonstrated difficulty in providing proper oversight of the CBOC contracting process. Improper fiscal management diminishes the ability of VHA to provide for the needs of all Veterans.

VHA has increased its attention to nurse staffing standard implementation, as the determination of the number and type of nurse staff required is critical to ensure that clinical and financial performance objectives are achieved. However, VHA has not devoted sufficient attention to physician staffing standards, which are important to ensure the proper combination of physicians at each facility.

VHA needs to improve its processes involving the delivery of payment to non-VA providers at fair and reasonable prices. Under the Non-VA Fee Care Program, VA facilities may authorize Veterans to receive treatment from non-VA health care providers when certain services are unavailable at VA facilities, when services cannot be economically provided due to geographic inaccessibility, or in emergencies when delays may be hazardous to life or health. In 2009, OIG reported that VA improperly paid 37 percent of outpatient fee claims, resulting in \$225 million of outpatient fee overpayments and \$52 million of outpatient fee underpayments during FY 2008. OIG estimated \$1.1 billion in overpayments and \$260 million in underpayments over a 5-year period.

In 2010, OIG completed two additional reviews of the Non-VA Fee Care Program. One review determined VA had not established controls designed to prevent and detect outpatient fee care fraud. The other review identified VHA problems in managing the administration of inpatient fee care. The second review also concluded that Non-VA Fee Care Program claim processing inefficiencies occurred because of its decentralized structure and use of a labor-intensive payment processing system. As a result, VA did not have reasonable assurance that VA facilities were appropriately utilizing resources to serve the health care needs of Veterans and accurately reporting financial information that affects future planning and allocation of health care resources. In FY 2011, VA implemented our recommendations on policies and procedures, training, oversight, and claim processing system improvements from our outpatient, inpatient, and fraud program reviews. However, VA still faces ongoing financial and claim processing challenges in their Non-VA Fee Care Program.

Another health care business challenge VHA faces is to improve its process to identify billable fee claims and system of controls to maximize the generation of Medical Care Collection Fund (MCCF) Program revenue from non-VA care, often referred to as "fee care." The purpose of the MCCF Program is to recover costs of medical care that VA provides to Veterans who have private health insurance, referred to as third-party insurance. VA is authorized to collect and deposit third-party health insurance payments in its MCCF, which VA uses to supplement its medical care appropriations. Under the MCCF Program, VA bills third-party health insurers for nonservice-connected medical services provided by VA or fee care. VA bases its insurance billing rates on reasonable charges, which are the amounts that insurers would pay private sector health care providers in the same geographic area for the same services. In FY 2010, the MCCF Program collected approximately \$1.9 billion in total third-party revenue



and an additional \$900 million in first-party and other revenue sources. The third-party revenue constituted 69 percent of the total \$2.8 billion revenue collected by the MCCF Program in FY 2010.

In May 2011, OIG reported that VHA missed opportunities to increase MCCF revenue by not billing third-party insurers for 46 percent of billable fee care claims. VHA missed billing opportunities because they did not have an effective process to identify billable fee claims and a system of controls to maximize the generation of MCCF fee care revenue. As a result, OIG estimated that VHA could increase third-party revenue by \$110.4 million annually or by as much as \$552 million over the next 5 years.

VHA has increasingly relied on the Fee Care Program to provide care to Veterans who cannot easily receive care at a VA medical facility. By implementing an effective process for identifying billable fee claims and augmenting that process with a system of controls, VHA can improve its capability to provide care to our Nation's Veterans and maximize revenue collections.

VA's Program Response
Estimated Resolution Timeframe: 2012
Responsible Agency Official: Under Secretary for Health

Completed 2011 Milestones

To address the challenge of providing proper oversight of the CBOC contracting process, VA uses statistical reports, including assessment of performance for contractor-staffed CBOCs, to inform the quarterly evaluations involving Veterans Integrated Service Network (VISN) Directors and parent facility directors about how to improve CBOC performance. Updating of monitoring criteria is an ongoing process.

VHA is identifying parameters for determining the number of full time equivalents (FTE) and hours in the context of contracting for scarce medical resources. This work will inform the development of staffing standards in VHA facilities. VHA is also exploring the use of relative value units (RVU) to ensure the proper combination of physicians at each facility. RVUs are used in other health care systems, and VHA is investigating how these can be applied to provide primary and complex specialty care in the unique situations throughout VHA.

To improve performance related to payment for fee care services, VA:

- Published a final rule to standardize VA payments for inpatient and outpatient health care professional services and other medical services associated with non-VA outpatient care.
- Evaluated the current non-VA fee care program including an audit of the accuracy of payments made during 2011.
- Published procedure guides and implemented related training.

To address fraud management, VA has implemented a program integrity/fraud management plan including training at all levels within the organization, developed a pilot using predictive modeling to assess potential fraud/waste or abuse cases, and finalized a contract to support a long-term technology solution intended to move to a pre-payment environment.



VA's Office of Business Oversight (OBO) continued oversight of VHA field compliance with Non-VA Care Program policies and procedures. In instances of non-compliance, OBO identified the root causes and made recommendations to VHA senior officials to correct deficiencies. OBO will monitor all recommendations issued in 2011 until they are completed.

Planned 2012 Milestones with estimated completion quarter

VHA Handbook 1006.1, Planning and Activating Community Based Outpatient Clinics, Part 5, Monitoring and Evaluation Process, will be revised to better define VISN responsibility and require more attention to business processes. **(Q4)**

The Under Secretary for Health will receive recommendations about physician staffing standard parameters to be used in contracting for scarce medical services together with action plans with timelines and milestones for implementation. **(Q3)**

The results of the 2011 evaluation of the non-VA fee care program will be reviewed; process changes will be identified and implemented to enhance revenue collections. **(Q3)**

VHA will establish a framework to identify a target for collection of MCCF dollars to maximize revenue. **(Q3)**

VA will continue oversight of VHA field compliance with Non-VA Care program policies and procedures through regular reviews conducted by OBO as part of its 2012 Annual Review Plan. Identifying and reporting on non-compliance will assist VHA senior officials in addressing the issues identified during field reviews, including systemic issues. **(Q4)**

OIG CHALLENGE #2: BENEFITS PROCESSING

-Strategic Overview-

Persistent, large inventories of pending claims for compensation benefits have been a recurring challenge for VBA. VBA faces an increasing disability claims workload from returning OEF/OIF/OND Veterans, reopened claims from Veterans with chronic progressive conditions, and additional claims from an aging Veteran population. The claims workload is expected to further increase based upon new eligibility guidelines related to PTSD and Agent Orange presumptive conditions. The complexities of benefits laws and their interpretation, court decisions, technology issues, workload, and staffing issues contribute to VBA's benefit processing challenges.

Long-term efforts to improve the quality of benefits claims decisions also continue to present a significant VBA challenge. During the 5-year period from FYs 2006 through 2010, VBA's national accuracy rates for rating claims decisions remained the same or declined every year going from 88.6 percent in FY 2006 to 83.8 percent in FY 2010. VBA's recent decline in rating accuracy has moved them further from the VBA strategic target of 90 percent accuracy. 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 continuing challenge to train and incorporate the examiners effectively into a productive workforce. With the significant expansion of its claims workforce through current recruitment efforts



and increasing receipt of claims from Veterans, VA will face additional significant challenges in the accuracy and consistency of benefit decisions. VA also faces major challenges managing the Post 9/11 GI Bill Program as VA implements new legislation providing enhanced educational benefits to Veterans.

OIG Sub-Challenge #2A: Effectively Managing Disability Benefits Claims Workload

VBA continues to experience challenges associated with disability benefits claims that are rising faster than VBA's ability to address this growing workload. In FY 2010, VBA completed 1.95 million rating and non-rating claims, resulting in an end-of-year claims inventory of almost 726,000 claims, up 13 percent from FY 2009's ending inventory of 580,000. As of June 30, 2011, VBA's rating and non-rating inventory had climbed to an unprecedented level of about 1.1 million claims. The June 2011 inventory represents dramatic increases of 51 percent increase from 6 months earlier and 81 percent from the end of FY 2009. A portion of this increase is the result of claims related to conditions such as Parkinson's disease, ischemic heart disease, and hairy cell leukemia and other chronic b-cell leukemias, which VA designated as presumptive disabilities for Veterans exposed to Agent Orange. Many of these claims are subject to strict rules for determining the date of claims as laid out in a U.S. District Court decision in *Nehmer v. U.S. Department of Veterans Affairs* (Nehmer claims). However, even without the *Nehmer* claim inventory, VBA's claims inventory increased significantly. As of June 30, 2011, the non-*Nehmer* rating and non-rating claim inventory of about 1 million claims represented a 37 percent increase from 6 months earlier and 72 percent from the end of FY 2009.

VBA also continues to struggle with achieving its strategic goal of averaging 125 days to complete rating claims. From 2009 to 2010, the average number of days for VBA to process rating claims increased from 161 to 166. For the FY to date through May 2011, VBA continued to move further from its strategic goal by averaging about 170 days to process rating claims.

OIG has completed several audits and reviews to assist VBA in addressing this challenge. In 2009, OIG completed an audit of claims rating decisions that exceeded 365 processing days at VA regional offices (VARO). The audit found that 90 percent of the 11,000 claims pending for more than 365 days were unnecessarily delayed an average of 187 days because of inadequate workload management by VBA. VAROs needed to improve workload management by linking workload management plans to VBA timelines, targets, and goals and execute these improved plans to avoid the deficiencies that cause claims processing delays.

In 2010, OIG conducted an audit to evaluate the effectiveness of VBA's Compensation Program claims brokering. VBA's main goals of brokering are to reduce claims backlogs by expediting processing and helping VAROs meet their processing timeliness targets. VBA has increasingly used claims brokering to try to better align VAROs' workload with staffing resources and address the challenge of reducing claims backlogs. From FY 2006 through FY 2009, the number of brokered claims grew from 90,000 to 171,000, and the percent of claims brokered increased from 12 to 18 percent.

The audit found that VBA can improve the effectiveness of claims brokering by ensuring area offices consider additional factors affecting timeliness and accuracy and strengthen controls over VARO informal claims brokering. For nearly 171,000 brokered claims completed during FY 2009, OIG projected that the average processing time of 201 days would have been 49 days less had VBA avoided the claims



processing delays identified during the audit. OIG also projected that area offices brokered about 54,000 (46.2 percent) of the nearly 117,000 claims brokered for rating actions to facilities with lower rating accuracy rates than original Veteran Service Centers (VSCs). During the audit, OIG also noted that three VAROs brokered claims without area office approval. To address these issues, VBA needs to revise brokering policies and procedures and include timeliness and accuracy measurements in performance plans for directors of VAROs that process brokered claims. In June 2010, VBA interrupted most claims brokering to address the additional challenge of processing *Nehmer* claims. VBA officials have stated they plan to resume full scale brokering in October 2011.

Efforts are also needed to improve tracking and provide accountability of Veterans' claims folders, which contain personally identifiable information. VBA relies upon the Control of Veterans Records System (COVERS) to track Veterans' claims folders. A 2009 audit projected that approximately 296,000 claims folders of the 4.2 million claims folders assigned to VAROs nationwide were in locations that were different from that shown in COVERs. The audit also projected that approximately 141,000 claims folders were lost. Lost claims folders further impair the Department's ability to provide accurate and timely benefits. To gain full control and accountability over Veterans' claims folders, VBA needs to implement all the report recommendations.

OIG inspections disclosed similar findings with regard to mail processing and claims folder management. At 63 percent of 16 VAROs inspected, Triage Team staff improperly managed claims-related mail. Triage Teams are responsible for reviewing, controlling, and processing or routing all incoming mail received from the VARO mailroom. Untimely control and processing of mail can cause delays in processing disability claims. Triage Team members did not timely record receipt and process 21 percent of the incoming mail. In addition, staff did not properly use COVERs to track the location of 24 percent of claims-related mail. At one VARO, OIG found 1,462 pieces of mail waiting to be associated with Veterans' claims folders.

In recent years, VBA has significantly increased its claims processing workforce in an effort to reduce claim-processing times. In 2007 and 2008, VBA hired about 2,800 claims examiners. In 2009, VBA filled an additional 2,300 temporary claims examiners positions funded by the *American Recovery and Reinvestment Act of 2009*. As VBA is able to hire additional permanent employees, it will need to provide these employees the necessary claim-processing training to become effective members of the workforce.

In 2009, an OIG audit concluded that VBA needs to collect better information on its current workforce, such as the number of overtime hours worked, to utilize its workforce effectively. VBA officials also reported challenges maintaining productivity while also ensuring reviews of the work completed by new employees. Since the OIG audit, VBA began to collect and utilize more complete information on its workforce capacity, which should reduce VBA's risk of underestimating its workforce needs to address its growing claims inventory.

In FY 2010, OIG reported that VBA call centers and Internet-based Inquiry Routing and Information System (IRIS) did not provide timely and adequate information. In FY 2008, VBA began consolidating public contact activities into eight national call centers, one pension call center, and one IRIS center. In FY 2009, individuals reached an agent 76 percent of the time. Of those reaching an agent, agents



answered 72 percent of their questions correctly. When OIG combined VBA's reported data on access and accuracy, OIG concluded that any one call placed by a unique caller had a 49 percent chance of reaching an agent and getting the correct information. This occurred because VBA did not have a central entity to provide leadership and guidance, establish sufficient performance standards to evaluate timeliness and accuracy, provide adequate training, and implement an efficient call-routing system. VBA initiated some corrective measures by recruiting for a contact operations manager, adjusting the routing of calls, and increasing the number of telephone lines. In FY 2011, VBA plans to implement a new process to route calls more efficiently.

Opportunities also exist for VAROs to improve appeals management processing timeliness. VARO staff completed over 1 million ratings in FY 2010, an increase of 19 percent since FY 2008. With the increased number of ratings, the number of appeals increased by over 30,000—about 13 percent each year since FY 2008. VBA has not been able to keep up with the increased number of appeals, and as a result, the backlog of appeals has risen by 30 percent from 160,000 appeals in FY 2008 to 209,000 in FY 2010. VBA officials have also reported the number of open appeal cases is likely to increase because, in FY 2011, they devoted a significant number of ratings personnel to process Nehmer claims.

As part of their efforts to reduce the claims backlog, VBA and VHA collaborated in the development of Disability Benefits Questionnaires (DBQ) to replace the C&P examination reports currently in use. DBQs are streamlined medical examination forms designed to capture essential medical information for purposes of evaluating VA disability claims. DBQs can be completed not only by VHA and VA-contracted clinicians, but also by Veterans' private physicians. OIG will be assessing and monitoring controls the Department implements over the use of DBQs.

VA's Program Response
Estimated Resolution Timeframe: 2012
Responsible Agency Official: Under Secretary for Benefits

Completed 2011 Milestones

The *Nehmer*-related workload is extremely complex, and claims are completed at a rate of production less than half the normal expectation. In 2011, non-*Nehmer* claims brokering to Resource Centers was suspended to focus on completing *Nehmer* cases. Pre-*Nehmer* brokering activities were modified significantly to combat the *Nehmer* workload and 14 Day-one Brokering Centers (D1BC) were developed to receive and process all *Nehmer* claims. As of September 30, 2011, 133,467 *Nehmer* cases have been completed.

In 2010, VBA revised guidance clearly defining the link between workload management plans to claims processing timeliness targets and goals. The guidance also requires workload management plans be designed and implemented in a way that prevents inefficient claims processing practices.

VBA continues to improve tracking and accountability of Veterans' claims folders containing personally identifiable information. Each VBA regional office is required to conduct an annual analysis of COVERS compliance. The COVERS User Guide was updated and guidance issued regarding updating COVERS when transferring or receiving claims and requiring reconfirmation of folder locations every 7 days.



Requirements were developed for a new COVERS report to identify and track rebuilt claims folders and assist in enforcing the 60-day search requirement. VBA is working to improve timeliness and accuracy of mail processing in mail intake units. As of September 30, 2011, the average control time for claim receipts was 10.7 days, a significant decrease from the September 30, 2010, time of 16.4 days.

Quality and average wait time standards at the National Call Centers (NCC) were incorporated into the regional office directors' performance standards. VBA implemented Genesys national call routing nationwide. Calls are now routed to the first available agent nationwide, and the system can record all calls received for quality assurance training. Enhancements were made to call center agent training requirements and compliance.

The Veterans Benefits Management System (VBMS) is VBA's business transformation initiative supported by technology that is designed to dramatically improve benefits delivery. VBMS is designed to assist VA in eliminating the claims backlog. The centerpiece of VBMS is a paperless system, which will be complemented by improved business processes and workflows. Combining a paperless claims processing system with improved business processes is the key to eliminating the backlog and providing Veterans with timely and high quality decisions. During 2011, VBMS was deployed to the Salt Lake and Providence ROs, with a focus on enhancing VBMS Establishment, Workflow, Rating, and e-Folder applications. VBA also began the development stages of VBMS Development, Award and Correspondence applications.

A major project initiated by VBA in January 2011 was the Integration Lab (I-Lab) to evaluate the impact of multiple initiatives on claims processing productivity, timeliness, and quality. The I-Lab supports the development of a standard and consistent operating model to align with the process and technology transformational changes. Specifically, I-Lab distributes work to three separate teams based on the number of issues claimed by the Veteran. Each team is integrated and utilizes a comprehensive screener to move work to the next step in the process. VBA is tracking I-Lab productivity on a weekly basis. Following future analyses, the results will be used in the development of a comprehensive operating model for all regional offices.

The VBA Design Team was created to assist with VBA's transformation by focusing on specific processes such as simplification of the rating and notification letter thus making decisions easier to understand, increasing standardization of the rating process by using logic-based tools, and streamlining the examination process.

Quality Review Teams (QRT) began at 12 pilot sites (3 per Area) on August 1, 2011. These teams are solely dedicated to monitoring station quality, identifying trends/training needs, collaborating with local training components, reviewing Systematic Technical Accuracy Review (STAR) errors, addressing national training issues, addressing local training and other issues for that station, and other appropriate functions. The QRTs have been trained by the National STAR Team and are using the National STAR team review approach.

VA made innovative improvements in claims development, deploying 81 Disability Benefits Questionnaires (DBQ) for use by VA medical facilities with 3 available to private physicians. The DBQs streamline the disability evaluation process by requiring a consistent format for medical evidence. In



November 2010, VBA implemented the Private Medical Records pilot to reduce timeliness for receipt of private medical records. VBA is receiving responses to private medical record requests 23 days faster than non-pilot requests. VBA initiated the Fully Developed Claim program nationwide.

Planned 2012 Milestones with estimated completion quarter

In the second quarter of 2012, D1BCs are expected to complete the *Nehmer* work and resume working brokered cases. D1BCs have RO personnel reassigned to work cases from start to finish. The D1BCs will also be responsible for the timeliness and quality standards on all cases received. **(Q2)**

VBA will deploy the new COVERS report in the VETSNET Release 13. **(Q3)**

Development of national performance standards for NCC agents will be completed and presented to the Union. **(Q1)** NCCs will implement a virtual call-back feature that will allow callers the call-back option for assistance. VBA continues to encourage callers to utilize the eBenefits Web site for Veterans to access claim status, records, and VA forms 24 hours a day. **(Q2)**

VBMS will be deployed to an additional RO to validate production business processes. **(Q1)** Combining a paperless system with improved business processes is key to eliminating the claims backlog and providing Veterans with timely and accurate decisions. The VBMS software will continue to undergo fine-tuning, and the supporting architecture will be scaled to support production and the beginning of national deployment of VBMS. **(Q4)**

VBA will assess the Quality Review Team pilot program and the results will determine further deployment beyond the original 12 pilot sites. **(Q4)**

OIG Sub-Challenge #2B: Improving the Quality of Claims Decisions

VBA continues to experience challenges related to VARO claims processing accuracy, obtaining accurate medical examinations for evaluating residual disabilities associated with a TBI, and processing claims-related mail. During the period October 2010–June 2011, OIG inspected 14 VAROs and identified areas where VARO personnel are challenged to make quality claims decisions.

Staff at the 14 VAROs incorrectly processed 28 percent of 1,554 disability compensation claims, resulting in nearly \$4.3 million in overpayments. These processing errors related to claims for PTSD, TBI, disabilities related to herbicide exposure (Agent Orange), and temporary 100 percent evaluations for service-connected conditions requiring surgical or specific medical treatment. Staff at the 14 VAROs was unable to process 39 percent of 294 TBI claims correctly because VHA medical examination reports did not contain sufficient information for VARO staff to make an accurate determination. Further, inaccuracies resulted from staff not properly evaluating the severity of TBI-related disabilities. Generally, VARO staff over-evaluated the severity of TBI-related disabilities because they did not properly interpret the medical examination reports.

Additional VBA efforts are needed to ensure the quality of total disability evaluations. In January 2011, OIG reported that VARO staff continues to inconsistently process temporary 100 percent disability



evaluations correctly. OIG projected that VARO staff did not correctly process evaluations for approximately 27,500 Veterans and that, since January 1993, VBA has paid Veterans a net \$943 million without adequate medical evidence. In particular, VARO staff was unable to correctly process 63 percent of 420 temporary 100 percent evaluations because VARO staff did not enter the required future medical reexamination dates into Veterans' electronic records or monitor the electronic notifications for medical examination requests. Entering the future medical exam date generates an automatic notification that alerts VARO staff to request a medical examination to evaluate whether the Veteran's temporary 100 percent disability evaluation should continue. Without this notification, improper payments could potentially continue for the Veteran's lifetime. If VBA does not take timely corrective action, it could overpay Veterans a projected \$1.1 billion over the next 5 years. VBA generally classifies these overpayments as administrative errors and does not establish a receivable or expect the Veteran to repay the overpayment.

VA's Program Response
Estimated Resolution Timeframe: 2012
Responsible Agency Official: Under Secretary for Benefits

Completed 2011 Milestones

VHA C&P examiners who conduct TBI examinations completed new training in the VA Talent Management System on performing quality TBI medical examinations. VBA instituted a second-level review requirement for all TBI disability rating decisions.

Regarding the quality of total disability evaluations, OIG attributed the cause of errors identified to VA Regional Office staff not correctly processing evaluations. However, VBA identified multiple computer system errors, rather than employee errors, that accounted for a high percentage of the tracking or monitoring errors noted by OIG. VBA implemented a system modification to ensure that future exam diaries are established for rating issues, even when award action is not necessary. VBA identified records for review that contain temporary 100 percent evaluations for the top three disability-specific problem areas identified (Diagnostic Codes 7715 – Non-Hodgkin's Lymphoma, 7528 – Malignant Neoplasms of the Genitourinary System, and 9411 – Post-traumatic Stress Disorder). In addition, VBA updated training materials related to processing future examination diary notifications and evaluating permanent and total disabilities. VBA validated the folder relocation procedures to ensure that claims folders are not relocated to the Records Management Center when the disability is temporary in nature.

In September 2011, the Institute for Defense Analyses completed the independent 3-year review of VBA's quality assurance program mandated under the provisions of Public Law (P.L.) 110-389, Veterans' Benefits Improvement Act of 2008, and VA provided a final report to Congress.

VBA implemented a Quality Review Team pilot program that created dedicated quality review positions at 12 VBA regional offices. The Nashville Quality Assurance Office conducted training for local quality reviewers that focused on identifying error trends and other weaknesses earlier than those identified through national quality reviews.



VBA implemented innovative tools for the claims decision process. The “Hearing Loss Calculator” tool released in November 2010 and the “Special Monthly Compensation Calculator” tool released in July 2011 utilize rules-based technology to improve timeliness, accuracy, and consistency of rating decisions.

VBA enhanced its Challenge training program to incorporate trainee evaluation and feedback into the course accreditation process, ensuring VBA obtains vital feedback. Enhancements also allow ROs to track the annual training hour requirements for individual claims processors. In addition, VBA deployed 10 training lessons that conform to education industry standards.

Planned 2012 Milestones with estimated completion quarter

VBA will review records containing temporary 100 percent evaluations for the top three disability-specific problem areas identified to assess current disability status and ensure a future examination date is in the Veteran’s record. **(Q4)**

VA will assess the final report received from the independent review of our quality assurance program that was conducted by the Institute for Defense Analyses under the provisions of P.L. 110-389, Veterans’ Benefits Improvement Act of 2008, and will take appropriate action to further enhance VBA’s quality assurance program. **(Q4)**

VBA will assess the Quality Review Team pilot program, and the results will determine further deployment beyond the original 12 pilot sites. **(Q4)**

VBA will continue the development of additional calculators to assist in improving timeliness, accuracy, and consistency of rating decisions. **(Q4)**

VBA will place additional online training material for claims processors into an educational design template recognized as a standard format by the educational design industry. **(Q4)**

OIG Sub-Challenge #2C: VA Regional Office Operations

VBA continues to experience challenges with their 57 VAROs complying with VA regulations and policies and ensuring consistent performance of their VSC operations. OIG’s Benefits Inspection Division has reported problems in ensuring VARO personnel complete thorough and timely Systematic Analysis of Operations (SAO) and accurately process claims-related mail. Half of the VAROs inspected during 2010 did not follow VBA policy to ensure SAOs were timely and complete. SAOs provide an organized means of reviewing VSC operations annually to identify existing or potential problems in claims processing and propose corrective actions. If VARO management had ensured staff completed thorough SAOs, they would have identified weaknesses associated with their operations and could have developed plans to correct these shortcomings. In addition, many VAROs did not always control and process mail according to VBA policy. Delays in processing claims-related mail might affect the accuracy and overall timeliness of claims processing.



VA's Program Response
Estimated Resolution Timeframe: 2012
Responsible Agency Official: Under Secretary for Benefits

Completed 2011 Milestones

VBA is constantly striving to identify new ways to improve performance at all regional offices (RO). VBA aggressively monitors regional office performance to develop specific action plans to improve identified problem areas. Oversight is provided through site visits conducted by both the C&P Services and the Area Offices. Regional office directors are held accountable for station performance through annual performance evaluations.

All VBA ROs are required to perform annual SAOs to provide a comprehensive overview of specific divisional functions as well as outline areas for improvement. Procedures and a schedule for completing SAOs are available for each VBA business line. Also, each RO director can establish additional SAOs for local operational issues.

SAOs are reviewed during both Central Office and Area Office site visits. SAO compliance is tracked and monitored closely by both parties. Throughout the year, Area Offices may also request copies of RO SAO schedules and specific completed SAOs for further review.

Planned 2012 Milestones with estimated completion quarter

VBA will continue to review RO SAOs completed during both Area Office and Central Office site visits. VBA will further emphasize the importance of SAOs during the weekly Deputy Undersecretary conference call. **(Q1)**

Another initiative in development is the Intelligent Work Queue (IWQ). This is a computerized, rule-based workload management system that will assist employees in analyzing the work each person has pending and suggesting what is the most effective work to complete for a particular day or week. The IWQ is scheduled to begin field testing and implementation in 2012. **(Q2)**

VBA will continue to pursue the strategic goals established 2 years ago to transform VA into a people-centric, results-driven, and forward-looking organization. This transformation responds to the demands of an era of emerging information technologies, changing demographic realities, and renewed commitments to today's Veterans. By 2015, VA's highest priority goals in transformation are to eliminate the disability claims backlog and ensure all Veterans receive a quality decision (98 percent accuracy rate) in no more than 125 days. VBA continues to work toward eliminating the claims backlog while at the same time establishing the momentum of change across all VBA lines of business. Our multi-pronged approach incorporates transformation across business processes, people, and technology to develop an integrated operating model. **(Q4)**

The VBMS is VBA's business transformation initiative supported by technology that is designed to dramatically improve benefits delivery. VBMS is designed to assist VA in eliminating the claims backlog. The centerpiece of VBMS is a paperless system, which will be complemented by improved business



processes and workflows. Combining a paperless claims processing system with improved business processes is the key to eliminating the backlog and providing Veterans with timely and high quality decisions. During 2011, VBMS was deployed to the Salt Lake and Providence ROs with a focus on enhancing VBMS Establishment, Workflow, Rating, and e-Folder applications. VBA also began the development stages of VBMS Development, Award, and Correspondence applications. VBMS will be deployed to an additional regional office to validate production business processes. **(Q1)** The VBMS software will continue to undergo fine-tuning and the supporting architecture will be scaled to support production. National deployment of VBMS is scheduled to begin during calendar year 2012. **(Q4)**

VBA will begin national implementation of our transformation plan by developing a new operating model based on business processes, people, and technology. Best practices learned from the I-Lab at the Indianapolis Regional Office and the VBA Design Team will be integrated into this plan. The I-Lab combines several initiatives and technological advances, achieving higher productivity and quality through integrated cross-functional teams working claims from start to finish, an intake-processing center with skilled personnel, and a new tool to support efficient workload management. The VBA Design Team was created to assist with the transformation by focusing on specific processes such as simplification of the rating and notification letter thus making decisions easier to understand, increasing standardization of the rating process by using logic-based tools, and streamlining the examination process. **(Q2)**

OIG Sub-Challenge #2D: Improving the Management of VBA's Fiduciary Program

VBA is placing beneficiary VA funds at risk of potential misuse because VBA lacks the elements of an effective management infrastructure to support its Fiduciary Program. VA pays billions of dollars in C&P benefits to disabled Veterans and their dependents. VAROs must consider the competency of beneficiaries in every case involving a mental health condition that is totally disabling or when evidence raises a question as to a beneficiary's mental capacity to manage his or her financial affairs, including VA benefits. For those beneficiaries who are deemed incapable to manage their financial affairs because of injury, disease, or the infirmity of age, VA appoints a fiduciary to manage their VA funds. In its FY 2010 Annual Budget Submission, VA reported approximately \$696 million in benefits payments to more than 102,000 incompetent beneficiaries with a cumulative estate value of \$3.1 billion.

VAROs have been challenged to make timely competency decisions and fiduciary appointments. OIG inspections found staff at seven VAROs unnecessarily delayed making final competency decisions in 34 percent of the cases reviewed. Delays ranged from approximately 17 to 530 days. VARO workload management plans did not make competency determinations a priority or include measures for oversight of this work. As a result, incompetent beneficiaries received their benefits directly without fiduciaries in place to manage their financial resources. While the beneficiaries were entitled to these payments, fiduciary stewardship may have been needed to ensure effective funds management and the welfare of the beneficiaries. The risk of incompetent beneficiaries receiving benefit payments without fiduciaries assigned to manage those funds increases if staff does not complete competency determinations promptly.

OIG has also found that VBA struggles with consistently and effectively monitoring the activities of fiduciaries and, therefore, VA funds have been at risk of misappropriation by fiduciaries. From April 1,



2006, to March 31, 2011, OIG investigated 131 fiduciary cases and made 65 arrests. In June 2011, an administrative assistant working for an attorney, who was a VA appointed fiduciary, pled guilty to Bank Fraud. An OIG investigation revealed that the administrative assistant forged the attorney's signature on more than 325 checks from several VA beneficiary accounts and wrote checks to herself, which she then deposited into her personal bank account. To conceal the embezzlement, which totaled more than \$625,000, the defendant transferred funds from one Veteran's account to another whenever an annual accounting was due to be submitted to VA.

In an FY 2010 audit, OIG reported that many of the same program deficiencies noted in a 2006 audit of the Fiduciary Program persist. VAROs are not consistently taking timely or effective actions to ensure VA-derived income of incompetent beneficiaries is protected. These program deficiencies have occurred because VBA lacks elements of an effective management infrastructure to monitor program performance, effectively utilize staff, and oversee fiduciary activities.

Specifically, OIG reported that the case management system used by the Fiduciary Program to support an array of functions necessary for day-to-day operations of the program has functional and data limitations that have severely affected management's ability to use the system as a tool to support program operations effectively. Since the OIG audit, VBA has developed Fiduciary Program staffing and workload model to guide resource allocation decisions and strengthened its management and oversight of fiduciaries.

VA's Program Response
Estimated Resolution Timeframe: 2012
Responsible Agency Official: Under Secretary for Benefits

Completed 2011 Milestones

VA's Office of Business Oversight (OBO) began oversight of VBA field compliance with fiduciary program policies and procedures. In instances of non-compliance, OBO identified the root causes and made recommendations to VBA senior officials to correct deficiencies. OBO will monitor all recommendations issued in 2011 until they are completed.

VA established the Pension and Fiduciary Service in April 2011 to provide greater oversight and management attention to our Fiduciary Program. This focused approach will facilitate many improvements that are currently underway, including the development of a comprehensive caseload and data management system, and the implementation of revised policies and procedures.

VBA took initial steps to develop a new electronic data repository with enhanced workload management tools and integrated functionality. The business requirements document for the new Fiduciary Program System has been prepared and is currently under consideration. The new system will replace the current Fiduciary Beneficiary System and will better protect the beneficiaries in the Fiduciary Program.

VBA began the consolidation of nationwide fiduciary activities into the following six Hub locations: Salt Lake City, Lincoln, Milwaukee, Louisville, Indianapolis, and Columbia.



VBA conducted three significant training initiatives in 2011. A 3-week centralized training session was conducted in May 2011 for Legal Instruments Examiners (LIEs) hired to support the consolidation of fiduciary activities into Hubs. A second session of LIE training was conducted in August 2011. Lastly, a week-long centralized training session was provided to Field Examiners from each of the fiduciary activities and Hubs in July 2011. Training topics included accounting issues, estate protection, and investigative techniques.

VA required that fiduciaries submit detailed copies of financial institution statements to guard against fraudulent transfers.

VA reported information about the misuse of funds by fiduciaries in VBA's 2010 Annual Benefits Report. In October 2010, VBA provided the ROs a staffing model to use as a guide for local fiduciary activity. VA launched a Web site in January 2011 that provides fiduciaries with resources and information about their duties and responsibilities and the forms and references to assist them in their roles as a fiduciary.

VBA established a workload management standard to ensure that final competency decisions are made within 21 days from the expiration of due process.

Planned 2012 Milestones with estimated completion quarter

VA will continue oversight of VBA field compliance with fiduciary program policies and procedures through a focused review conducted by OBO as part of its 2012 Annual Review Plan. Identifying and reporting on non-compliance will assist VBA senior officials in addressing the issues identified during field reviews, including systemic issues. **(Q4)**

VBA will increase Pension and Fiduciary Service staffing to support increased oversight and management attention of the Fiduciary Program. **(Q1)**

VBA will revise the current fiduciary manual, M21-1MR, Part XI, to provide clear and concise guidance on the Fiduciary Program, clarifying procedures pertaining to misuse of funds. **(Q2)**

VA will complete the development and deployment of the new Fiduciary Program System. **(Q4)**

VBA will complete the consolidation of fiduciary activities into six Hub locations in Salt Lake City, Lincoln, Milwaukee, Louisville, Indianapolis, and Columbia. **(Q4)**

VA will conduct additional centralized training sessions for all LIEs and Field Examiners. **(Q4)**

OIG Sub-Challenge #2E: Addressing Benefit Issues Related to MST

An FY 2011 OIG review observed that VBA generally awarded higher proportions of female Veterans disability benefits for mental health conditions other than PTSD, and generally awarded higher proportions of male Veterans disability benefits for PTSD and TBI. VBA also denied females more often for PTSD, and denied male Veterans more often for a mental health condition other than PTSD, although the denial rates for male and female Veterans for all mental health conditions were almost the same.



The OIG review did not find any evidence that claims processors applied VBA's current policies and procedures differently when evaluating male and female Veterans' disability claims.

The OIG review also identified several challenging issues pertaining to MST requiring VBA leadership's attention. Because VBA does not retain historical data on its denial decisions, OIG was unable to fully assess how often VBA denied male and female Veterans' disability claims and if VBA reversed its denials on appeal more frequently for male or female Veterans. In addition, most regional offices do not post signs informing Veterans about the services available through the Women Veterans Coordinators. Furthermore, many Women Veterans Coordinators and claims processors often felt unprepared to communicate effectively with Veterans who may be distressed or emotional during discussions regarding their MST-related disability claims. These regional office employees stated that additional training would be beneficial. Lastly, although VBA does provide some training on processing MST-related claims as part of its training on PTSD, it has not assessed the feasibility of requiring additional MST-related training and testing.

VA's Program Response
Estimated Resolution Timeframe: 2012
Responsible Agency Official: Under Secretary for Benefits

Completed 2011 Milestones

VA is addressing challenges with MST-related claims processing by using a multi-faceted approach. VA's Office of Mental Health Services provided sensitivity training to Women Veterans Coordinators on April 21, 2011, and this lesson, *Military Sexual Trauma Sensitivity Training*, was added to the Talent Management System on May 31, 2011.

VBA and the Under Secretary for Benefits brought a new focus on the processing of PTSD claims based on Military Sexual Trauma (MST).

- VBA incorporated sensitivity training into the 2011 National Training Curriculum mandatory training hours required for all claims processors. This mandatory curriculum includes a new MST training lesson created by VBA's Compensation Service and the *Military Sexual Trauma Sensitivity Training* lesson.
- In March 2011, signs were posted in all VBA regional offices to ensure that Veterans are aware of services and assistance provided by Women Veterans Coordinators. These coordinators case manage claims including assisting claimants in gathering the evidence necessary to decide their claims.
- In June 2011, VA's Under Secretary for Benefits issued a letter to all field personnel emphasizing the relaxed claims processing standards for MST claims.
- VBA's Compensation Service provided additional guidance in July 2011 instructing the field that corroborating evidence of a MST could be found on DD Form 2910, *Victim Reporting Preference Statement* and DD Form 2911, *Forensic Medical Report: Sexual Assault Examination* and similar forms.
- The Compensation Service drafted a new comprehensive training letter and plan for field personnel devoted to processing these claims.



Planned 2012 Milestones with estimated completion quarter

VBA will enhance the rating application used to prepare disability decisions so that historical data on denied claims are not overwritten by subsequent decisions. **(Q1)**

VBA will implement any process improvements identified during the review of claims denied for PTSD due to MST. **(Q1)**

OIG Sub-Challenge #2F: Timely Processing of Post 9/11 GI Bill Benefits Payments

VA continues to face major challenges managing the Post 9/11 GI Bill Program. The program was rapidly implemented in 2009 using interim software and an inexperienced, temporary workforce. VA was required to begin paying benefits for the *Post 9/11 Veterans Educational Assistance Act of 2008* in August 2009. The Post 9/11 GI Bill Program is substantially different from previously authorized VA education benefits programs, which provided one monthly payment to eligible claimants. The Post 9/11 GI Bill, in contrast, provides multiple payments to both claimants and schools. As such, VBA's existing information technology (IT) systems were not capable of processing this new benefit, and claims personnel needed comprehensive training.

Beginning in October 2008, VBA and Office of Information and Technology (OIT) initiated a joint project to develop an interim technology solution, which included new applications as well as modifications to several existing systems. The interim solution is not fully automated, requiring significant manual processing. As a result, VA was unable to process its fall 2009 education claims on time due to system limitations and inadequate staffing. In June 2010, the Department deployed Release 2 of the automated long-term solution for facilitating claims processing on schedule, with plans to convert records and train end users to use the system in July 2010. Additionally, in January 2011 President Obama signed into law the *Post – 9/11 Veterans Education Assistance Improvement Act* (G.I. Bill 2.0). The G.I. Bill 2.0 broadens the eligibility pool and increases the tuition and other benefits offered to claimants. To ensure new claimants and previous claimants, who decide to change their benefit elections, receive timely benefits, end users will need to become familiar with the eligibility requirements and increased benefits of the new law while also becoming familiar with the features of the new system.

VA's Program Response

Estimated Resolution Timeframe: 2013

Responsible Agency Official: Under Secretary for Benefits

Completed 2011 Milestones

In August 2009, VBA implemented the Post-9/11 GI Bill using interim manual procedures and processing tools. VA's long-term strategy to implement this benefit program is the development of an end-to-end information technology solution that utilizes rules-based, industry-standard technologies to modernize the delivery of Post-9/11 GI Bill benefits. VA's Long Term Solution (LTS) was scheduled to be released in five phases to provide incremental capability to the users in the regional processing offices. Release 1 of this effort was successfully deployed on March 31, 2010, and provided functionality to calculate new



original awards; automated calculation of awards including tuition and fees, housing, books and supplies, the Yellow Ribbon program, and Montgomery GI Bill-Active Duty and Reserve Educational Assistance program kickers; and automated calculation of awards for overlapping terms and intervals. Release 2, which was deployed on June 30, 2010, served as the foundation from which VBA retired the interim processing solution and automated the education benefits business processes. Release 3 was deployed October 30, 2010, and provided a school enrollment interface between our VA Online Certification program and the LTS. Release 4 deployed on December 20, 2010, and contained an interface to the Benefits Delivery Network payment system in order for the system to pre-populate the data and automate payments.

The enactment of Public Law (P.L.) 111-377, the Post-9/11 Veterans Educational Improvements Act of 2010, modified certain aspects of the Post-9/11 GI Bill. Some modifications include the types of training approved for benefits, tuition and fee payments, and eligibility under the Post-9/11 GI Bill. The enactment of this law has impacted the development of the LTS for processing Post-9/11 GI Bill claims and VA's ability to fully automate the delivery of benefits. On June 4, 2011, release 5.0 was deployed which included some of the mandated changes to the LTS system.

Planned 2012 Milestones with estimated completion quarter

VBA will complete development and deployment of 12 Post-9/11 GI Bill reports. **(Q1)**

The LTS release 5.1 will implement changes to the Post-9/11 GI Bill required by P.L. 111-377 and provide other automation support enhancements. **(Q1)**

A subsequent release will give the LTS capability to conduct automated end-to-end processing on some supplemental claims. **(Q3)**

VBA and the Office of Information and Technology have partnered to develop the LTS, and will continue to work together on further enhancements, including any required modifications to the existing payment interface.

OIG CHALLENGE #3: FINANCIAL MANAGEMENT

-Strategic Overview-

Sound financial management not only represents 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 identifying opportunities to improve the quality and management of VA's financial information, systems, and other assets.

OIG Sub-Challenge #3A: Achieving Financial Management System Functionality and Effective Financial Management Oversight

In FY 2010, VA received an unqualified ("clean") audit opinion on its consolidated financial statements and made significant progress by reducing the number of material weaknesses from four to one. During FY 2010, VA took sufficient corrective action to eliminate the financial management oversight material



weakness. The auditors downgraded two other material weaknesses, financial management system functionality and compensation, pension, and burial actuarial liabilities, to significant deficiencies. The remaining material weakness concerns IT security controls and is discussed in the Information Management section (OIG Challenge #5).

Concerning financial management system functionality, the auditors continued to identify system limitations related to year-end entries in VA's core general ledger system and with the retention of certain VBA data longer than 60 to 90 days. VA was not in substantial compliance with the *Federal Financial Management Improvement Act of 1996* due to this significant deficiency and the material weakness in IT security controls. In regards to the compensation, pension and burial actuarial liabilities, VA made significant progress in providing complete and accurate information to the actuaries but still needed to improve its related policies and procedures. The auditors also reported other significant deficiencies concerning accounts receivable resulting from advance payments under the Post 9/11 GI Bill, accounts payable, and intra-governmental reconciliations.

In April 2009, VA awarded a task order for the first phase of the SAM pilot project. However, OIG determined that FLITE program managers did not effectively plan for or manage the SAM pilot project. Specifically, FLITE program managers did not take well-timed actions to ensure VA achieved cost, schedule, and performance goals for the SAM pilot project and that the contractor provided acceptable deliverables in a timely manner. The FLITE program managers awarded the SAM pilot project task order at a time when the program suffered from significant staffing shortages. As a result, VA extended the SAM pilot project from 12 to 29 months, potentially doubling contract costs unnecessarily. Finally, VA delayed other FLITE acquisitions because of the lack of progress made on the SAM pilot project.

VA's Program Response
Estimated Resolution Timeframe: 2012
Responsible Agency Official: Executive in Charge, Office of Management
Assistant Secretary for Information and Technology
Under Secretary for Benefits
Under Secretary for Health

Completed 2011 Milestones

During 2011, VA focused on remediating the identified significant deficiencies and material weakness. VA's Office of Financial Process Improvement and Audit Readiness is responsible for managing, coordinating, and monitoring progress towards remediation. VA took positive action in 2011 to address the remaining five significant deficiencies. VA has addressed the financial management system functionality significant deficiency around "period 13," adjusting entries through system enhancements to VA's core financial management system (FMS) and developing policies and procedures to ensure all adjusting entries are maintained in FMS. VA has collected 84 percent of the accounts receivable resulting from advance payments under the Post 9/11 GI Bill. Remediation of the intra-governmental deficiency is comprised of two phases – system enhancements and reconciliation with trading partners, including working with VA's largest trading partners to reconcile data between the agencies. VA's remediation of the accounts payable significant deficiency includes working with the Administrations and staff offices to develop and implement standard operating procedures for recording, reviewing and monitoring accruals and accounts payable.



VA's OBO continued aggressive oversight of field compliance with financial policies and procedures. In instances of non-compliance, OBO identified root causes and made recommendations to the appropriate offices to correct deficiencies. In addition, OBO completed an assessment of internal controls over financial reporting in compliance with OMB Circular A-123. OBO identified deficiencies and issued recommendations. OBO will monitor all recommendations issued in 2011 until they are completed.

VBA finalized the BDN policies and procedures documentation providing standardized business practices for data reconciliation, transfer and storage of data, and external reporting. VBA automated the reporting function from the VBA data warehouse, resulting in more timely, accurate, and complete reports while reducing the risk of error associated with manual input. VBA completed the transfer of all BDN accounting data for Chapter 18 and Chapter 31 education benefits into the VBA data warehouse.

During 2011, OIT continued work on remediation of the IT Security Controls Material Weakness by developing enterprise-wide plans for remediation. In addition, with the assistance of such enterprise-wide initiatives as VA's Visibility to the Desktop Program, which allows visibility of all end-user computers connected to the VA network, VA has transitioned to continuous monitoring to provide a real time view of its security posture. This has already yielded positive results in Federal Desktop Core Configuration compliance. Vulnerability scanning of its network in 2011 has allowed VA to address, in real time, the continual and ever changing threats to its information systems.

In late February 2011, VA OIT senior management decided to place the SAM Project on OIT Program Management Accountability System (PMAS) 5-month strategic pause after the project received a third PMAS strike. A new business sponsor was brought onto the project team and it was decided to limit deployment functionality to support VA facilities management (FM) capabilities. The remainder of 2011 included a strategic re-planning of the project scope, project management and execution methodologies, business ownership, and deployment roadmap.

Planned 2012 Milestones with estimated completion quarter

VBA will complete the transfer of all BDN accounting data for Chapter 35 education benefits into the VBA data warehouse. **(Q1)**

OIT will execute the enterprise remediation plans developed in 2011 by individuals with the responsibility to implement the solution at their site or location. Many of OIT's 2011 corrective action plans include milestones that extend into 2012. Also, VA hopes to have its Visibility to the Server initiative fully in place by the 3rd quarter of 2012. This will allow visibility to the servers connected to its network and will allow VA to proactively remediate server-related vulnerabilities on a real-time basis. **(Q3)**

2012 will include a tactical project re-planning phase and a deployment phase for the SAM project. New methodologies will be refined and tailored for managing the project and the SAM solution. The planning phase will include the development of project deployment artifacts (e.g., implementation toolkit, standard FM processes, and standard configurations) that will be readily available and help with the end-user deployments as well as contribute to the overall plan for full enterprise deployment. Key



activities for site deployment will include business process reengineering, data migration, user training, system configuration, and initial production rollout of facilities' management's capabilities. **(Q4)**

During 2012, VA will continue to work toward complete remediation of any significant deficiencies and the remaining material weakness as well as continuing its aggressive oversight of field compliance with financial policies and procedures through regular reviews conducted by OBO as part of its 2012 Annual Review Plan. Identifying and reporting on non-compliance will assist field managers and VA Central Office in addressing the issues identified during field reviews, including systemic issues. **(Q4)**

OIG Sub-Challenge #3B: Reporting and Reducing Improper Payments

In November 2009, President Obama signed Executive Order 13520 with the purpose of reducing improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in major Federal programs. OIG found that VBA did not have an adequate process to ensure compliance with Executive Order 13520 reporting requirements. VA's listing of 101 high-dollar overpayments in the FY 2010 first quarter was incomplete primarily because VBA personnel misinterpreted reporting guidance. OIG identified 143 high-dollar overpayments totaling \$623,434 that VBA did not report. An additional 39,208 potential high-dollar overpayments totaling \$213 million were not adequately considered in VBA's process for identifying high-dollar overpayments. OIG determined that these 39,208 overpayments met some of the criteria used in determining reportable high-dollar overpayments. However, VBA did not gather and analyze additional information to determine which overpayments met all of the criteria and should have been reported.

OIG also found that VHA's FY 2009 risk assessment did not adequately assess the level of risk associated with their programs. VHA relied on a self-assessment process that consisted of a checklist; however, the process did not adequately address all payment components such as verifying the certification of the receipt of goods or services. A Financial Assistance Office review in 2009 found that claims were not adequately assessed for improper payment determination and concluded that risk assessment results were not valid.

To address these improper payments challenges, VA reported that VBA will review a statistically valid sample of all debts over \$1,667 and report on those that meet the definition as written by the Office of Management and Budget (OMB), and include C&P and Education Service administrative errors in improper payment reporting. In addition, VHA will conduct formal risk assessments and reviews of all programs in FY 2011 (and at least once every 3 years thereafter), to include independent reviews with specialized checklists, to establish a new baseline and more accurately determine if VHA programs are susceptible to significant improper payments in accordance with the Improper Payments Elimination and Recovery Act of 2010.



VA's Program Response
Estimated Resolution Timeframe: 2012
Responsible Agency Official: Executive in Charge, Office of Management
Under Secretary for Health
Under Secretary for Benefits

Completed 2011 Milestones

During 2011 the Office of Management (OM) worked closely with the VHA and VBA to ensure compliance with Executive Order 13520, *Reducing Improper Payments*. As the liaison between the administrations, staff offices, and the Office of Management and Budget (OMB) relative to improper payments' policy and procedures, OM coordinated and oversaw VA's efforts to implement new and revised legislation based upon OMB guidance and ensured that consolidated VA reports to Congress and OMB were prepared in compliance with reporting requirements.

In the 3rd quarter of 2011, VBA began reviewing a statistically valid sample of all debts over \$1,667. The sample was selected based on a 95-percent confidence rate with an uncertainty level of 5 percent. VBA used the results of the sample to develop inferential statistics regarding the population of debts. VBA reported on those payments that meet OMB's definition of improper payments in response to OIG Audit of VA's Implementation of Executive Order 13520, "Reducing Improper Payments." VBA will continue to report on improper payment cases where no receivable was established under the administrative error provisions. These reports contain root causes of debts, total number and amount of debts established in each quarter, and total amount of collections in each quarter.

VHA implemented significant improvements to its program risk assessments and reviews required by the Improper Payments Elimination and Recovery Act of 2010 (IPERA). Specifically, VHA conducted formal risk assessments on all 25 VHA programs. Risk assessments were completed by the VHA Financial Assistance Office (FAO) with input from program management. Based on the risk assessment results, medium and high risk programs that were probably or highly likely to be susceptible to significant improper payments underwent a statistically valid payment review. The VHA FAO reviewed sampled payments using a specialized checklist detailing specific compliance criteria to more accurately identify payment accuracy. For example, each sampled payment was reviewed against policies and procedures to determine if the payment was made to an eligible recipient, was for an eligible good or service, was a duplicate payment, was for goods or services received, accounted for credit of applicable discounts, was made in the correct amount, and was made in compliance with policies and procedures. In addition, for high risk programs, program officials were identified and are responsible for implementing a corrective action plan to strengthen internal controls, reduce improper payments, and establish reduction targets.

Planned 2012 Milestones with estimated completion quarter

OM is working with the Office of Acquisitions to develop the necessary solicitation documents for a GSA Schedule contract that will provide analysis of improper benefit payments data to determine the level of preventable improper payments under current laws, regulations, and policies. In addition, the contract will determine if it is feasible to pursue payment recapture audits of improper payments under IPERA.



The contract is expected to be awarded in the first quarter of 2012. **(Q1)** Based on the analysis provided, OM will continue work with VA administrations and offices to further reduce VA improper payments. **(Q4)**

VHA management has implemented the corrective actions recommended by OIG. VHA will continue to monitor and review its risk assessment and review process and make improvements where appropriate to further identify and reduce improper payments. **(Q1-4)**

OIG Sub-Challenge #3C: Improving Oversight of VA Workers' Compensation Program

VA continues to experience challenges with managing Workers' Compensation Program (WCP) cases effectively. VA's WCP costs have increased 44 percent over the last two decades to approximately \$182 million, and VHA comprises 93 percent of the Department's total WCP costs. A 2011 OIG audit found that VHA submitted employee compensation forms timely, but lacked the medical evidence necessary to support the employee's continued disabilities. OIG's audit also identified missed opportunities to return employees to work, incomplete case file documentation, and instances of potential fraud.

OIG attributed these issues to a lack of oversight to ensure compliance with WCP statutory requirements. Additionally, VHA has not assigned dedicated WCP resources to manage cases effectively. Ineffective WCP case management could lead to program fraud, as well as potentially unnecessary and inappropriate costs to the Department. OIG recommended ensuring adequate oversight and assigning dedicated resources to assist VHA in improving its WCP case management.

Four prior WCP audits similarly reported enhanced case management could reduce the Departments' costs and the risk for fraud and abuse. For example, a 2004 audit reported VA lacked the medical evidence necessary to support the employee's continued disabilities and identified instances of potential fraud. OIG recommended VA increase Department-wide program management and oversight processes, and dedicate resources to ensure effective case management and reduce the risk of WCP fraud.

VA's Program Response
Estimated Resolution Timeframe: 2013
Responsible Agency Official: Under Secretary for Health
Assistant Secretary for Human Resources and Administration

Completed 2011 Milestones

The Department of Veterans Affairs (VA) acknowledges that oversight of its Workers' Compensation Program (WCP) and compliance with WCP statutory requirements must improve.

In April 2011 VHA began to develop an action plan to address how best to ensure employees return to work if that is possible, document case files completely, and reduce the potential for fraud.



VHA has identified operations resources, including personnel, to work with policy officials in VA and VHA to review and identify how best to improve existing procedures as well as implement new processes.

Planned 2012 Milestones with estimated completion quarter

VHA will:

- Establish clear reporting lines with delegated authority for identifying and implementing enforcement and compliance criteria for WCP including development and implementation of oversight and enforcement processes. **(Q1)**
- Issue instructions to improve accuracy of case management in the field. **(Q2)**
- Monitor performance to identify areas that require additional focus and improvement. **(Q4)**
- Establish criteria using best practices and return-on-investment models to determine what is an appropriate WCP staff/programs ratio to manage a WCP effectively and efficiently. **(Q4)**
- Collaborate with appropriate VA offices. **(Q1 and ongoing)**

OIG CHALLENGE #4: PROCUREMENT PRACTICE

-Strategic Overview-

VA operations require the efficient procurement of a broad spectrum of services, supplies, and equipment at the local and national level. OIG audits, inspections, and reviews continue to identify systemic deficiencies in all phases of the procurement process to include planning, solicitation/negotiation/award, and administration. OIG attributes these deficiencies to the decentralized organizational structure in addition to inadequate oversight and accountability.

Deficiencies in the procurement process, failure to comply with the Federal Acquisition Regulation (FAR) and VA Acquisition Regulation, and the lack of effective oversight increase the risks that VA will award sole source and set-aside contracts intended for eligible Veteran-owned and service-disabled Veteran-owned businesses (VOSB and SDVOSB) to ineligible businesses and that contractual performance requirements will not be met. Further, VA risks paying more than fair and reasonable prices for supplies and services and making overpayments to contractors. VA must improve its acquisition processes and oversight to restore the integrity of VA's VOSB and SDVOSB programs and ensure the efficient use of VA funds and compliance with applicable procurement laws, rules, regulations, and policies.

OIG Sub-Challenge #4A: Improve Oversight for VA's VOSB and SDVOSB Programs

OIG's audit of Veteran-owned small business (VOSB) and of service-disabled Veteran-owned small business (SDVOSB) programs disclosed that VA awards numerous VOSB and SDVOSB contracts annually to ineligible businesses. Businesses were ineligible because Veterans did not really own and control the businesses or the Veteran owners subcontracted more work to non-Veteran-owned businesses than allowed under Federal regulations. Ineligible businesses received contract awards due to inadequate business verification processes and program controls and the lack of a coordinated VA acquisition oversight process to ensure contracting officers assessed contractor eligibility at the time of award. Strengthened management controls and oversight for the VOSB and SDVOSB contracting programs could reduce awards made to ineligible businesses by at least \$500 million or \$2.5 billion over the next 5 years. OIG projections also indicate that VA's reported total VOSB and SDVOSB procurement dollars



could be overstated anywhere from 3 to 17 percent due to awards made to ineligible businesses. Thus, VA may be barely meeting the Secretary's VOSB and SDVOSB procurement goals of 12 and 10 percent, even though it reported its VOSB and SDVOSB awards totaled 23 and 20 percent, respectively, of its procurement dollars in FY 2010.

The OIG has 86 open SDVOSB investigations and has issued 268 subpoenas and executed 19 search warrants. To date, OIG investigations have resulted in six indictments and one conviction. In April 2011, the CEO of a construction management and general contracting company that was awarded VA and Department of the Army construction contracts set aside for SDVOSB and VOSB companies was convicted of committing Major Fraud Against the United States, Witness Tampering, False Statements, and Mail Fraud. A joint OIG investigation revealed that the CEO falsely self-certified that his company was an eligible SDVOSB and VOSB in order to obtain over \$16 million in contracts that were set aside for legitimate SDVOSBs and VOSBs. Both the CEO and the company have been debarred from doing business with the Government for 5 years.

In June 2011, a company and four individuals were charged with Conspiracy to Defraud the Government, Major Program Fraud, Wire Fraud, Conspiracy to Commit Money Laundering, and False Statements. A joint OIG investigation determined that the SDVOSB acted as a pass-through company for a larger company and that the owner of the SDVOSB was not a service-disabled Veteran. Subsequent to the indictments, agents arrested the four individuals and simultaneously executed eight search/seizure warrants. Based on information provided by VA OIG, the Department's Suspension and Debarment Committee suspended the company and the four individuals from doing business with the Federal Government.

VA's Program Response
Estimated Resolution Timeframe: 2012
Responsible Agency Official: Executive Director, OSDDBU

Completed 2011 Milestones

On September 4, 2011, VA completed the verification of all firms in the Vendor Information Pages (VIP) database, eliminating the need for the expedited Class Deviation program that ensured that all VOSBs were verified prior to receiving an award under the "Veterans First" procurement program. VA has implemented and continues to monitor contracting actions for opportunities suitable for Veteran small firms. We have re-engineered the process to include a full document review and have expanded our site visit program. Additionally, VA has become more proactive through improved communications to our stakeholders about the status of their applications, performing a detailed records check to ensure that all applications are properly accounted for and recorded, and implementing a new quality control process to give better management oversight to the program.

For cases of misrepresentation, Public Law 109-461 directs VA to debar SDVOSB or VOSB firms for up to 5 years. VA has implemented this provision and initiated debarment proceedings for 13 firms and individuals. In September 2010, VA established the 8127 Debarment Committee, so named after section 8127 of title 38, United States Code, as adopted in Public Law 109-461. The 8127 Debarment Committee has provided guidance on the VA Web site on when and how to refer cases to them for



review. The Committee makes recommendations to the agency debarbing official, the Deputy Assistant Secretary for Acquisition and Logistics. If a firm is debarred, VA makes an entry in the Governmentwide Excluded Parties List System (EPLS). The Federal Acquisition Regulation (FAR) directs contracting officers to consult the EPLS (and document to the contract file) prior to making a contract award to ensure debarred firms do not receive contracts during the period of the debarment. In cases of clear intent of misrepresentation, referrals are made to the Office of the Inspector General. Additionally, OIG maintains a hotline that accepts complaints from VA employees and the general public concerning criminal activity, waste, fraud, abuse, and mismanagement involving VA programs and operations.

Performance fraud is a serious potential risk to the integrity of the program as it becomes another way ineligible firms might tap into the program using eligible firms as fronts. VA's Office of Acquisition, Logistics, and Construction is heightening its scrutiny. We will begin sampling contracts and reviewing them for compliance as well as reviewing contracts whenever instances of alleged fraud have taken place. OSDDBU also monitors and reviews status protests and will monitor the subcontracting compliance reviews.

Planned 2012 Milestones with estimated completion quarter

In addition to the above ongoing activities, VA has established a Subcontracting Compliance Review Program and will be auditing selected contracts to ensure prime contractors are meeting subcontracting obligations. **(Beginning in Q1)**

OIG Sub-Challenge #4B: Improve Oversight of Procurement Activities

VA does not have a comprehensive national program to oversee contracting and purchasing activities, especially at the local levels. This is due to the decentralization of the process and the failure of VA entities with dedicated contract specialists to establish an oversight program. Effective oversight is difficult to achieve because there is no central database that captures all VA contracting and purchasing information. Although VA established Electronic Contract Management System (eCMS) in 2007, OIG has found that it does not capture all VA procurement information and therefore does not provide accurate and complete information. A 2009 audit reported that eCMS was far from a complete inventory of procurements, in part because it only required data for procurements over \$25,000. OIG also found that only an estimated 17 percent of procurement actions required to be recorded were actually recorded. Recent reviews indicate that the deficiencies still exist.

For example, an OIG audit concluded managers at VA's National Acquisition Center (NAC) did not ensure staff fully utilized VA's mandatory eCMS to develop and award national contracts. This occurred because the Office of Acquisition and Logistics provided limited oversight to monitor eCMS compliance and ensure eCMS capabilities adequately supported NAC operations. In addition, Office of Acquisition, Logistics, and Construction (OALC) and NAC officials impaired and diminished visibility of VA procurement actions by not ensuring compliance with the mandatory use of eCMS.

During OIG's Recovery Act oversight, eCMS data reliability and system problems were identified that impact OALC's ability to effectively oversee VA procurements. VHA contracting officers did not uniformly and consistently use eCMS, did not always upload required contract documentation to eCMS,



did not always correct known inaccuracies in eCMS contract data, and sometimes misidentified contracts in the system. OALC officials had not formally alerted VHA contracting officers at the time of OIG's review of an eCMS technical interface problem related to the posting of solicitations on the Federal Business Opportunities website. These systemic problems affect the visibility of all VA procurement actions in eCMS and weaken the effectiveness of VA procurement oversight processes that rely on eCMS contract information.

Another OIG review of the Interagency Agreement between VA and the Navy, Space and Naval Warfare Systems Center (SPAWAR) for the award and administration of task orders for the Replacement Scheduling Activity development program, determined that contracts awarded by third parties like SPAWAR and the General Services Administration are not captured in eCMS. In addition, purchase card transactions are not included.

VA's Program Response

Estimated Resolution Timeframe: 2012

Responsible Agency Official: Executive Director, Office of Acquisition, Logistics, and Construction

Completed 2011 Milestones

OALC expanded the requirement for procurement data in eCMS to include actions equal to or greater than \$3,000 (formerly \$25,000). OALC collects and tracks monthly strategic metrics for eCMS usage, compliance, and availability. Quarterly Independent Validation and Verification (IV&V) of agency Federal Procurement Data System (FPDS) records against eCMS Contract Action Reports (CARs) enables VA to track and remediate data accuracy and completeness issues through continuous reporting, training, and enforcement. The NAC ensures all new procurements valued at the micro-purchase level (currently \$3,000) or more are accomplished in eCMS. NAC contracting officers are populating eCMS with complete, accurate information.

VA's Acting Chief Acquisition Officer and Senior Procurement Executive sponsored a procurement conference in June. It was attended by over 700 acquisition professionals from organizations throughout VA.

VA successfully conducted five A-123 reviews at the Technology Acquisition Center, Construction and Facilities Management, and three VHA regional contracting offices. VA led an Integrated Process Team in developing 11 enterprise-wide performance metrics that are being used to assess procurement outcomes across the Department. VA is in the process of finalizing the development of distance learning alternatives for the acquisition workforce.

VA has implemented a formal certification program for Program/Project Managers in accordance with the Federal Acquisition Program.



Planned 2012 Milestones with estimated completion quarter

OALC will place increased focus on tracking and reporting Interagency Agreements (IAA) in eCMS to ensure delivery and milestone target dates are met and to provide greater visibility and oversight of all VA procurement actions. Purchase card transactions are not processed through eCMS when the dollar amounts fall below VA's \$3,000 threshold requirement. **(Q4)**

OIG Sub-Challenge 4C: Effective Contract Administration

OIG continues to identify poor contract administration as a systemic deficiency resulting in overpayments to vendors. OIG's national audit of FY 2009 VA patient transportation contracts disclosed that Contracting Officer's Technical Representatives (COTRs) did not ensure the accuracy of related invoice payments. Payments for 18 percent of the trips on the patient transportation invoices were inaccurate because COTRs did not adequately review invoices before certifying them for payment, unauthorized staff verified and certified invoices instead of the designated COTR, and performance plans did not hold COTRs accountable for the performance of collateral COTR duties. Improved VISN patient transportation contract monitoring could prevent a projected \$91.8 million in overpayments and \$6.5 million in underpayments over the next 5 years.

An OIG inspection of brachytherapy services at the Philadelphia, PA, VAMC identified numerous deficiencies in the procurement of radiation therapy services from the University of Pennsylvania. OIG found that the COTR approved invoices for engineering services that were not included in the contract and did not independently verify that the services were provided. Instead, the COTR relied on verification by individuals who worked for the contractor. Furthermore, inspections of contracts awarded for services at CBOCs repeatedly found that COTRs failed to ensure that contractors complied with performance measures or off-set payment as required under the provisions of the contract. OIG also found that COTRs failed to timely disenroll patients as required under the terms of the contracts, which resulted in overpayments.

Collectively, OIG audits, inspections, and reviews have shown that COTRs are often poorly trained regarding their duties and responsibilities, are frequently not familiar with the terms and conditions of the contract, and may not be able to devote adequate time to the administration of the contract because it is a collateral duty.

VA's Program Response

Estimated Resolution Timeframe: 2012

Responsible Agency Official: Executive Director, Office of Acquisition, Logistics, and Construction

Completed 2011 Milestones

VHA released the COTR SOP in May 2011. The COTR SOP includes instructions on when a COTR is required, training requirements, nomination procedures, sample COTR designation letters, record-keeping requirements, invoice procedures, and the responsibilities of the Contracting Officer and COTR.



VHA Procurement Operations has also established a COTR Management Program that includes a newsletter and file review program.

The VA Acquisition Academy (VAAA) had two milestones to improve COTR training. The VAAA exceeded its goal to train over 900 additional COTRs with in-person training by reaching 1,958 with a 91 percent student overall satisfaction score. Additionally, the VAAA had a milestone to develop a distance delivery COTR course in 2011. That milestone was placed on hold based upon the Federal Acquisition Institute's (FAI) impending re-design of the COTR certification and training requirements. FAI will establish a new three-level FAC-COTR certification and training program based on the contract complexity. To mitigate the lack of distance delivery capability, the VAAA delivered COTR training at all VISN locations. This increased the accessibility of the training to VA's COTRs and minimized the travel costs.

VA's Office of Business Oversight (OBO) continued oversight of VHA field compliance with Contract Administration Payment Accountability policies and procedures. In instances of non-compliance, OBO identified the root causes and made recommendations to VHA senior officials to correct deficiencies. OBO will monitor all recommendations issued in 2011 until they are completed.

Planned 2012 Milestones with estimated completion quarter

The VHA Procurement Operations COTR Management Program intends to fully implement the COTR File Review program in 2012. VHA anticipates completing six COTR audits in 2012. The audits will be completed VISN by VISN. The COTR SOP includes additional VHA training for VHA COTRs. The VHA Operations training officer will develop a COTR training implementation plan and ensure completion of the supplemental VHA COTR training upon approval by VHA management. The COTR supplemental training module has been completed and is ready for distribution. **(Q4)**

VA will continue oversight of VHA field compliance with Contract Administration Payment Accountability policies and procedures through regular reviews conducted by OBO as part of its 2012 Annual Review Plan. Identifying and reporting on non-compliance will assist VHA senior officials in addressing the issues identified during field reviews, including systemic issues. **(Q4)**

OIG Sub-Challenge #4D: Compliance with Laws and Regulations

For several years, OIG audits and reviews have identified VA challenges in complying with Federal and VA acquisition laws and regulations that protect the Government's interests and promote transparency in procurements. Most recently, during a 2011 OIG audit, OIG concluded that many contracts in VA's VOSB and SDVOSB programs did not meet FAR, VA Acquisition Regulation (VAAR), and VA contracting requirements. Sixty-eight percent of 79 VOSB and SDVOSB contracts valued at \$21.9 million had one or more contracting deficiencies. Contracting officers awarded 20 businesses 30 VOSB and SDVOSB contracts valued at \$12 million where they did not complete a justification for other than full and open competition (JOTFOC) prior to the award or perform and document a price reasonableness determination in a document such as the price negotiation memorandum (PNM). Contracting officers also did not review the Excluded Parties List System (EPLS) to ensure businesses had not been debarred or determined ineligible to receive the contracts. Contracting officers did not check the EPLS for 23 businesses prior to the award of 41 VOSB and SDVOSB contracts totaling \$19.5 million. To meet this



challenge, VA needs to strengthen the monitoring of VOSB and SDVOSB contracts to ensure contracting officers have complied with applicable FAR and VAAR.

An OIG audit of VA transportation contracts found that contracting officers did not always award patient transportation services contracts competitively and contract files did not include all documentation required by the FAR. OIG determined there were systematic failures by VISN contract managers to adequately review the contracts, identify deficiencies, make recommendations for improvement, and monitor corrective actions.

In 2010, OIG reviewed allegations relating to the award of contracts to a company established by a former VA employee and found that VA personnel awarded contracts without complying with the Competition in Contracting Act. The task orders were issued against an existing multiple award contract without complying with the competition requirements of the underlying contract. In addition, the requirement of certain task orders was outside the scope of the contract. These findings are consistent with OIG reports issued in 2008 and 2009.

Pre and postaward reviews of contracts awarded by VA's National Acquisition Center (NAC) under Federal Supply Schedule (FSS) 621 I, Professional and Allied Health Care Staffing Services, found awarded prices at the contract level were not fair and reasonable as required by applicable laws and FAR provisions for the FSS program. OIG also found that the methodologies used by VA contracting officers to determine contract pricing were inadequate. Although NAC contracting officials knew that the prices were the "worst case" prices and not fair and reasonable prices, they failed to issue policy or advice to purchasing entities, which resulted in purchasers paying more than fair and reasonable prices for these services.

A related national audit of purchases made against FSS 621 I contracts for health care services disclosed that VA personnel at the buying level did not comply with FAR and internal VA policy regarding the purchase of supplies and services from the FSS. VISN contracting officers paid higher than necessary labor rates and travel expenses because they did not adequately review the orders' prices and did not always ensure adequate competition or maximum use of the FSS contracts, or maintain required contract documentation for orders. OIG also found that some medical facility personnel made unauthorized commitments when purchasing from these FSS contracts.

The lack of FSS procurement purchasing policies and procedures makes health care staffing service orders vulnerable to higher than fair and reasonable prices, improper payments, and violations of FAR requirements. Actions needed to strengthen FSS health care services price evaluation and ordering practices could reduce VHA costs by approximately \$7.7 million annually, or \$38.5 million over the next 5 years.



VA's Program Response

Estimated Resolution Timeframe: 2012

Responsible Agency Official: Executive Director, Office of Acquisition, Logistics, and Construction

Completed 2011 Milestones

eCMS automatically checks the Excluded Parties List System (EPLS) for excluded vendors and notifies the Contracting Officer (CO) if the vendor selected in eCMS is on the EPLS exclusion list. eCMS also retains a history file of the EPLS search. eCMS integrated EPLS in 2010. As a result, OALC automatically checks for excluded vendors, captures the history of the search, and provides COs with data permitting them to make informed vendor decisions for selections. There is no additional action planned other than reporting.

VHA has improved its oversight programs. The Integrated Oversight Process contract reviews have shown that VHA generally completed contracts in accordance with acquisition laws, regulations, and VA policy. VHA established an Acquisition Quality Office to provide the VHA Procurement and Logistics Office comprehensive insight into VHA's Acquisition Program. The audits focus on four primary areas: (1) Organizational Management, (2) Human Capital, (3) Acquisition Planning and Information Management, and (4) Basic Contract Reviews. The Acquisition Compliance audit team completed seven audits in 2011. Each VISN and Service Area Office (SAO) will be audited once every 3 years. In addition to the audit program, the Acquisition Quality office completed several standard operating procedures (SOPs) to improve the oversight of procurement activities in areas such as Integrated Oversight, Other Than Full and Open Competition, Procurement Process, Responsibility Determination, and contract closeout. VHA also established Quality Assurance/Compliance positions at the SAO and VISN levels to assist with the integrated oversight review process and implement the SOPs. To increase oversight activities, VHA also added metrics to the dashboard metric program.

The NAC formed a workgroup that includes members of the VA OIG, NAC, General Service Administration, VHA, and other policy offices. Currently the group is reviewing two proposals that outline updates to the commercial sales practice disclosures to provide a better understanding of the commercial pricing strategies used by FSS vendors. This will ensure adequate fair and reasonable determinations can be completed by COs.

VA completed five A-123 reviews of the Technology Acquisition Center, Construction and Facilities Management, and three VHA regional contracting offices.

Planned 2012 Milestones with estimated completion quarter

OALC is conducting eCMS stakeholder sessions to collect change requests. If OALC collects and validates additional data requirements for VOSB and SDVOSB contracts, OALC will implement the requirements in future eCMS releases. **(Q4)**

VHA will continue to implement the Acquisition Quality audit program and plans to complete ten audits in 2012 with approximately 3 to 4 audits completed each quarter. The SAOs/VISNs will be monitored for



compliance with the Integrated Oversight SOP. VHA is working to establish compliance metrics for Contract Review Board level contract reviews. Initial compliance reports should be available at the end of the first quarter. **(Q4)**

The NAC will use recommendations from the workgroup mentioned above to improve the overall functioning of the 621i Professional and Allied Supplemental Staffing contracts. **(Q4)**

OIG CHALLENGE #5: INFORMATION MANAGEMENT **-Strategic Overview-**

Information technology (IT) should enable government to better serve its citizens. The Federal Government, however, has experienced difficulty in achieving productivity improvements from IT advances similar to those realized by private industry. In large part, this has been caused by poor management of large-scale IT projects. All too often, Federal IT projects run over budget, behind schedule, or fail to deliver promised functionality.

VA has consolidated the vast majority of its IT resources under the Chief Information Officer (CIO) by reorganizing the IT functions of VA's Administrations under OIT. Through the stewardship of the CIO, OIT has positioned itself to facilitate VA's transformation into a 21st century organization by focusing on five key management areas. In 2011, OIT strived to: (1) achieve customer service in all aspects of IT; (2) develop a next generation IT Security Plan; (3) manage its IT organizations with metrics that are tracked; (4) focus on product delivery using the Project Management Accountability System (PMAS); and (5) perform better overall financial reporting.

However, OIG's annual CFS and information security program audits continue to report IT security control deficiencies that place sensitive information at risk of unauthorized use and disclosure. Furthermore, OIG oversight work indicates that additional actions are needed to safeguard and effectively manage VA's information resources and data, and that VA has only made marginal progress toward eliminating the information management material weakness reported in the CFS audit and remediating major deficiencies in IT security.

OIG Sub-Challenge #5A: Development of an Effective Information Security Program and System Security Controls

OIG continues to identify major IT security deficiencies in the annual information security program audits. While VA has made progress defining policies and procedures supporting its agency-wide information security program in accordance with the *Federal Information Security Management Act* (FISMA), they face significant challenges in meeting the requirements of FISMA.

OIG's 2010 audit identified significant deficiencies related to access, configuration management, and change management controls. Improvements are needed in service continuity practices to prevent unauthorized access, alteration, or destruction of major application and general support systems. CFS auditors also concluded that a material weakness exists related to the implementation of VA's agency-wide information security program. Finally, VA has also identified over 15,000 system security risks and



corresponding Plans of Action & Milestones (POA&M) that need to be remediated to improve its overall information security posture.

VA needs to focus its efforts to: (1) dedicate resources to aggressively remediate the significant number of unresolved POA&Ms and focus resources on addressing high risk system security deficiencies and vulnerabilities; (2) implement mechanisms to identify and remediate system security weaknesses on the Department's network infrastructure, database platforms, and web application servers across the enterprise; (3) develop and establish a system development and change control framework that will integrate information security throughout each system's life cycle; (4) implement technological solutions to actively monitor all network segments for unauthorized system access to Department programs and operations; and (5) implement mechanisms to ensure that system contingency plans are fully tested in accordance with FISMA.

VA's Program Response

Estimated Resolution Timeframe: 2012

Responsible Agency Official: Director, IT Operations and Deputy Assistant Secretary for Security

Completed 2011 Milestones

VA continued to make progress in improving its information security posture in 2011. This has resulted in a more comprehensive security program that better protects sensitive information. In 2011, VA improved its controls over remote access to its systems and information by continuing to eliminate the use of the One VA Virtual Private Network (VPN). Remote users are now required to use VA's RESCUE software to connect to its network; RESCUE assesses and corrects system configurations and scans for malware upon connection. Ninety percent of VA's One VA VPN remote users have been transitioned to VA's RESCUE software for remote network connectivity. Vulnerability scanning was also performed in 2011 to allow VA to address, in real time, the continual and ever changing threats to its information systems. During 2011, VA continued work on remediation of the IT Security Controls Material Weakness by developing enterprise-wide plans for remediation. VA has transitioned to continuous monitoring to provide a real-time view of its security posture. This has already yielded positive results in Federal Desktop Core Configuration (FDCC) compliance.

Planned 2012 Milestones with estimated completion quarter

With the assistance of enterprise-wide initiatives such as VA's Visibility to the Desktop and Server Programs, VA will have visibility into 100 percent of its servers and desktops by 2012 **(Q3)**. This will allow visibility of all end user computers and servers connected to the VA network so that VA can proactively remediate vulnerabilities on a real time basis. VA will continue to execute the enterprise remediation plans developed in 2011 for its IT Security Controls Material Weakness by individuals with the responsibility to implement the solution at their site or location. Many of VA's 2011 corrective action plans include milestones that extend into 2012 **(Q4)**.



OIG Sub-Challenge #5B: Strengthening Information Technology Governance

A 2009 OIG audit determined that the ad hoc manner in which OIT managed VA's realignment of its IT program from a decentralized to a centralized management structure inadvertently resulted in an environment with inconsistent management controls and inadequate oversight. Although OIG conducted this audit more than 2 years after VA centralized its IT program, senior OIT officials were still working to develop policies and procedures needed to manage IT investments effectively in a centralized environment. For example, OIT had not clearly defined the roles of IT governance boards responsible for facilitating budget oversight and IT project management.

Further, in September 2009, OIG reported that VA needed to better manage its major IT development projects, valued at that time at over \$3.4 billion, in a more disciplined and consistent manner. In general, OIG found that VA's System Development Life Cycle (SDLC) processes were adequate and comparable to Federal standards. However, OIT did not communicate, comply with, or enforce its mandatory software development requirements. OIT did not ensure that required independent milestone reviews of VA's IT projects were conducted to identify and address system development and implementation issues. Once again, OIG attributed these management lapses to OIT centralizing IT operations in an ad hoc manner, leaving little assurance that VA was making appropriate investment decisions and best use of available resources. Moreover, VA increased the risk that its IT projects would not meet cost, schedule, and performance goals, adversely affecting VA's ability to timely and adequately provide Veterans health services and benefits.

These audits demonstrated that OIT needed to implement effective centralized management controls over VA's IT investments. Specifically, OIG recommended that OIT develop and issue a directive that communicated the mandatory requirements of VA's SDLC process across the Department. OIG also recommended that OIT implement controls to conduct continuous monitoring and enforce disciplined performance and quality reviews of the major programs and projects in VA's IT investment portfolio. Although OIT concurred with recommendations and provided acceptable plans of actions, OIT's implementation of the corrective actions is still ongoing. For example, OIT is reviewing for approval the draft governance board charters and plans to issue a VA directive mandating Program Management Accountability System (PMAS) compliance once version 3.0 of the guide is developed. PMAS is VA's new IT management approach that focuses on achieving schedule objectives while the scope of functionality provided remains flexible.

As of May 2011, OIT was managing all 119 active development programs and projects using PMAS. An additional 60 projects were in the planning stage, while 41 projects were classified as new starts. However, OIT lacks the program management skills and the financial management system capabilities to fully track program costs and to implement an effective earned value management system to assist with achieving cost and performance goals. VA is challenged to ensure appropriate investment decisions are made and that annual funding decisions for VA's IT capital investment portfolio will make the best use of VA's available resources.



VA's Program Response
Estimated Resolution Timeframe: 2012
Responsible Agency Official: Assistant Secretary for Information and Technology

Completed 2011 Milestones

OIT continues to make significant progress towards strengthening IT governance through the effective use of three IT governance boards that provide Departmental IT direction, oversight, prioritization, enforcement, and issue resolution. All VA administrations and staff offices are represented to ensure their critical business requirements are understood. The Department's Strategic Management Council (SMC) is chaired by the VA Deputy Secretary and serves as the conduit for directly linking the three IT governance boards. The SMC makes decisions related to IT strategy and technology, overall level of IT spending, aligns and approves enterprise architecture, accepts IT risks, and is the final approver of matters that come before the SMC.

The three IT governance boards are assigned specific focus areas to effectively address and manage both near-term and long-term IT requirements and resources. The Programming and Long Term Issues Board (PLTIB) focuses on long-term multi-year program planning which leads into the budget formulation and execution year activities that the Business and Near Term Investment Board (BNTIB) is responsible to oversee. Transparency, collaboration, and continuity play a vital role in effective governance of IT programs. Toward this end, the implementation of vertical and horizontal coordination, reporting, and information flow between the PLTIB and the BNTIB has been achieved (2011) and will be maintained. The Information Technology Leadership Board adjudicates inter- and intra-board issues of significance that cannot be resolved between or within the respective boards as well as making final IT recommendations to the SMC.

To support VA's commitment to transform the Department into a 21st Century organization, the new Office of Architecture, Strategy and Design (ASD) oversees statutorily required processes and outcomes and is a key component of OIT's strategic planning, IT governance, and policy and process development. ASD creates standards for implementing IT solutions that best serve Veterans while exercising proper stewardship of resources. ASD provides a framework of policies, guidance, and governance to ensure IT programs and projects are designed and executed to satisfy current and future business needs of VA. This office helps ensure work performed by OIT meets customer demand by establishing a framework which integrates technical, business, and data architecture; provides systems design and integration; creates forward thinking IT strategy; and uses knowledge management to provide methods and technology to acquire and retain knowledge to improve information sharing across OIT and its customers.

Additionally, ASD establishes processes and practices to enable success of VA IT programs and projects by providing accountability and transparency controls in PMAS. Used as a complementary piece to VA's IT governance process, PMAS has proved invaluable in the early identification of underperforming IT investments, thereby providing the Assistant Secretary for Information Technology the flexibility to reallocate scarce resources to projects that are on track to succeed and provide a significant value to



Veterans, their dependants, survivors, and other stakeholders. A complete description of 2011 PMAS milestones can be found in the response to OIG Sub-challenge #5C.

Planned 2012 Milestones with estimated completion quarter

OIT will continue to mature IT Governance Board processes and methodologies (Q2). A complete description of 2012 PMAS milestones can be found in the response to OIG Sub-challenge #5C.

OIG Sub-Challenge #5C: Effective Oversight of Active IT Investment Programs and Projects

VA has a longstanding history of challenges in effectively managing IT development projects. For example, after 6 years and despite spending more than \$249 million, VA halted the Core Financial and Logistics System (CoreFLS) project in 2004 due to significant project management weaknesses. VA began work on the Financial and Logistics Integrated Technology Enterprise (FLITE) program, the successor to CoreFLS, in September 2005 to meet its ongoing need to address a material weakness in VA's financial operations. In July 2010, VA canceled FLITE, with the exception of the Strategic Asset Management (SAM) project, partly because FLITE had suffered from the same project management issues that plagued CoreFLS. SAM subsequently proved to be another troubled IT development project. In April 2009, VA awarded a task order for the SAM project valued at approximately \$8 million. Modifications increased the value of the task order to over \$20 million, more than doubling the value of the task order and the period of performance. Then, in February 2011, VA suspended SAM for failing to meet three delivery milestone dates.

Similarly, the Veterans Service Network (VETSNET) program has faced a number of cost, schedule, and performance goal challenges. As of May 2009, VBA estimated the total cost of VETSNET to be more than \$308 million; more than 3 times the initial cost estimate. After more than 14 years of VBA development, including management and process improvements, VETSNET has the core functionality needed to process and pay the majority of compensation and pension (C&P) claims; however, work remains to meet the original goals for VETSNET. VETSNET's major releases were developed with unstable functional requirements resulting in inadequate time to fully test software changes. Test environments did not always sufficiently replicate production environments resulting in inadequate testing of VETSNET software releases.

Major releases of VETSNET contained functions that did not operate as intended and many system defects were deferred or corrected in subsequent software releases. In addition, VA also has not communicated a clear and consistent long-term objective for the VETSNET program. VETSNET is expected to replace only the legacy C&P functions; however, VETSNET's Exhibit 300 and VA's FY 2011 Budget Submission state that VBA will retire the entire legacy system in FY 2012, due to VETSNET enhancements. Further complicating matters, VBA has recently launched several high profile IT initiatives that will leverage VETSNET to make benefit payments. These overlapping IT initiatives increase the risks that VBA will experience further delays in achieving the original VETSNET goals.

Recently, VA has also had trouble establishing an effective IT project management system. A 2011 OIG audit found a great deal of work remains before VA's PMAS can be considered completely established and fully operational. PMAS represents a major shift from the way VA historically has planned and



managed IT development projects. PMAS was designed as a performance-based management discipline that provides incremental delivery of IT system functionality—tested and accepted by customers—within established schedule and cost criteria. However, our audit concluded that OIT instituted the PMAS concept without a roadmap identifying the tasks necessary to accomplish PMAS or adequate leadership and staff to effectively implement and manage the new methodology. Lacking such foundational elements, OIT has not instilled the discipline and accountability needed for effective management and oversight of IT development projects.

Specifically, OIT did not establish key management controls to ensure PMAS data reliability, verify project compliance, and track project costs. Also, OIT did not put in place detailed guidance on how such controls will be used within the framework of PMAS to manage and oversee IT projects. Consequently, the current PMAS framework does not provide a sound basis for future success. For example, the PMAS Dashboard’s usefulness as a project management and performance monitoring tool is limited. The information maintained on the Dashboard is not always reliable and does not provide the project performance history needed to help senior VA leaders make informed project decisions. In addition, OIT has not established key management controls over items such as data reliability, PMAS compliance, and project costs—controls needed to make PMAS a viable IT oversight mechanism. Until these deficiencies are addressed, VA’s portfolio of IT development projects will remain susceptible to cost overruns, schedule slippages, and poor performance.

To improve PMAS, VA must develop an implementation plan and assign adequate leadership and staff needed to fully execute the IT project management system. In addition, VA needs to establish controls for ensuring data reliability, verifying project compliance, and tracking costs to strengthen PMAS oversight. Finally, VA must prepare and provide users detailed guidance on using PMAS to ensure IT project success.

VA’s Program Response

Estimated Resolution Timeframe: 2013

Responsible Agency Official: Assistant Secretary for Office of Information and Technology

Completed 2011 Milestones

During 2011, OIT with the Project Management Accountability System (PMAS) tracked the status of over 300 development and infrastructure projects and delivered over 80 percent of all scheduled product capability. Of these 300 development and infrastructure projects, 122 are Active – still in development, and 63 have been completed. The other projects are in various stages of further definition and planning. Delivering over 80 percent of all scheduled product capability represents more than 320 new products or product enhancements that had a positive impact on Veteran-facing functionality.

The PMAS system continues to be enhanced, with 6 product builds releasing new capabilities during 2011. Two of the primary software changes included the ability to track Baseline Date changes for projects and the ability to capture the number of Strikes that a project has received. The system tracks over 50 Universal Project Milestone (UPM) codes which describe the status of each project’s Milestones. Two releases of the PMAS Guide, which sets policy, occurred in 2011, Vn. 2.1 and 3.0. The Red Flag and Strike processes were formalized, and meetings with OIT Executives are held on a weekly basis so that



projects can either escalate problems or report on why Milestones were not met on time. A Proof of Concept effort is underway to track project resource consumption and is expected to be rolled out during 2012. Migration of the PMAS systems to OIT's Austin Data Center and new production hardware providing expanded capacity and improved system performance and reliability were also accomplished in 2011.

Planned 2012 Milestones with estimated completion quarter

In 2012, OIT anticipates continuing the release of new PMAS capabilities. In addition, the PMAS Office, under the direction of the Deputy Assistant Secretary for Product Development, will stand up on October 1, 2011. This office will set policy and provide oversight and reporting on all Projects in development.

- New enhancements to the PMAS System will include the ability to interface with multiple VA financial and contracting systems to capture project obligations and expenditures. These enhancements are expected to be completed over the next two fiscal years **(2012 and 2013)**.
- A Prioritized List of the system interfaces to be developed will be established. **(Q1)**
- A new contract for the development of the System Interfaces will be required and is expected to be awarded by the end of **Q1**.
- Resource consumption will be tracked via a new project timekeeping system that is being implemented as part of the PMAS system. **(Q3)**
- A centralized repository for all project artifacts will be deployed and populated. **(Q3)**
- New PMAS requirements and system capabilities will be documented in the next release of the PMAS Guide. **(Q4)**
- Interim guidance will be provided to Project Managers as new features are released. Formal changes to the PMAS Guide will be documented at least once a year.



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.

HEALTH CARE DELIVERY

Audit of VA Consolidated Mail Outpatient Pharmacy Inventory Accountability, Report Number 08-02730-133, May 28, 2009

Audit of Consolidated Mail Outpatient Pharmacy Contract Management, Report Number 09-00026-143, June 10, 2009

Audit of Veterans Health Administration's Management of Non-Controlled Drugs, Report Number 08-01322-114, June 23, 2009.

Healthcare Inspection, Review of Selected Pharmacy Operations in Veterans Health Administration Facilities, Report Number 07-03254-40, December 3, 2009

Audit of VA's Efforts To Provide Timely Compensation and Pension Medical Examinations, Report Number 09-02135-107, March 17, 2010.

Review of Fraud Management for the Non-VA Fee Care Program, Report Number 10-00004-166, June 8, 2010.

Audit of Guide and Service Dog Program, Report Number 10-01714-188, July 7, 2010.

Veterans Health Administration Audit of Community-Based Outpatient Clinic Management Oversight, Report Number 09-02093-211, July 28, 2010.

Audit of Non-VA Inpatient Fee Care Program, Report Number 09-03408-227, August 18, 2010.

Healthcare Inspection, Alleged Inappropriate Prescription and Staffing Practices, Hampton VA Medical Center, Hampton, Virginia, Report Number 10-01167-06, October 12, 2010.

Healthcare Inspection, Evaluation of Community Based Outpatient Clinics, Fiscal Year 2009, Report Number 10-03103-12, October 21, 2010.

Healthcare Inspection, Review of Quality of Care at a VA Medical Center, Report Number 10-03237-41, December 9, 2010.

Review of Combat Stress in Women Veterans Receiving VA Health Care and Disability Benefits, Report Number 10-01640-45, December 12, 2010.



Combined Assessment Program Summary Report, Re-Evaluation of Reusable Medical Equipment and Environment of Care at the Central Texas Veterans Health Care System, Temple, Texas, Report Number 10-03926-76, January 26, 2011.

Audit of the Veterans Service Network, Report Number 09-03850-99, February 18, 2011

Audit of VHA's State Home Per Diem Program, Report Number 10-01529-108, March 2, 2011.

Healthcare Inspection, Alleged Continuity of Care Issues, VA Greater Los Angeles Healthcare System, Los Angeles, California, Report Number 11-00910-118, March 4, 2011.

Healthcare Inspection, Reprocessing of Dental Instruments, John Cochran Division of the St. Louis VA Medical Center, St. Louis, Missouri, Report Number 10-03346-112, March 7, 2011.

Healthcare Inspection, Radiation Safety in Veterans Health Administration Facilities, Report Number 10-02178-120, March 10, 2011.

Combined Assessment Program Summary Report, Evaluation of Reusable Medical Equipment Practices in Veterans Health Administration Facilities, Report Number 10-00135-121, March 14, 2011.

Healthcare Inspection, Alleged Poor Quality of Patient Care, Marion VA Medical Center, Marion, Illinois, Report Number 10-03080-124, March 16, 2011.

Combined Assessment Program Summary Report, Re-Evaluation of Suicide Prevention Safety Plan Practices in Veterans Health Administration Facilities, Report Number 11-01380-128, March 22, 2011.

Oversight Review of Dental Clinic Issues, Dayton VA Medical Center, Dayton, Ohio, Report Number 10-03330-148, April 25, 2011.

Audit of the VHA's Office of Rural Health, Report Number 10-02461-154, April 29, 2011.

Review of Healthcare Services and Benefits for Resident U.S. Virgin Islands Veterans, Report Number 10-03882-151, May 5, 2011.

Healthcare Inspection, Post Traumatic Stress Disorder Counseling Services at Vet Centers, Report Number 10-00628-170, May 17, 2011.

Audit of the Medical Care Collection Fund Billings for Non-VA Care, Report Number 10-02494-176, May 25, 2011.

Healthcare Inspection, Evaluation of Community Based Outpatient Clinics, Fiscal Year 2010, Report Number 11-00794-185, June 7, 2011.

Healthcare Inspection, Prescribing Practices in the Pain Management Clinic, John D. Dingell VA Medical Center, Detroit, Michigan, Report Number 11-00057-195, June 15, 2011.



Healthcare Inspection, A Follow-Up Review of VHA Mental Health Residential Rehabilitation Treatment Programs (MH RRTP), Report Number 10-04085-203, June 22, 2011.

Healthcare Inspection, Delays in Cancer Care, West Palm Beach VA Medical Center, West Palm Beach, Florida, Report Number 11-00930-210, June 29, 2011.

BENEFITS PROCESSING

Audit of VA Regional Office Rating Claims Processing Exceeding 365 Days, Report Number 08-03156-227, September 23, 2009

Audit of Veterans Benefits Administration's Control of Veterans' Claims Folders, Report Number 09-01193-228, September 28, 2009

Audit of VA Regional Office Claim-Related Mail Processing, Report Number 08-01759-234, September 30, 2009

Audit of VA's Efforts to Provide Timely Compensation and Pension Medical Examinations, Report Number 09-02135-107, March 17, 2010

Audit of the Fiduciary Program's Effectiveness in Addressing Potential Misuse of Beneficiary Funds, Report Number 09-01999-120, March 31, 2010

Audit of National Call Centers and the Inquiry Routing and Information System, Report Number 09-01968-150, May 13, 2010

American Recovery and Reinvestment Act Oversight Advisory Report Audit of VA's Implementation of the Post-9/11 GI Bill Long Term Solution, Report Number 10-00717-261, September 30, 2010

Veterans Benefits Administration Audit of Education Claims and Payments for the Post-9/11 GI Bill, Report Number 09-03458-18, November 3, 2010

Audit of VBA's 100 Percent Disability Evaluations, Report Number 09-03359-71, January 24, 2011

Audit of VBA's Retroactive and One-Time Payments to Incompetent Beneficiaries, Report Number 10-01607-110, March 3, 2011

Systemic Issues Reported During Inspections at VA Regional Offices, Report Number 11-00510-167, May 18, 2011

FINANCIAL MANAGEMENT

Review of Interagency Agreement between the Department of Veterans Affairs and Department of Navy, Space and Naval Warfare Systems Center (SPAWAR), Report Number 09-01213-142, June 4, 2009



Audit of VA Electronic Contract Management System, Report Number 08-00921-181, July 30, 2009

Review of Alleged Improper Program Management within the FLITE Strategic Asset Management Pilot Project, Report Number 10-01374-237, September 7, 2010

Audit of the FLITE Strategic Asset Management Pilot Project, Report Number 09-03861-238, September 14, 2010

Audit of VA's Consolidated Financial Statements for Fiscal Year 2010, Report Number 10-01406-20, November 10, 2010

Audit of VHA's Workers' Compensation Case Management, Report Number 10-03850-298, September 30, 2011

PROCUREMENT PRACTICES

Healthcare Inspection Review of Brachytherapy Treatment of Prostate Cancer, Philadelphia, Pennsylvania, and Other VA Medical Centers, Report Number 09-02815-143, May 3, 2010

Audit of Oversight of Patient Transportation Contracts, Report Number 09-01958-155, May 17, 2010

Audit of VISN Procurement Practices for FSS Professional and Allied Healthcare Staffing Services, Report Number 08-00270-162, June 7, 2010

Review of Federal Supply Schedule 621 I -- Professional and Allied Healthcare Staffing Services, Report Number 08-02969-165, June 7, 2010

Review of Allegations of Improper Contract Awards to Watkins Sinclair, LLC, Report Number 09-02322-192, July 14, 2010

Audit of Veteran-Owned and Service Disabled Veteran-Owned Small Business Programs, Report Number 10-02436-234, July 25, 2011

Audit of National Contract Awards at VA's National Acquisition Center, Report Number 10-01744-265, September 2, 2011

INFORMATION MANAGEMENT

Audit of VA's Management of Information Technology Capital Investments, Report Number 08-02679-134, May 29, 2009

Department of Veterans Affairs System Development Life Cycle Process, Report Number 09-01239-232, September 30, 2009



Part II - Major Management Challenges

Review of Alleged Improper Program Management within the FLITE Strategic Asset Management Pilot Project, Report Number 10-01374-237, September 7, 2010

Audit of the FLITE Strategic Asset Management Pilot Project, Report Number 09-03861-238, September 14, 2010

Audit of VA's Consolidated Financial Statements for Fiscal Year 2010, Report Number 10-01406-20, November 10, 2010

Audit of the Veterans Service Network, Report Number 09-03850-99, February 18, 2011

Federal Information Security Management Act Assessment for FY 2010, Report Number 10-01916-165, May 12, 2011

Audit of the Project Management Accountability System Implementation, Report Number 10-03162-262, August 29, 2011



High-Risk Areas Identified by GAO

The U.S. Government Accountability Office (GAO) evaluates VA’s programs and operations. In February 2011, GAO issued an update to its High-Risk Series (GAO-11-278). The GAO-identified High-Risk Areas (specific to VA as well as Governmentwide) are summarized below. In response to each of the High-Risk Areas (HRAs), the Department has provided the following:

- **Estimated resolution timeframe (fiscal year)** for VA to eliminate each HRA
- **Responsible Agency Official** for each HRA
- **Completed 2011 milestones** in response to the HRA
- **Planned 2012 milestones** along with **estimated completion quarter**

High-Risk Area		Estimated Resolution Timeframe (Fiscal Year)	Page #
No.	Description		
GAO 1	Improving and Modernizing Federal Disability Programs	2012	II-197
GAO 2	Strategic Human Capital Management: A Governmentwide High-Risk Area	2012	II-200
GAO 3	Managing Federal Real Property: A Governmentwide High-Risk Area	2012	II-202
GAO 4	Protecting the Federal Government’s Information Systems and the Nation’s Critical Infrastructures: A Governmentwide High-Risk Area	2012	II-204
GAO 5	Management of Interagency Contracting: A Governmentwide High-Risk Area	2012	II-205
	Appendix		II-207



GAO High-Risk Area 1: Improving and Modernizing Federal Disability Programs

Designated a high-risk area in 2003, Federal disability programs remain in need of modernization. Almost 200 Federal programs provide a wide range of services and supports, resulting in a patchwork of policies and programs without a unified strategy or set of national goals. Further, disability programs emphasize medical conditions in assessing work incapacity without adequate consideration of work opportunities afforded by advances in medicine, technology, and job demands. Beyond these broad concerns, the largest disability programs--managed by the Social Security Administration (SSA), Department of Veterans Affairs (VA), and Department of Defense (DoD)--are experiencing growing workloads, creating challenges to making timely and accurate decisions.

VA has made progress in some areas of its claims process and faced continued challenges in others. In fiscal year 2008, VA completed nearly 66 percent more initial compensation claims than in fiscal year 2000 and reduced pending appeals from about 127,000 to 95,000. However, in fiscal year 2008, it took VA on average 776 days to resolve an appeal. We reported in January 2010 that VA has implemented several improvement initiatives, including expanding its practice of workload distribution and testing new claims-processing approaches--such as shortening response periods for certain claims and appeals and reorganizing its claims-processing units. Per our recommendations, VA recently completed evaluations of some key initiatives, and continues to evaluate others. Thus, their long-term impact on the timeliness and accuracy of Veterans' claims is not yet known.

Through their pilot of an integrated disability evaluation system (IDES), DoD and VA have made some progress toward addressing inefficiencies associated with operating two separate yet similar disability systems, but full implementation will require careful monitoring. DoD's and VA's recently completed evaluation of the pilot has generally shown positive results. In support of plans to expand the IDES militarywide, DOD and VA have identified actions needed to address staffing, logistical, and other challenges. However, they do not have a monitoring process for identifying emerging problems such as staffing shortages in order to quickly take remedial actions. DoD and VA should develop a comprehensive monitoring mechanism.

An overall Federal strategy and governmentwide coordination among programs is needed to align disability policies, services, and supports, but little progress has been made. SSA, VA, and DoD leadership have demonstrated a strong commitment and invested additional resources to address claims workloads. However, the agencies still need to complete work on the following recommendations. SSA needs to employ a comprehensive plan that considers its entire disability process. VA needs to evaluate its claims-processing initiatives to assess return on investment. As VA and DoD proceed with a joint disability evaluation system, they need to develop a systematic monitoring process and ensure adequate staffing is in place.



VA's Program Response
Estimated Resolution Timeframe: 2012
Responsible Agency Official: Under Secretary for Benefits

Completed 2011 Milestones

VA completed the Expedited Claims Adjudication (ECA) pilot in December 2010 and identified time saving provisions for the appeals process that will be integrated into the 2012 revised pilot.

VA and DoD expanded the IDES to all Military Treatment Facilities. VA routinely monitors case levels and adjusts staffing levels to maintain a ratio of 30 cases per Military Services Coordinator.

VA made innovative improvements in claims development, deploying 81 Disability Benefits Questionnaires (DBQs) for use by VA medical facilities with 3 available to private physicians. The DBQs streamline the disability evaluation process by requiring a consistent format for medical evidence. In November 2010, VBA implemented the Private Medical Records (PMR) pilot to reduce timeliness for receipt of private medical records. VBA is receiving responses to private medical record requests 23 days faster than non-pilot requests. VBA initiated the Fully Developed Claim (FDC) program Nationwide.

VBA implemented innovative tools for the claims decision process. The "Hearing Loss Calculator" tool released in November 2010 and the "Special Monthly Compensation calculator" tool released in July 2011 utilize rules-based technology to improve timeliness, accuracy, and consistency of rating decisions.

VBA developed functional requirements for automated adjudication of pension and dependency claims, and application development began in April 2011 to improve the timeliness and accuracy of these claims.

In September 2011, the Institute for Defense Analyses completed the independent 3-year review of our quality assurance program mandated under the provisions of Public Law (P.L.) 110-389, Veterans' Benefits Improvement Act of 2008, and VA provided a final report to Congress.

VBA enhanced the Challenge training program to incorporate trainee evaluation and feedback into the course accreditation process. Enhancements also allow regional offices (RO) to track the annual training hour requirements for individual claims processors.

The Veterans Benefits Management System (VBMS) is VBA's business transformation initiative supported by technology that is designed to dramatically improve benefits delivery. VBMS is designed to assist VA in eliminating the claims backlog. The centerpiece of VBMS is a paperless system, which will be complemented by improved business processes and workflows. Combining a paperless claims processing system with improved business processes is the key to eliminating the backlog and providing Veterans with timely and high quality decisions. During 2011, VBMS was deployed to the Salt Lake and Providence ROs, with a focus on enhancing VBMS Establishment, Workflow, Rating, and e-Folder applications. VBA also began the development stages of VBMS Development, Award, and Correspondence applications.



A major project initiated by VBA in January 2011 was the Integration Lab (I-Lab) to evaluate the impact of multiple initiatives on claims processing productivity, timeliness, and quality. The I-Lab supports the development of a standard and consistent operating model to align with the process and technology transformational changes. Specifically, I-Lab distributes work to three separate teams based on the number of issues claimed by the Veteran. Each team is integrated and utilizes a comprehensive screener to move work to the next step in the process. VBA is tracking I-Lab productivity on a weekly basis, and following future analyses, the results will be used in the development of a comprehensive operating model for all regional offices.

The VBA Design Team was created to assist with the transformation by focusing on specific processes such as simplification of the rating and notification letter thus making decisions easier to understand, increasing standardization of the rating process by using logic-based tools, and streamlining the examination process.

Quality Review Teams (QRTs) began at 12 VBA pilot sites (3 per Area) on August 1, 2011. These teams are solely dedicated to monitoring station quality, identifying trends/training needs, collaborating with local training components, reviewing Systematic Technical Accuracy Review (STAR) errors, addressing national training issues, addressing local training and other issues for that station, and other appropriate functions. The QRTs have been trained in and are using the National STAR team review approach.

Planned 2012 Milestones with estimated completion quarter

VA will publish proposed rules with revised rating criteria for the Hemic and Lymphatic, Endocrine, and Musculoskeletal body system and for Mental Disorders. **(Q1)**

VA will revise the ECA pilot to continue efforts to reduce the average number of days it takes for claimants to receive decisions on their appeals. **(Q3)**

VA will implement the Remodeled Integrated Disability Evaluation System program at three military treatment facilities. **(Q1)**

VA will complete development of all disability benefits questionnaires to support the disability examination process. **(Q2)**

VBA will improve the PMR pilot process by increasing the proficiency and effectiveness of collecting private medical records. **(Q1)**

VBA will introduce new benefit application forms for the FDC program in 2012 to streamline the process and improve timeliness of processing claims in the program. **(Q2)**

VBA will continue the development of additional calculators to assist in improving timeliness, accuracy, and consistency of rating decisions. **(Q4)**

VBA will begin implementation of a rules-based processing capability for dependency and pension claims. **(Q1)**



VBA will assess the final report received from the independent review of our quality assurance program that was conducted by the Institute for Defense Analyses under the provisions of P.L. 110-389, Veterans' Benefits Improvement Act of 2008, and will take appropriate action to further enhance VBA's quality assurance program. **(Q4)**

VA will submit an interim report to Congress on the Individual Claimant Checklist pilot program. The pilot will determine whether providing an easy-to-read evidentiary checklist as an addendum to the VCAA notice reduces the average processing time for a claim. **(Q4)**

VA will publish proposed rules for Neurological and Convulsive Disorders, Gynecological Conditions, and Disorders of the Breast, Skin, Eye, Ear, Nose and Throat, Audiology, Cardiovascular, and Respiratory body systems. **(Q4)**

VBA will begin national implementation of our transformation plan, incorporating a new operating model based on business processes, people, and technology. **(Q2)**

VA will deploy the VBMS nationally in 2012. **(Q4)**

GAO High-Risk Area 2: Strategic Human Capital Management

GAO initially designated strategic human capital management as a high-risk area because of the long-standing lack of leadership of strategic human capital management. However, Congress has provided agencies with additional authorities and flexibilities to manage the Federal workforce, including the Telework Enhancement Act of 2010. OPM undertook a major initiative to reform the Federal hiring process in 2010 and has expanded its assistance to agencies with more strategic approaches to human capital management. These changes demonstrate increased top level attention and clear progress toward more strategic management of the Federal workforce.

GAO, therefore, is narrowing the scope of this HRA to focus on the most significant challenges that remain to close critical skills gaps. Federal agencies need to continue to both take actions to address their specific challenges and work with OPM and through the Chief Human Capital Officers Council to address critical skills gaps that cut across several agencies. Overall, the needed actions can be grouped into the following three broad categories:

- *Planning:* Agencies' workforce plans must fully support the highly skilled talent needs of agencies, both now and as those needs evolve to address new mission priorities. These workforce plans must define the root causes of skills gaps, identify effective solutions to skills shortages, and provide the steps necessary to implement solutions.
- *Implementation:* Agencies' recruitment, hiring, and development strategies must be responsive to changing applicant and workforce needs and expectations, as well as to the increasingly competitive battle for top talent. They must also show the capacity to define and implement corrective measures to narrow skill shortages.
- *Measurement and evaluation:* Agencies need to measure the effects of key initiatives to address critical skills gaps, evaluate the performance of those initiatives, and make appropriate adjustments.



By taking these steps, agencies will improve their ability to monitor and independently validate the effectiveness and sustainability of corrective measures.

VA's Program Response
Estimated Resolution Timeframe: 2012

Responsible Agency Official: Assistant Secretary, Office of Human Resources and Administration

Completed 2011 Milestones

VA supports and advocates all initiatives, whether they are Governmentwide or VA agency-specific, dealing with full utilization of the human capital element of its workforce. Milestones achieved in 2011 are: reduced time to hire new personnel by 12 percent; trained over 200,000 employees in leadership and job competency-related skills; launched a Web-based wellness program that is totally accessible via the Internet; trained over 26,000 managers, supervisors, and senior leaders in building and/or maintaining a diverse, effective workforce; and increased Veterans Employment Coordination Service (VECS) presence through a partnership with Human Resources offices throughout the country (VECS is now the Veterans Recruitment Section of the Veterans Employment Services Office).

Planned 2012 Milestones with estimated completion quarters

Reduce the time it takes to hire new personnel. **(Q4)**

- Issue policies that improve the selection quality of applicant pools.
- Improve the percentage of converted qualified interns to full-time permanent hires.

Retain personnel. **(Q4)**

- Increase training opportunities.
- Allow employees of all occupation competencies to access leadership tests to enhance their understanding of their career development at VA.

Identify top 10 categories for training purposes based on 2010/11 Competency Gap Assessments. **(Q4)**

Engage employees to ensure they have a better understanding of their job roles and to provide employees with valuable information concerning skill competencies necessary to advance in their work.

(Q4)

- VA Learning University is developing a method to display occupational competencies.
- VA Learning University plans to develop an enterprise-wide Career Mapping Program for mission critical occupations.



GAO High-Risk Area 3: Managing Federal Real Property

The Federal real property portfolio is vast and diverse. It totals over 900,000 buildings and structures with a combined area of over 3 billion square feet. Progress has been made on many fronts, including significant progress with real property data reliability and managing the condition of facilities. However, Federal agencies continue to face long-standing problems, such as overreliance on leasing, excess and underutilized property, and protecting Federal facilities. As a result, this area remains high risk, with the exceptions of governmentwide real property data reliability and management of condition of facilities, which GAO found to be sufficiently improved to be no longer considered high risk.

Two consecutive administrations have demonstrated a commitment to this issue. The 2004 Executive Order 13327 established the Federal Real Property Council (FRPC). The FRPC and the General Services Administration (GSA) established the Federal Real Property Profile (FRPP), a centralized real property database. Agencies have developed asset management plans, standardized data, and performance measures. A 2010 presidential memorandum directed agencies to identify and eliminate excess properties.

Other actions are still needed to address certain long-standing problems. GAO has recommended that OMB and the FRPC develop a strategy to address the continued reliance on leasing in cases where ownership would be less costly. This strategy should identify the conditions, if any, under which leasing is an acceptable alternative. Also, OMB and the FRPC should develop potential strategies to reduce the effect of competing stakeholder interests as a barrier to disposing of excess property. GAO will monitor the implementation of current efforts, such as the presidential memorandum.

The Department of Veterans Affairs (VA) has undertaken various planning efforts to realign its real property portfolio, including the Capital Asset Realignment for Enhanced Services (CARES), creation of a 5-year capital plan, and its newest effort, the Strategic Capital Investment Planning (SCIP) process, which extends the planning horizon to 10 years. VA's capital planning efforts generally reflect leading practices but lack transparency about the cost of future priorities that could better inform decision making by VA and Congress.

VA's Program Response
Estimated Resolution Timeframe: 2012
Responsible Agency Official: Director, Asset Enterprise Management

Completed 2011 Milestones

VA's SCIP process is the principal tool used by VA to "right-size" its real property portfolio. The SCIP process assesses all capital investment proposals for new construction, leasing, renovation, disposals, or reuse to determine what capital proposals should be funded. Funding decisions are based on how well proposals meet objective, weighted criteria.

VA completed its 5-Year (2011-2015) Capital Asset Disposal Plan. The Plan is the basis for VA's submission to the Federal real property database. From October 1, through July 31, 2011, VA has disposed of 41 buildings, including 3 structures totaling approximately 211,870 gross square feet (GSF).



To provide housing for homeless and at-risk Veterans and their families, VA implemented its Building Utilization Review and Repurposing (BURR) initiative. BURR is a comprehensive undertaking, the purpose of which is to identify vacant or underutilized buildings suitable for reuse via VA's Enhanced Use Lease (EUL) authority. The initial stages of BURR focused on vacant buildings over 10,000 square feet. Other BURR reuse opportunities will include housing for OEF/OIF/OND Veterans, poly-trauma patients, assisted living, and seniors. Through BURR, VA identified 34 sites, 98 buildings, and 617 acres that would result in more than 1,779 housing units.

VA upgraded its Capital Asset Management System to include the implementation of a full report writing solution for its Business Intelligence (CAMS-BI) software and an upgrade to its portfolio management system that provides versioning functionality. The report writer allows users to create well designed reports directly with the data used in their analysis for a clean and professional look and feel. The versioning capability allows the user to retrieve information about a project at any prior date/milestone and enables VA to conduct ad hoc and recurring performance analyses for improved real property management.

Planned 2012 Milestones with estimated completion quarter

VA will continue using the BURR tool and its EUL authority to repurpose vacant and underutilized buildings in support of VA's goal to eliminate homelessness among Veterans. VA will continue to seek other internal and external reuse opportunities for properties deemed unsuitable for housing and will designate unusable buildings for disposal/demolition. **(Q1)**

VA will develop the long-term solution for the SCIP Automated Tool (SAT). The SAT provides a Web-based system to collect the data needed to integrate VA's various capital investment planning efforts for major construction, minor construction, non-recurring maintenance, and leasing. The SAT will integrate related capital investment processes including the 10-year Action Plan, business cases, Office of Management and Budget (OMB) Exhibit 300s, scoring and prioritization of investments, creation of the annual capital budget, and capital budget execution and operational planning. **(Q3)**

VA will redesign the CAMS-BI interface to provide more structure and capability for analysis, while simplifying the navigation and layout for the user. VA will retire the Crystal reports from the CAMS-BI toolset and fully migrate to BI Publisher to allow for more integration and provide a single solution for reporting and analysis. **(Q4)**

To continue to improve the quality of data and consistency in applying Federal real property management standards, the management of the Capital Asset Inventory (CAI) database will be shifted to the Office of Asset Enterprise Management. **(Q4)**



GAO High-Risk Area 4: Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures

Federal agencies and our Nation's critical infrastructures—such as power distribution, water supply, telecommunications, and emergency services—rely extensively on computerized information systems and electronic data to carry out their operations. The security of these systems and data is essential to protecting national and economic security, and public health and safety. Safeguarding 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.

Agencies need to (1) develop and implement remedial action plans for resolving known security deficiencies of government systems, (2) fully develop and effectively implement agencywide information security programs, as required by the Federal Information Security Management Act (FISMA) of 2002, and (3) demonstrate measurable, sustained progress in improving security over Federal systems.

Besides enacting FISMA, Congress also enacted the Veterans Benefits, Health Care, and Information Technology Act of 2006. Under the Act, VA's Chief Information Officer is responsible for establishing, maintaining, and monitoring Departmentwide information security policies, procedures, control techniques, training, and inspection requirements as elements of the Department's information security program.

Effective information security controls are essential to securing the information systems and information on which VA depends to carry out its mission. For over a decade, VA has faced long-standing information security weaknesses as identified by GAO, VA's Office of the Inspector General, VA's independent auditor, and the Department itself. The Department continues to face challenges in maintaining its information security controls over its systems and in fully implementing the information security program required under FISMA. These weaknesses have left VA vulnerable to disruptions in critical operations, theft, fraud, and inappropriate disclosure of sensitive information.

VA's Program Response

Estimated Resolution Timeframe: 2012

Responsible Agency Official: Director, Information Technology Operations and Deputy Assistant Secretary for Information Security

Completed 2011 Milestones

VA has taken significant actions towards remediation of its IT Security Controls Material Weakness. In 2011, VA's Visibility to the Desktop initiative provided visibility into 100 percent of its desktops allowing VA to proactively eliminate several of its security vulnerabilities. To improve access controls, VA has enabled 98 percent of its computers with Smartcard capabilities. VA also issued more than 239,000 Personal Identity Verification (PIV) cards to its employees, which is 74 percent of its employee population. In many facilities, network access can be achieved by a PIV card and Personal Identification



Number (PIN) combination or with a login identification and password. Specialized, role-based training for system administrators has been put in place to improve the proficiency of its operations staff. VA has also resolved 100 percent of U.S. Computer Emergency Readiness Team (CERT) actions.

Planned 2012 Milestones with estimated completion quarter

To improve security and provide better boundary protection, VA plans, by 2012 **(Q1)**, to define security baselines for 85 percent of its more than 600 systems and have 100 percent of its external network capability pass through a Trusted Internet Connection (TIC). In 2012 **(Q2)**, VA plans to provide role-based training to 100 percent of personnel with significant security responsibilities. In addition, by 2012 **(Q3)**, VA will have visibility into 100 percent of its servers and desktops, which will provide detailed inventory, configuration, and vulnerability information to enable it to prioritize and remediate security vulnerabilities. This will help reduce the risk of compromise to VA systems and data. Throughout 2012, VA plans to execute the remediation plans it developed in 2011 for its IT Security Controls Material Weakness.

GAO High-Risk Area 5: Management of Interagency Contracting

When used correctly, interagency contracting—where one agency either uses another agency's contract directly or obtains contracting support services from another agency—can offer improved efficiency in the procurement process. By providing a simplified, expedited, and lower cost method of procurement, interagency contracting can help agencies save both time and administration costs versus awarding new contracts. This is particularly important at a time when agencies face growing workloads and slow growth in the acquisition workforce. Although precise numbers are unavailable, agencies reported spending at least \$53 billion in 2009 using interagency contracts to acquire goods and services that support a wide variety of activities. GAO designated the management of interagency contracting as a high-risk area in 2005, due in part to the need for stronger internal controls, clear definitions of roles and responsibilities, and training to ensure proper use of this contracting method.

Specifically, GAO found that the Office of Management and Budget (OMB) and Federal agencies lack reliable and comprehensive data to effectively leverage, manage, and oversee these contracts. In addition, agency officials expressed concerns to GAO about potential duplication when multiple agencies create separate contracts for similar products and services. Unjustified duplication needlessly increases costs to vendors, which they pass on to the government, and can result in missed opportunities to leverage the government's buying power. OMB is exploring options for improving the information available on existing interagency contracts to help agencies make better procurement decisions.

OMB and GSA have established corrective action plans that outline the steps they will take in response to GAO recommendations. OMB and Federal agencies must continue to focus on addressing identified deficiencies in the use, management, and transparency of these contracts. Agencies must also take steps to ensure compliance with OMB's interagency contracting guidance to achieve the greatest value possible from this contracting method.



VA's Program Response
Estimated Resolution Timeframe: 2012
Responsible Agency Official: Executive Director, Office of Acquisitions , Logistics and Construction (OALC)

Completed 2011 Milestones

OALC implemented process improvements to ensure Interagency Agreements (IAAs) are fully integrated into the Electronic Contract Management System (eCMS). As of August 2011, Contracting Officers (COs) managed 325 IAAs through eCMS, representing a 2.5 percent increase over 2010.

Legacy IAAs, 2005 to present, have been entered into eCMS. This equates to more than 800 legacy IAA actions being added to the database. New IAA actions are integrated as they are developed.

OALC requires new contracting staff to undergo eCMS training prior to receiving an eCMS account. OALC provides role-based training and an extensive set of eCMS online tutorials and user guides. Training includes instructions for appropriately awarding IAAs.

Planned 2012 Milestones with estimated completion quarter

Conduct eCMS stakeholder sessions to collect change requests. If IAA change requests are collected and validated, OALC will implement the requirements in future eCMS releases. **(Q4)**

Track and report the entry of contracts into eCMS, including IAAs. **(Q4)**

Develop procedures and policy for Project Manager and Contracting Officer on the consideration of interagency contracting. **(Q2)**

Develop processes for the management of interagency contracts that focus on administration, schedule, budget quality, and services procured. **(Q3)**

Ensure that all Project Management Plans address that interagency contracting was considered as a part of the Acquisition Strategy. **(Q4)**



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.

Improving and Modernizing Federal Disability Programs

High-Risk Series: An Update, [GAO-11-278](#), February 2011.

Military and Veterans Disability System: Pilot Has Achieved Some Goals, but Further Planning and Monitoring Needed, [GAO-11-69](#), December 6, 2010.

Military and Veterans Disability System: Worldwide Deployment of Integrated System Warrants Careful Monitoring, [GAO-11-633T](#), May 4, 2011.

Strategic Human Capital Management

High-Risk Series: An Update, [GAO-11-278](#), February 2011.

Managing Federal Real Property

High-Risk Series: An Update, [GAO-11-278](#), February 2011.

VA Real Property: Realignment Progressing, but Greater Transparency about Future Priorities Is Needed, [GAO-11-197](#), January 31, 2011.

Federal Real Property: The Government Faces Challenges to Disposing of Unneeded Buildings, [GAO-11-370T](#), February 10, 2011.

VA Real Property: Realignment Progressing, but Greater Transparency about Future Priorities Is Needed, [GAO-11-521T](#), April 5, 2011.

Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures

High-Risk Series: An Update, [GAO-11-278](#), February 2011.

Cybersecurity: Continued Attention Needed to Protect Our Nation's Critical Infrastructure and Federal Information Systems, [GAO-11-463T](#), March 16, 2011.

Information Technology: Department of Veterans Affairs Faces Ongoing Management Challenges, [GAO-11-663T](#), May 11, 2011.

Management of Interagency Contracting

High-Risk Series: An Update, [GAO-11-278](#), February 2011.



VA Snapshot

VA Physician-Researcher Honored by Society for General Internal Medicine



Dr. Michael J. Fine received the 2011 John M. Eisenberg Award for Career Achievement in Research from the Society of General Internal Medicine.

Department of Veterans Affairs physician-researcher Dr. Michael J. Fine received the 2011 John M. Eisenberg Award for Career Achievement in Research from the Society of General Internal Medicine.

The Eisenberg award recognizes the career achievement of a senior Society of General Internal Medicine member whose innovative research has changed the way generalists care for patients, conduct research, or educate students. It is named for the late Dr. John M. Eisenberg because of his exemplary role as a researcher, mentor, and advocate for research in general internal medicine.

“Dr. Fine’s work reflects great credit upon the VA health care system and our research program,” said VA Chief Research and Development Officer Dr. Joel Kupersmith. “Ensuring equal access to high quality care is a vital part of VA’s mission, and researchers like Dr. Fine and his team at the VA Center for Health Equity Research and Promotion are essential to this effort.”

Fine directs the VA Center for Health Equity Research and Promotion (CHERP), based in Pennsylvania. He is also a professor at the University of Pittsburgh.

Over the past quarter-century, his innovative research has led to improvements in the clinical management of community-acquired pneumonia, a common and costly illness. The work has also helped shape national and international quality and efficiency standards in this area. In related work, Fine recently evaluated an initiative at several VA sites to reduce methicillin-resistant *Staphylococcus aureus* (MRSA) infections and boost providers’ use of alcohol-based hand rubs, which was recently recognized by the New England Journal of Medicine. He also led a major study aimed at shortening the duration of intravenous antibiotic therapy and hospital stays for people with pneumonia.

Fine is an accomplished mentor and international leader in health services research. He has helped launch the research careers of more than 50 trainees. He and his team at CHERP have developed a widely used conceptual framework for disparities research and conducted numerous studies to understand and reduce disparities in health care.

“I consider myself a very inquisitive and somewhat competitive and driven person, and I feel immensely fortunate to be able to apply my scientific knowledge of health services research to improve the quality and equity of health and health care for Veterans,” said Fine.

For more information about CHERP, visit the **Web** site at www.cherp.research.va.gov. For more on VA’s overall research program, visit the **Web** site at www.research.va.gov.



Letter from the Chief Financial Officer

November 15, 2011

The Department of Veterans Affairs (VA) is very pleased to have received its 13th consecutive unqualified (“clean”) audit opinion on the Department’s consolidated financial statements.

Following the elimination of three material weaknesses in 2010, VA continued to make additional progress by reducing the number of significant deficiencies in 2011. Work continued in 2011 to address the one remaining material weakness, Information Technology Security Controls. This material weakness will be carried forward into 2012.

The clean opinion and reduction in significant deficiencies would not have been possible without the exceptional leadership of VA’s financial management senior executive team. Ed Murray, Shirley Pratt, Katherine Palmer, Paul Kearns, Jamie Manker and Ron Walters deserve special thanks for their leadership over the past year. VA’s success in 2011 reflects the dedication and hard work of our staff throughout the Department. Congratulations to all who helped make 2011 a year of high achievement in VA financial management.

Based on an assessment of our financial management priorities that was completed in 2010, VA developed a set of 11 financial management initiatives. These financial management priorities drove our efforts during this past year, and are helping us meet our financial management goals of:



Reducing Operating Costs, Eliminating Improper Payments, Strengthening Internal Controls, and Enhancing Data and Analysis. These initiatives are also setting the stage for a lower-risk financial management system replacement at the appropriate time in the future.

In support of Secretarial transformation objectives, we successfully completed 7 of the 11 initiatives and made substantial progress on the remaining 4 that are multi-year projects. VA completed a Departmentwide effort to enforce and improve internal controls and segregation of duties for obligation processing of \$14 billion (Form 1358), thus remediating long-standing GAO and OIG findings. VA also completed a major element of the Systems to Drive Performance initiative by delivering a set of dashboards that provides cost and workload program data to management. This will support and enhance decision-making related to budget, performance, and resource allocation, allowing



management to derive greater value out of VA resources.

Additionally, by September 30, 2011, VA met all mandates of the American Recovery and Reinvestment Act (Recovery Act) and USAspending.gov in support of these Administration priorities. By September 30, 2011, VA had made outlays totaling over \$1.569 billion (85 percent) of Recovery Act funds. For USAspending.gov, VA reported 100 percent of all required contract, grant, loan, and other assistance program spending. Finally, VA completed an important component of the financial management portion of the Secretary's Integrated Operating Model (IOM) major initiative and provided financial management training to nearly 5,400 employees in VA's financial management workforce (80 percent).

In addition to the priority initiatives, VA also completed its 3-year Financial Policy Improvement Initiative (FPPI) to update its entire body of Departmental financial policies. VA successfully updated 169 chapters; these policies are available on VA's Intranet. The Office of Finance will continue the progress made under the FPPI by continuing to review, update, and publish VA financial policy to maintain compliance with Federal guidance. Going forward, all policies will be reviewed every 3 years and updated as appropriate.

VA's Franchise Fund is expected to receive its 14th successive unqualified audit opinion on its 2011 consolidated financial statements. In addition, the Supply Fund received an unqualified opinion in 2010 and

anticipates an unqualified opinion again in 2011.

VA is dedicated to ensuring the proper stewardship of resources entrusted to it by Congress and the American people. 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 enhance our performance. We will continue to promote sound business practices and improve accountability which ultimately results in what's most important – more and better services to our Nation's Veterans.

A handwritten signature in black ink, appearing to read "W. Todd Grams", is positioned above the printed name.

W. Todd Grams



Consolidated Financial Statements

DEPARTMENT OF VETERANS AFFAIRS

CONSOLIDATED BALANCE SHEETS (dollars in millions)

AS OF SEPTEMBER 30,

2011

2010

ASSETS

INTRAGOVERNMENTAL

Fund Balance with Treasury (Note 3)	\$	40,211	\$	43,155
Investments (Note 5)		10,032		10,711
Accounts Receivable, Net (Note 6)		6		29
Other Assets		784		873
TOTAL INTRAGOVERNMENTAL ASSETS		51,033		54,768

PUBLIC

Investments (Note 5)		186		184
Accounts Receivable, Net (Note 6)		1,934		1,808
Loans Receivable, Net (Note 7)		2,105		3,185
Cash (Note 4)		18		20
Inventories and Related Property, Net (Note 8)		71		56
General Property, Plant and Equipment, Net (Note 9)		18,686		16,730
Other Assets		30		42
TOTAL PUBLIC ASSETS		23,030		22,025

TOTAL ASSETS

\$ **74,063** \$ **76,793**

Heritage Assets (Note 10)

LIABILITIES

INTRAGOVERNMENTAL

Accounts Payable	\$	23	\$	16
Debt (Note 11)		1,680		1,655
Other Liabilities (Note 15)		1,296		1,859
TOTAL INTRAGOVERNMENTAL LIABILITIES		2,999		3,530

PUBLIC

Accounts Payable		1,139		4,929
Liabilities for Loan Guarantees (Note 7)		5,062		4,885
Federal Employee and Veterans Benefits Liabilities (Note 13)		1,535,591		1,476,662
Environmental and Disposal Liabilities (Note 14)		884		879
Insurance Liabilities (Note 17)		11,113		11,732
Other Liabilities (Note 15)		7,573		7,394
TOTAL PUBLIC LIABILITIES		1,561,362		1,506,481

TOTAL LIABILITIES

1,564,361 **1,510,011**

Commitments and Contingencies (Note 18)

NET POSITION

Unexpended Appropriations – Earmarked Funds (Note 19)		-		-
Unexpended Appropriations – All Other Funds		12,048		14,385
Cumulative Results of Operations – Earmarked Funds (Note 19)		899		892
Cumulative Results of Operations – All Other Funds		(1,503,245)		(1,448,495)
TOTAL NET POSITION	\$	(1,490,298)	\$	(1,433,218)

TOTAL LIABILITIES AND NET POSITION

\$ **74,063** \$ **76,793**

The accompanying notes are an integral part of these Consolidated Financial Statements.



DEPARTMENT OF VETERANS AFFAIRS

CONSOLIDATED STATEMENTS OF NET COST (dollars in millions)

FOR THE YEARS ENDED SEPTEMBER 30,

2011

2010

NET PROGRAM COSTS

BY ADMINISTRATION (Note 21 & 24)

Veterans Health Administration

Gross Cost	\$	56,240	\$	51,765
Less Earned Revenue		(3,719)		(3,681)
Net Program Cost		52,521		48,084

Veterans Benefits Administration

Gross Cost		67,395		59,922
Less Earned Revenue		(2,027)		(2,057)
Net Program Cost		65,368		57,865

National Cemetery Administration

Gross Cost		279		274
Less Earned Revenue		-		-
Net Program Cost		279		274

Indirect Administrative Program Costs

Gross Cost		4,494		4,204
Less Earned Revenue		(673)		(672)
Net Program Cost		3,821		3,532

NET PROGRAM COSTS BY ADMINISTRATION BEFORE
CHANGES IN VETERANS BENEFITS ACTUARIAL LIABILITIES

		121,989		109,755
--	--	----------------	--	----------------

CHANGES IN ACTUARIAL LIABILITIES (Note 13)

COMPENSATION:

Changes in Experience		(10,700)		122,400
Changes in Discount Rate Assumptions		51,900		110,500
Changes in Cost of Living Adjustment (COLA) Rate Assumptions		4,000		(45,700)
Other Changes		13,500		35,800
TOTAL COMPENSATION		58,700		223,000

BURIAL:

Changes in Experience		(100)		-
Changes in Discount Rate Assumptions		200		300
Other Changes		100		500
TOTAL BURIAL		200		800

NET (GAIN)/LOSS FROM ACTUARIAL LIABILITY CHANGES

		58,900		223,800
--	--	---------------	--	----------------

NET COST OF OPERATIONS (Note 21)

\$		180,889	\$	333,555
----	--	----------------	----	----------------

The accompanying notes are an integral part of these Consolidated Financial Statements.



DEPARTMENT OF VETERANS AFFAIRS

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION (dollars in millions)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	(Note 19) Earmarked Funds	All Other Funds	Eliminations	FY 2011 Consolidated Total
Cumulative Results of Operations				
Beginning Balance	\$ 892	\$ (1,448,295)	\$ (200)	\$ (1,447,603)
Budgetary Financing Sources				
Appropriations Used	-	124,513	-	124,513
Nonexchange Revenue	-	13	-	13
Donations and Forfeitures of Cash and Cash Equivalents	25	-	-	25
Transfer In/Out Without Reimbursement	(2,775)	2,775	-	-
Other Financing Sources (Nonexchange)				
Donations and Forfeitures of Property	24	2	-	26
Transfers In/Out Without Reimbursement	-	-	-	-
Imputed Financing	-	1,978	-	1,978
Other	-	(409)	-	(409)
Total Other Financing Sources	(2,726)	128,872	-	126,146
Net Cost/(Benefit) of Operations	(2,733)	183,622	-	180,889
Net Change	7	(54,750)	-	(54,743)
Ending Balance – Cumulative Results	899	(1,503,045)	(200)	(1,502,346)
Unexpended Appropriations				
Beginning Balance	-	14,185	200	14,385
Budgetary Financing Sources				
Appropriations Received	-	122,580	-	122,580
Appropriations Transferred In/Out	-	93	-	93
Other Adjustments	-	(497)	-	(497)
Appropriations Used	-	(124,513)	-	(124,513)
Total Budgetary Financing Sources	-	(2,337)	-	(2,337)
Total Unexpended Appropriations	-	11,848	200	12,048
Total Net Position	\$ 899	\$ (1,491,197)	\$ -	\$ (1,490,298)

The accompanying notes are an integral part of these Consolidated Financial Statements.



DEPARTMENT OF VETERANS AFFAIRS

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION (dollars in millions)

FOR THE YEAR ENDED SEPTEMBER 30, 2010

	(Note 19) Earmarked Funds	All Other Funds	Eliminations	FY 2010 Consolidated Total
Cumulative Results of Operations				
Beginning Balance	\$ 998	\$ (1,294,257)	\$ (154)	\$ (1,293,413)
Cumulative Change in Accounting Principle (Note 13)	-	66,500	-	66,500
Beginning Balance, As Adjusted	998	(1,227,757)	(154)	(1,226,913)
Budgetary Financing Sources				
Appropriations Used	-	111,501	-	111,501
Nonexchange Revenue	-	11	-	11
Donations and Forfeitures of Cash and Cash Equivalents	24	-	-	24
Transfer In/Out Without Reimbursement	(2,801)	2,847	(46)	-
Other Financing Sources (Nonexchange)				
Donations and Forfeitures of Property	36	1	-	37
Transfers In/Out Without Reimbursement	-	-	-	-
Imputed Financing	-	1,601	-	1,601
Other	-	(309)	-	(309)
Total Other Financing Sources	(2,741)	115,652	(46)	112,865
Net Cost/(Benefit) of Operations	(2,635)	336,190	-	333,555
Net Change	(106)	(220,538)	(46)	(220,690)
Ending Balance – Cumulative Results	892	(1,448,295)	(200)	(1,447,603)
Unexpended Appropriations				
Beginning Balance	-	1,844	154	1,998
Budgetary Financing Sources				
Appropriations Received	-	123,922	-	123,922
Appropriations Transferred In/Out	-	62	46	108
Other Adjustments	-	(142)	-	(142)
Appropriations Used	-	(111,501)	-	(111,501)
Total Budgetary Financing Sources	-	12,341	46	12,387
Total Unexpended Appropriations	-	14,185	200	14,385
Total Net Position	\$ 892	\$ (1,434,110)	\$ -	\$ (1,433,218)

The accompanying notes are an integral part of these Consolidated Financial Statements.



DEPARTMENT OF VETERANS AFFAIRS

COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 22) (dollars in millions)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

		Non-Budgetary Budgetary Credit Program
Budgetary Resources (Note 22)		
Unobligated Balance brought forward, October 1	\$ 23,791	\$ 2,373
Adjustment to Unobligated Balance brought forward, October 1	-	-
Recoveries of Prior Year Unpaid Obligations	8	-
Budget Authority		
Appropriations Received	126,430	-
Borrowing Authority	-	1,471
Spending Authority from Offsetting Collections		
Earned	5,199	4,444
Change in Unfilled Customer Orders	(8)	-
Subtotal	155,420	8,288
Nonexpenditure Transfers, Net	93	-
Permanently Not Available	(506)	(1,448)
Total Budgetary Resources	\$ 155,007	\$ 6,840
Status of Budgetary Resources		
Obligations Incurred	\$ 131,889	\$ 3,410
Unobligated Balance Available	20,345	-
Unobligated Balance Not Available	2,773	3,430
Total Status of Budgetary Resources	\$ 155,007	\$ 6,840
Change in Obligated Balance		
Unpaid Obligations Balance, brought forward, October 1	\$ 20,068	\$ 279
Adjustment to Unpaid Obligations brought forward, October 1	-	-
Obligations Incurred	131,889	3,410
Less Gross Outlays	(135,513)	(3,404)
Less Recoveries of Prior Year Unpaid Obligations, Actual	(8)	-
Change in Uncollected Customer Payments from Federal Sources	85	1
Obligated Balance, Net End of Period	\$ 16,521	\$ 286
Net Outlays		
Gross Outlays	\$ 135,513	\$ 3,404
Less Actual Offsetting Collections	(5,276)	(4,445)
Less Distributed Offsetting Receipts	(3,056)	(264)
Net Outlays	\$ 127,181	\$ (1,305)

The accompanying notes are an integral part of these Consolidated Financial Statements.



DEPARTMENT OF VETERANS AFFAIRS

COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 22) (dollars in millions)

FOR THE YEAR ENDED SEPTEMBER 30, 2010

		Non-Budgetary Budgetary Credit Program
Budgetary Resources (Note 22)		
Unobligated Balance brought forward, October 1	\$ 11,210	\$ 2,580
Adjustment to Unobligated Balance brought forward, October 1	-	(4)
Recoveries of Prior Year Unpaid Obligations	3	-
Budget Authority		
Appropriations Received	127,863	-
Borrowing Authority	-	1,463
Spending Authority from Offsetting Collections		
Earned	5,414	3,785
Change in Unfilled Customer Orders	(344)	
Subtotal	144,146	7,824
Nonexpenditure Transfers, Net	108	-
Permanently Not Available	(137)	(1,358)
Total Budgetary Resources	\$ 144,117	\$ 6,466
Status of Budgetary Resources		
Obligations Incurred	\$ 120,326	\$ 4,093
Unobligated Balance Available	21,175	-
Unobligated Balance Not Available	2,616	2,373
Total Status of Budgetary Resources	\$ 144,117	\$ 6,466
Change in Obligated Balance		
Unpaid Obligations Balance, brought forward, October 1	\$ 16,669	\$ 50
Adjustment to Unpaid Obligations brought forward, October 1	-	4
Obligations Incurred	120,326	4,093
Less Gross Outlays	(117,236)	(3,902)
Less Recoveries of Prior Year Unpaid Obligations, Actual	(3)	-
Change in Uncollected Customer Payments from Federal Sources	312	34
Obligated Balance, Net End of Period	\$ 20,068	\$ 279
Net Outlays		
Gross Outlays	\$ 117,236	\$ 3,902
Less Actual Offsetting Collections	(5,383)	(3,820)
Less Distributed Offsetting Receipts	(3,291)	(398)
Net Outlays	\$ 108,562	\$ (316)

The accompanying notes are an integral part of these Consolidated Financial Statements.



Notes to Consolidated Financial Statements

For the Years Ended September 30, 2011, and 2010 (dollars in millions, unless otherwise noted)

1. Summary of Significant Accounting Policies

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.

Reporting Entity and Basis of Presentation

The Department of Veterans Affairs' (VA) consolidated financial statements, including the Combined Statements of Budgetary Resources, report all activities of VA components. VA components include the Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), National Cemetery Administration (NCA), and Indirect Administrative Program Costs. 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 principal financial statements have been prepared to report the financial position and results of operations of VA, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books

and records of VA in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that VA is a component of the U.S. Government, a sovereign entity. VA's fiscal year end is September 30th.

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.

Basis of Accounting

The principal financial statements are prepared in accordance with GAAP as promulgated by the Federal Accounting Standards Advisory Board (FASAB) and OMB Circular A-136, *Financial Reporting Requirements*, as revised. The Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, establishes a hierarchy of GAAP for Federal financial statements. The principal financial statements prepared in accordance with GAAP



include the consolidated financial statements prepared on an accrual basis of accounting and the combined statements of budgetary resources which reflect the appropriation and consumption of budget and spending authority and other budgetary resources before eliminations. The consolidated financial statements include the balance sheets, statements of net cost, and statements of changes in net position.

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 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.

The Combined Statements of Budgetary Resources are the basic financial statements that report the Department's Budgetary Resources, Status of Budgetary Resources, and Net Outlays for the year ended and the Change in Obligated Balance as of year-end. Specific forms of budget authority that the Department receives are appropriations, borrowing authority and spending authority from offsetting collections. Detail on the amounts shown in the Combined Statements of Budgetary Resources is included in the Required Supplementary Information section on the Schedule of Budgetary Activity shown by major account. The Combined Statements of Budgetary Resources are prepared on a combined basis, not a consolidated basis and therefore, do not include intra-entity eliminations.

See Note 22 for further disclosure on Budgets and Budgetary Accounting.

Revenues and Other Financing Sources

Exchange revenues, which are primarily medical revenues, are recognized when earned from other federal agencies or the public as a result of costs incurred or services performed on their behalf. Medical revenue is earned by VA when services are provided and are billable to the first party (Veterans) and third party insurance companies. Revenues earned but unbilled are estimated using historical average data. An allowance for contractual adjustments from insurance companies and uncollectible amounts is determined using historical average data. Imputed financing sources consist of imputed revenue for expenses relating to legal claims paid by the Department of the Treasury (Treasury) Judgment Fund and post-retirement benefits for VA employees paid by the Office of Personnel Management (OPM). Nonexchange revenue, (e.g., donations) is recognized when received, and the related receivables, refunds, and offsets are recognized when measurable and legally collectible.

Transferring Budget Authority to Other Agencies

VA, as the transferring (parent) entity, is a party to allocation transfers with the Department of Defense (DoD), the transferee (child) 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 (transfer appropriation account) is created in the 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 transfer appropriation 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.

Federal Credit Reform Act of 1990

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 Credit Reform Act). The financial statement disclosures herein are also in accordance with Statement of Federal Financial Accounting Standards (SFFAS) 2, *Accounting for Direct Loans and Guarantees*, as amended. The Credit Reform Act provides that the present value of the estimated net cash flows to be paid by VA for subsidy costs associated with direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed as a result of its borrowing from Treasury. Direct loans and guaranteed loans receivable are reported net of an allowance for subsidy costs at present value, and loan guarantee liabilities are reported at present value.

The subsidy costs related to direct loans and guaranteed loans receivable consist of the interest rate differential between the loans to Veterans and the borrowing from Treasury, estimated default costs, net of recoveries, offsets from fees and collections, and other estimated subsidy costs affecting cash flows. Adjustments to the allowance for subsidy costs affecting cash flows consist of fees received, foreclosed property acquired, loans written off, subsidy allowance amortization and reestimates of interest rates and application of loan technical/default provisions approved by OMB.

When the present value of cash inflows to the VA is less than the present value of cash outflows made by the VA, a subsidy cost is incurred by the VA and reported as an

allowance for subsidy costs that reduces direct loans and guaranteed loans receivable reported in the consolidated balance sheet. However, a negative subsidy occurs when the present value of cash inflows to the VA exceeds the present value of cash outflows made by the VA. The resulting negative subsidy is reported as an allowance for subsidy costs that increases direct loans and guaranteed loans receivable reported in the consolidated balance sheet.

The cash flow costs used to calculate the present value of the liability for loan guarantees and loan sale guarantees consist of the estimated default costs, net of recoveries, fees and other collections, adjustments for fees received, foreclosed property and loans acquired, claim payments to lenders, interest accumulation on the liability balance and changes in reestimates of interest rates and application of loan technical/default provisions approved by OMB.

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 Veterans Educational Assistance (VEAP) Trust Fund, the National Service Life Insurance (NSLI) Fund, the United States Government Life Insurance (USGLI) Fund, the Veterans Special Life Insurance (VSLI) Fund, the General Post Fund, and the National Cemetery Gift Fund. The use of these funds is restricted.

Revolving funds, used by the Supply Fund and Franchise Fund, finance a cycle of business-like operations through amounts received from the sale of products or services. The collections are used to finance its spending, usually on a self-sustaining basis. Revolving funds record the collections and the outlays in the same Treasury account. A revolving fund is a form of



permanent appropriation receiving authority to spend their collections and do not generally receive appropriations.

Appropriated funds are general fund expenditure accounts established to record amounts appropriated by law for the general support of Federal Government activities and the subsequent expenditure of these funds. It includes spending from both annual and permanent appropriations.

Special funds are an appropriation account established to record appropriations, obligations, and outlays financed by the proceeds of special fund receipts which are dedicated collections by law for a specific purpose or program. Medical Care Collections Fund and Lease of Land and Building (NCA Facilities Operation Fund) are special funds.

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 net of amortized premiums or discounts and accrued interest, which approximates market value, 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 2025, 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 housing trust certificates.

Allowances are recorded to reflect estimated losses of principal as a result of the subordinated position in housing trust certificates. The estimated allowance computations are based upon discounted cash flow analysis. VA continues to use the income from these subordinated housing trust certificates to fund the housing trust reserve fund (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

Accounts receivable are recorded at net realizable value measured as the carrying amount less an allowance for loss provision or contractual adjustment for medical care as considered necessary. Contractual adjustments are provided on amounts due from the Medical Care Collection Fund (MCCF) third party receivables and insurance companies. Probable losses on accounts receivable are provided using the allowance method. The allowance is determined based on VA's historical experience and collection efforts and the contractual nature of the balance due. Uncollectible amounts are written off against the allowance for loss provision or contractual adjustment for medical care once VA determines an amount, or a portion thereof, to be uncollectible.

Accounts receivable consists of intragovernmental accounts receivable and



public accounts receivable. Intragovernmental accounts receivable consists of amounts due from other Federal Government agencies primarily for reimbursement of costs and lease payments receivable. All amounts due from Federal Government agencies are considered fully collectible; therefore, no allowance for loss provision is recognized.

Public accounts receivable consists primarily of (a) amounts due for Veterans' health care, (b) amounts due for compensation, pension, and readjustment benefit overpayments, (c) amounts due for education benefits and readjustment overpayments and (d) other miscellaneous receivables due primarily for general fund advances, insurance, Loan Guaranty receivables and medical research.

VA is required by Public Law (P.L.) 96-466 to charge interest and administrative costs on benefit debts similar to charges levied on other debts owed the Federal Government. VA's current policy is not to charge interest on compensation, pension debts and certain education benefits based on a July 1992 decision by the then-VA Deputy Secretary.

Loans Receivable

Loans receivable consist of direct loans and guaranteed loans receivable. Included in direct loans are vendee loans, acquired loans, and Native American direct loans. These three types of loans receivable are part of the VA Loan Guaranty Program. Direct loans also include loans on Veterans' insurance policies. The loans receivable are secured by the underlying real estate and insurance policies. The present value of the cost VA will bear as guaranteed loans 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.

Vendee loans are direct loans issued to a third part borrower for the acquisition price of foreclosed real estate sold by VA after the transfer of the property to VA by a private sector mortgage lender upon default of a loan subject to the VA Loan Guaranty Program. Acquired loans are VA guaranteed loans in default that VA purchases from the private sector mortgage lender and services the loan with the Veteran directly after VA determines the Veteran can service the debt service payments. Native American direct loans are special financing that enables Native Americans to purchase a home on federally recognized trust land. All three types of loans are part of the VA loan guaranty program.

Veterans that are government life insurance policyholders with permanent plan coverage or paid-up additional insurance can borrow against the cash value of their policy, creating an insurance policy direct loan. The loan amount may not exceed 94 percent of the cash surrender value of the policy or the paid-up additional insurance. Prior to November 2, 1987, policy loans were issued at fixed rates depending on the fund and time period. The remaining fixed rate loans are at 4 percent and 5 percent. All policy loans issued since November 2, 1987, have a variable interest rate with a minimum of 5 percent and a maximum of 12 percent. Rate changes are tied to the ten-year constant maturities, U.S. Treasury Securities Index and may only change on October 1. The variable rate has been 5 percent since October 1, 2001.

The interest due is equal to the interest rate times the loan balance as of the loan anniversary date. Any interest for the year not paid within 20 days of the anniversary date is added to the loan balance. Policyholders may repay loans at their discretion as long as the loan amount plus accumulated interest does not exceed 94 percent of the cash surrender value. If this occurs, the policyholder is notified



that their policy will be surrendered unless a minimum payment is received within 90 days. At the policyholder's death or the maturity of the policy, any loan indebtedness is deducted from the insurance proceeds.

Loans receivable for direct loans are recorded as funds are disbursed. The carrying amount of direct loans receivable includes the remaining balance of the amount dispersed, interest receivable, an allowance for loan losses using the allowance method for pre-1992 loans, the present value of an allowance for subsidy costs for post-1991 loans and the fair market value less cost to dispose of foreclosed property based on the present value of future cash flows from the property.

Loans receivable for defaulted guaranteed loans are recorded when amounts are dispersed by VA to fund its guaranty with the lender for defaulted loans and represents the net value of the assets related to the pre-1992 and post-1991 guaranteed loans that defaulted. The carrying amount of the guaranteed loans receivable includes the amount dispersed by VA for its guaranty under the defaulted loans, an allowance for loan losses using the allowance method for pre-1992 loans and the fair market value less cost to dispose of foreclosed property based on the present value of future cash flows from the property.

For loans obligated prior to October 1, 1991, the loan loss allowance is estimated based on past experience and an analysis of outstanding balances. For loans obligated after September 30, 1991, the allowance for subsidy costs 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.

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 2011 and 2010, 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.

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. To determine the future cash flows from a foreclosed property, VA obtains an independent appraisal of the property to determine fair market value which is reduced by estimated future carrying and disposal costs such as acquisition, management, selling and transfer costs and estimated gains or losses on property resale.

VA accrues interest on performing and non-performing loans receivable until the outstanding balance is paid in full. Performing loans receivable are those loans where the amount due on the outstanding balance is paid in full by the established due date. Non-performing loans receivable are those loans where the amount due on the outstanding balance is not paid in full by the established due date which results in a delinquency of the indebtedness. Interest receivable is accrued on the non-performing loan balance until the amount due is paid to a current status, debt is paid in full or otherwise resolved through compromise, waiver of the charges or termination of collection action. VA charges a fixed interest rate on loans issued for the duration of the loan term, including any delinquency period. The interest rate is set at loan inception based on three benchmark interest rates tracked by VA. VA will apply payments received from the debtor first to penalties and administrative costs, second to



interest receivable and third to outstanding debt principal.

The recorded value of loans receivable, net, and the value of assets related to direct loans receivable are not the same as the proceeds that VA would expect to receive from selling its loans. It is at least reasonably possible that the proceeds from the sale of its loans will differ from the reported carrying value of the loans receivable and the underlying value of their related assets resulting in a realized gain or loss on sale.

Inventories

Inventories consist primarily of items such as Canteen Service retail store stock held for current sale 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 two 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.

Internal use software is also subject to the \$100,000 threshold for capital assets. The costs subject to capitalization, including design, development, and testing, are accumulated in Software in Development until a project is successfully tested and placed in service. The costs are amortized on a straight-line basis, and the amortization term is in accordance with the planned life cycle established during the software's planning phase.

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

Intragovernmental Other Assets primarily consist of Intragovernmental Advances - Federal and are primarily to the Army Corps of Engineers (Corps) and the General Services Administration (GSA). Substantially all of the Public Assets consist of Public Advance Payments made by VHA primarily to hospitals and medical schools under house staff contracts, grantees and beneficiaries, with the balance of the advances being made to employees on official travel.

Accounts Payable

Intragovernmental accounts payable consists of amounts owed to other Federal Government agencies and accounts payable from cancelled appropriations. The remaining accounts payable consist of amounts due to the public. Accrued expenses are classified as Other Liabilities except when specifically required to be reclassified to Accounts Payable under Treasury reporting requirements.

Loan Guarantees

VA provides loan guarantees under two types of guaranty programs. Under one 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. VA determines, through an economic analysis, whether VA will authorize the loan holder to convey the property securing the loan (foreclosure) or pay the loan guarantee amount to the holder in the event of default.

VA reports the liability on the guarantee of loans in accordance with the requirements of the Credit Reform Act. For these loans, the Liability for Loan Guarantees represents the present value of the estimated net cash outflows considered most likely to be paid by VA as a result of a claim against the guarantee on a defaulted loan. 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.

The second loan guaranty program involves the sale of direct loans. VA will bundle vendee and acquired loans and sell them to a third party investor (Trust) pursuant to a sale agreement. Under the sale agreement, the Trust owns the mortgage loans acquired in the sale and will issue certificates backed by the mortgage loans and installment contracts. The certificates represent interests in the assets of the Trust and investors are paid from the Trust's assets. On the closing date of the certificates, VA transfers its entire interest in the related loans receivable and collateral to the Trustee for the benefit of the related certificate holders pursuant to the sale agreement. It is at least reasonably possible that the proceeds from the sale of VA's loans will differ from the reported carrying value of those loans and the underlying value of their related assets resulting in a realized gain or loss on sale. VA guarantees that

the investor will receive full and timely distributions of the principal and interest on the certificates backed by the full faith and credit of the Federal Government.

VA reports the liability on the guarantee of loans sold under the Vendee Mortgage Trust and American Housing Trust programs in accordance with the requirements of the Credit Reform Act. For these loans, the Liability for Loan Guarantees represents the present value of the estimated net cash outflows considered most likely to be paid by VA arising from a claim against the guarantee. These loan 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 will be paid by the 15th of each month. If the payment is not made by the borrower, VA allows the loan servicer to take funds from a cash reserve account for the amount of the deficiency. VA also guarantees the loans against loss at foreclosure. Although VA will not buy back the loan, VA will pay the loan loss and foreclosure expenses.

Insurance Liabilities

Insurance Liabilities for VA's life insurance programs include policy reserves, unearned premiums, insurance dividends left on deposit and related interest payable, accrued interest payable on insurance policies and dividends payable to policyholders.

Actuarial reserve liabilities for VA's insurance programs for 2011 and 2010 are based on mortality and interest rate assumptions that vary by fund, type of policy, and type of benefit. The interest rate assumptions range from 2.25 to 5.0 percent. The mortality assumptions include the American Experience Table, the 1941 Commissioners Standard Ordinary (CSO) Table, the 1958 CSO Basic Table, and the 1980 CSO Basic Table.



National Service Life Insurance (NSLI) basic policy reserves for permanent plans are based on the American Experience Table with 3 percent interest, except for the Modified Life plans, which are based on the 1958 CSO Basic Table with 3 percent interest, and paid-up additions purchased by dividends, which are based on the 1980 CSO Basic Table with 5 percent interest. The reserve for Term policies is based on the 1980 CSO Basic Table with 5 percent interest and the age 70 rate (the capped premium) of \$6.18 per month per \$1,000 face amount.

United States Government Life Insurance (USGLI) permanent plan policy reserves are based on the American Experience Table with 3.5 percent interest and are held on a net single premium basis.

Veterans Special Life Insurance (VSLI) permanent plan policy reserves are based on the X-18 Table at 2.5 percent interest, except for paid-up additions, which are based on the 1980 CSO Basic Table with 5 percent interest. The reserve for Term policies is computed on a complete contract basis, utilizing the 1941 CSO Table with 2.25 percent interest for renewal ages 69 and younger. For renewal ages 70 and older, the reserve is based on the 1980 CSO Basic Table with 5 percent interest and the age 70 rate (the capped premium) of \$5.87 per month per \$1,000 face amount.

Service-Disabled Veterans Insurance (S-DVI) permanent plan policy reserves are based on the 1941 CSO Table at 3.5 percent interest using ratebook premiums. The reserve for 5-Year Term policies is based on varying ratios of the 1941 CSO Table at 3.5 percent interest using ratebook premiums and is computed on a complete contract basis. The mortality ratios start at 250 percent for ages 50 and below and grade down to 100 percent of the table for ages 65 and older. The reserve for Term policies renewed at age 70 and over is based on the

1941 CSO Table with 3.5 percent interest and the age 70 Term capped premium of \$5.87 per month per \$1,000 face amount.

Veterans Reopened Insurance (VRI) basic policy reserves are based on an interest rate of 3.5 percent and a mortality basis that varies by segment ("J", "JR" or "JS") and by rating code within the "JR" segment. For "J", the basis is 100 percent of the 1958 CSO Basic Table. For "JR", the basis is the same as the rating code (150, 175, 200, 250, 300, 400 or 500 percent) of the Basic Table. For "JS", the basis is the American Experience Table, and the reserve is a single premium. Reserves for paid-up additions are based on the 1980 CSO Basic Table and 5 percent interest for "J", the 1958 CSO Basic Table and 4.5 percent interest for "JR", and 150 percent of the 1958 CSO Basic Table and 4.5 percent interest for "JS".

The Veterans' Mortgage Life Insurance (VMLI) program is operated through the Veterans' Insurance & Indemnities (VI&I) fund. The reserve for VMLI policies is based on 500 percent of the 1958 CSO Basic Table at 2.5 percent interest.

A reserve for unearned premiums is held for premiums paid for coverage past the date of the statement. It is comprised of an estimate for premiums paid less than one month in advance that are unearned at the end of the reporting period, and a reserve for premiums paid one month or more in advance computed from in-force master records.

Insurance dividends that are left on credit or deposit with VA accrue interest at a rate that varies by fund relative to the fund's investment portfolio earnings. For 2011, the interest rates ranged from 4.25 percent to 5.5 percent. For 2010, the interest rates ranged from 5.00 percent to 6.00 percent.



The Secretary of VA determines annually the excess funds available for dividend payment. 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. Policies in four of the administered programs are eligible for dividends: NSLI, USGLI, VSLI and VRI. The dividend authorization is based on an actuarial analysis of each program's claims and investment experience, compared to the mortality and interest assumptions utilized in that program, at the end of the preceding calendar year. Dividends are declared on a calendar year basis and paid on policy anniversary dates. 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.

The reserve for Dividends Payable is an estimate of the present value of dividends accrued as of the valuation date. In accordance with GAAP requirements, VA records only that portion of the estimated policy dividend that applies to the current reporting period as a dividend liability. For 2011 and 2010, a discount rate of 5 percent (4.5 percent for USGLI), along with the appropriate accrual factor, were used. The methodology employed by VA to estimate the dividend liability reflects expected dividends to be paid by quarter using percentages that are based on the actual distribution of dividend anniversaries at the end of the prior year.

Annual Leave

Federal employees' annual leave is accrued as it is earned, and the accrual is reduced annually for actual leave taken. Each year, the accrued annual leave balance is adjusted to reflect the latest 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 OPM to each agency.

VA's employees are covered under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS); VA makes contributions according to both plan requirements. CSRS and FERS are multi-employer plans administered by OPM. 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 and burial 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, presumptive service conditions resulting in benefits coverage and life expectancy, impact the amount of the liability.

Discount rates used to measure the actuarial liabilities are based on the 10-year average historical interest rate yield curve on marketable Treasury securities at September 30 of each year for the 10-year historical period with maturities consistent with the period of expected future payments. Estimated liabilities for Veterans compensation and burial obligations in the financial statements are measured as of the end of the fiscal year based on June 30 beneficiary data that is adjusted for material known changes in the number of participants covered (enrollment) during the 4th

quarter. The method used to measure the liabilities provides for consistency in the underlying relationship between discount rate, COLA, and the other economic assumptions. For 2011, valuation techniques or their application used to measure the fair value of the actuarial liabilities were consistently applied compared to the previous year. From time to time, VA may determine it is preferable to make refinements to the valuation techniques or their application used to measure the fair value of the actuarial liabilities because VA management concludes that the resulting measurements are equally or more representative of fair value of the actuarial liabilities in the circumstances and were due to improved computer software modeling capability and/or improved information. The resulting changes in fair value of the actuarial liabilities from the changes in valuation techniques or their application are treated as a change in estimate and accounted for on a prospective basis.

Contingencies

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 18, Contingencies.

Non-Federal Trusts

VA has entered into enhanced-use leases to maximize use of underutilized VA property. In 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 included in the accompanying consolidated financial statements.

Application of Critical Accounting Estimates

The financial statements are based on the selection of accounting policies and the



application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions that may change in the future. Actual results could differ materially from the estimated amounts. The financial statements include information to assist in understanding the effect of changes in assumptions to the related information.

Comparative Data

Certain amounts in the 2010 Consolidated Balance Sheet were reclassified from Public Accounts Payable to Insurance Liabilities to conform to the 2011 presentation. The

2. Non-Entity Assets

Entity and Non-Entity assets have been combined on the balance sheet. Non-Entity assets relate primarily to state and local taxes and other employee payroll withholdings and personal funds of patients included in Fund Balance with Treasury; downward reestimates

reclassifications had no other effect on the Consolidated Financial Statements.

Certain revenue accounts in the 2010 Consolidated Statement of Net Cost were misclassified as federal revenues and reclassified to non-federal revenues to conform to the 2011 presentation. The reclassification of the revenues had no impact on the Consolidated Statements of Net Cost for 2011 or 2010; however, the disclosure of federal and public revenues in Note 21 was affected.

See Note 24 on Reclassifications for further discussion of the above items.

for the Veterans Housing Program included in Intragovernmental Accounts Receivable; and amounts due to Treasury for medical costs billed to Veterans included in Public Accounts Receivable.

**Non-Entity Assets
as of September 30,**

	2011	2010
Fund Balance with Treasury	\$ 144	\$ 15
Intragovernmental Accounts Receivable	1	1
Public Accounts Receivable	63	50
Total Non-Entity Assets	\$ 208	\$ 66



3. Fund Balance with Treasury

Fund Balance with Treasury

as of September 30,

	2011	2010
Entity Assets		
Trust Funds	\$ 79	\$ 80
Revolving Funds	4,309	3,135
Appropriated Funds	35,407	39,646
Special Funds	272	235
Other Fund Types	-	44
Total Entity Assets	<u>40,067</u>	<u>43,140</u>
Non-Entity Assets		
Other Fund Types	144	15
Total Non-Entity Assets	<u>144</u>	<u>15</u>
Total Entity and Non-Entity Assets	<u>\$ 40,211</u>	<u>\$ 43,155</u>
Reconciliation of VA General Ledger Balances with Treasury		
Balance per VA General Ledger	\$ 43,456	\$ 41,066
Reconciled Differences, Principally Timing	(3,334)	2,177
Unreconciled Differences	89	(88)
Fund Balance with Treasury	<u>\$ 40,211</u>	<u>\$ 43,155</u>
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	\$ 20,257	\$ 21,105
Unavailable	4,429	3,172
Obligated Balance Not Yet Disbursed	15,149	18,584
Deposit /Clearing Account Balances	376	294
Fund Balance with Treasury	<u>\$ 40,211</u>	<u>\$ 43,155</u>

4. Cash

Cash

as of September 30,

	2011	2010
Canteen Service	\$ 1	\$ 3
Agent Cashier Advance	17	17
Total Cash	<u>\$ 18</u>	<u>\$ 20</u>



5. Investments

Investment Securities
as of September 30, 2011

	Cost	Amortization Method	Amortized (Premium)/Discount	Interest Receivable	Investments, Net	Market Value
Intragovernmental Securities						
Non-Marketable: Special Bonds	\$ 9,821	N/A	\$ -	127	9,948	\$ 9,948
Treasury Notes	85	Effective Interest	(2)	1	84	84
Total	<u>\$ 9,906</u>		<u>\$ (2)</u>	<u>128</u>	<u>10,032</u>	<u>\$ 10,032</u>
Public Securities						
Trust Certificates (Loan Guaranty)	\$ 140	N/A	\$ -	-	140	\$ 140
Mutual Funds (Non-Federal Trusts)	51	Straight-line	(5)	-	46	46
Total	<u>\$ 191</u>		<u>\$ (5)</u>	<u>-</u>	<u>186</u>	<u>\$ 186</u>

as of September 30, 2010

Intragovernmental Securities						
Non-Marketable: Special Bonds	\$ 10,487	N/A	\$ -	141	10,628	\$ 10,628
Treasury Notes	83	Effective Interest	(1)	1	83	83
Total	<u>\$ 10,570</u>		<u>\$ (1)</u>	<u>142</u>	<u>10,711</u>	<u>\$ 10,711</u>
Public Securities						
Trust Certificates (Loan Guaranty)	\$ 140	N/A	\$ -	-	140	\$ 140
Mutual Funds (Non-Federal Trusts)	48	Straight-line	(4)	-	44	44
Total	<u>\$ 188</u>		<u>\$ (4)</u>	<u>-</u>	<u>184</u>	<u>\$ 184</u>



6. Accounts Receivable, Net

Accounts Receivable, Net as of September 30,

	2011	2010
Intragovernmental Accounts Receivable, Net	\$ 6	\$ 29
Public Accounts Receivable		
Medical Care	\$ 2,265	\$ 2,068
Contractual Adjustment and Allowance for Loss Provision	(997)	(907)
Net Medical Care	<u>1,268</u>	<u>1,161</u>
Compensation and Pension	1,225	1,117
Allowance for Loss Provision	(846)	(729)
Net Compensation and Pension	<u>379</u>	<u>388</u>
Education Benefits	336	380
Allowance for Loss Provision	(132)	(185)
Net Education Benefits	<u>204</u>	<u>195</u>
Other	96	74
Allowance for Loss Provision	(13)	(10)
Net Other	<u>83</u>	<u>64</u>
Total Public Accounts Receivable	3,922	3,639
Total Contractual Adjustment and Allowance for Loss Provision	<u>(1,988)</u>	<u>(1,831)</u>
Public Accounts Receivable, Net	<u>\$ 1,934</u>	<u>\$ 1,808</u>

The Total Contractual Adjustment and Allowance for Loss Provision as a percentage of Total Public Accounts Receivable was approximately 51 percent and 50 percent at September 30, 2011, and 2010, respectively. The Medical Care Contractual Adjustment and Allowance for Loss Provision as a percentage of Total Medical Care related accounts receivable was approximately 44 percent at September 30, 2011, and 2010.

Included in the Medical Care Contractual Adjustment and Allowance for Loss Provision is an Allowance for Contractual Adjustment of \$561 million and \$537 million or approximately 52 percent and 54 percent, respectively of

Medical Care Collection Fund third party receivables of \$1.08 billion and \$991 million at September 30, 2011, and 2010, respectively.

The Compensation and Pension Allowance for Loss Provision as a percentage of Total Compensation, Pension and Readjustment Benefit Overpayment-related accounts receivable was approximately 69 percent and 65 percent at September 30, 2011 and 2010, respectively. The Education Benefits Allowance for Loss Provision as a percentage of Total Education Benefits and Readjustment Benefit Overpayment-related accounts receivable was approximately 39 percent and 49 percent at September 30, 2011 and 2010, respectively.



7. Direct Loans and Loan Guarantees

As more fully discussed in Note 1 under the Loans Receivable and Loan Guarantees sections, the accounting for direct loans receivable and loan guarantee liabilities made after 1991, is governed by the Credit Reform Act. Disclosure of direct loans receivable and loan guarantee liabilities is provided in accordance with SFFAS 2, *Accounting for Direct Loans and Guarantees*, as amended.

VA operates the following direct loan and loan guaranty programs:

- Vocational Rehabilitation and Employment
- Education
- Insurance
- Loan Guaranty

Direct Loans

The following tables summarize the carrying amount of loans receivable related to pre-1992 and post-1991 direct loans. The carrying amount of direct loans receivable includes the remaining balance of the amount dispersed, interest receivable, an allowance for loan losses using the allowance method (estimated uncollectible loans) for pre-1992 loans, the present value of an allowance for subsidy costs for post-1991 loans and the fair market value less cost to dispose of foreclosed property based on the present value of future cash flows from the property. 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 and Insurance Policy Loans From Direct Loans
as of September 30, 2011**

	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans, Net
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method)	\$ 13	10	(1)	-	\$ 22
Insurance Policy Loans	464	11	-	-	475
Total Loans Receivable and Related Foreclosed Property and Insurance Policy Loans, Excluding Direct Loans Obligated After 1991, Net					\$ 497

	Loans Receivable Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Foreclosed Property	Value of Assets Related to Direct Loans, Net
Direct Loans Obligated After 1991	\$ 723	13	2	8	\$ 746
Total Loans Receivable and Related Foreclosed Property and Insurance Policy Loans from Direct Loans, Net					\$ 1,243

**Loans Receivable and Related Foreclosed Property and Insurance Policy Loans From Direct Loans
as of September 30, 2010**

	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans, Net
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method)	\$ 17	10	-	-	\$ 27
Insurance Policy Loans	503	12	-	-	515
Total Loans Receivable and Related Foreclosed Property and Insurance Policy Loans, Excluding Direct Loans Obligated After 1991, Net					\$ 542

	Loans Receivable Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Foreclosed Property	Value of Assets Related to Direct Loans, Net
Direct Loans Obligated After 1991	\$ 686	9	713	22	\$ 1,430
Total Loans Receivable and Related Foreclosed Property and Insurance Policy Loans from Direct Loans, Net					\$ 1,972



Direct Loans Disbursed

The total amount of new direct loans disbursed for the years ended September 30, 2011, and 2010, was \$270.7 million and \$251.5 million, respectively.

Subsidy Expense for Post-1991 Direct Loans

The subsidy expense for direct loans is as shown:

Direct Loan Subsidy Expense		
for the years ended September 30,		
	2011	2010
Interest Differential	\$ (49)	\$ (107)
Defaults	1	1
Fees*	(4)	(4)
Other**	45	94
Subtotal	<u>(7)</u>	<u>(16)</u>
Interest Rate Reestimates	(2)	25
Technical Reestimates	407	37
Total Direct Loan Subsidy Expense	<u>\$ 398</u>	<u>\$ 46</u>

* "Fees" expense for direct loans includes estimated down payments and other fees collected when homes are sold with vendee financing.

** "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 loans. 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 both current year loans and prior year(s) loans. The subsidy expense reported in the current year also includes reestimates.

Subsidy Rates for Direct Loans by Component	
Interest Differential	(26.42%)
Defaults	7.26%
Fees	(1.41%)
Other	18.02%

Allowance for Subsidy for Direct Loans (Post-1991)

For these loans, the allowance for subsidy represents the difference between the balance of the direct loan and the present value of the estimated net cash flows to be paid by VA. The allowance for subsidy is the result of 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. For 2011, the subsidy rate is (2.42) percent for Veterans Housing Direct – Vendee Loans, (0.13) percent for Veterans Housing



Direct – Acquired Loans, and (13.65) percent for Native American Direct. For 2010, the subsidy rate was (4.45) percent for Veterans Housing Direct – Vendee Loans, 10.15 percent for Veterans Housing Direct – Acquired Loans, and

(32.78) percent for Native American Direct. The allowance for subsidy as of September 30, 2011, and 2010 is \$(2) million and \$(713) million, respectively.

Schedule for Reconciling Subsidy Cost Allowance Balances

Beginning Balance, Changes and Ending Balance

	2011	2010
Beginning balance of the allowance	\$ (713)	\$ (718)
Subsidy expense for direct loans disbursed during the reporting years by component:		
Interest subsidy costs	(49)	(107)
Default costs (net of recoveries)	1	1
Fees and other collections	(4)	(4)
Other subsidy costs	45	94
Total of the above subsidy expense components	<u>(7)</u>	<u>(16)</u>
Adjustments:		
Fees received	4	3
Foreclosed property acquired	(5)	(29)
Loans written off	(3)	(1)
Subsidy allowance amortization	309	(31)
Change in reestimate approved by OMB	8	17
Total Adjustments	<u>313</u>	<u>(41)</u>
Ending balance of the allowance before reestimates	<u>(407)</u>	<u>(775)</u>
Subsidy reestimates by component		
Interest rate reestimate	(2)	25
Technical/default reestimate	407	37
Total of the above reestimate components	<u>405</u>	<u>62</u>
Ending balance of the allowance	<u>\$ (2)</u>	<u>\$ (713)</u>



Loan Guarantees

The following tables summarize the carrying amount of loans receivable related to pre-1992 and post-1991 defaulted guaranteed loans and non-defaulted guaranteed loans. The carrying amount of the guaranteed loans receivable includes the amount dispersed by VA for its guaranty under the defaulted loans, an allowance for loan losses using the allowance method (estimated uncollectible loans) for pre-1992 loans and the fair market value less cost to

dispose of foreclosed property based on the present value of future cash flows from the property.

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, 2011					
	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Defaulted Guaranteed Loans - Pre-1992 Guarantees	\$ 15	-	(14)	4	\$ 5
Defaulted Guaranteed Loans - Post-1991 Guarantees	5	-	-	852	857
Total Loans Receivable and Related Foreclosed Property from Loan Guarantees					<u>\$ 862</u>

Loans Receivable and Related Foreclosed Property from Loan Guarantees as of September 30, 2010					
	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Defaulted Guaranteed Loans - Pre-1992 Guarantees	\$ 21	-	(18)	5	\$ 8
Defaulted Guaranteed Loans - Post-1991 Guarantees	5	-	-	1,200	1,205
Total Loans Receivable and Related Foreclosed Property from Loan Guarantees					<u>\$ 1,213</u>



Guaranteed Loans

as of September 30,

	2011	2010
<u>Guaranteed Loans Outstanding:</u>		
Outstanding Principal of Guaranteed Loans, Face Value	\$ 247,658	\$ 214,726
Amount of Outstanding Principal Guaranteed	\$ 66,222	\$ 58,080
<u>New Guaranteed Loans Disbursed:</u>		
Outstanding Principal of Guaranteed Loans, Face Value	\$ 66,630	\$ 57,641
Amount of Outstanding Principal Guaranteed	\$ 17,190	\$ 14,837
Number of New Loans Disbursed	322,380	280,579

Liabilities for Pre-1992 and Post-1991 Loan Guarantees (Present Value Method)

	\$ 5,062	\$ 4,885
--	----------	----------

Subsidy Expense for Post-1991 Loan Guarantees

Pursuant to the Credit Reform Act, subsidy costs for new loan guarantees, net of up front funding fees, must be obligated at the time the

loan is disbursed. 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,

	2011	2010
Defaults	\$ 1,011	\$ 951
Fees	(1,234)	(1,058)
Subtotal	(223)	(107)
Interest Rate Reestimates	(10)	204
Technical Reestimates	801	1,224
Total Guaranteed Loan Subsidy Expenses	\$ 568	\$ 1,321

Subsidy Rates for Loan Guarantees by Component

The subsidy rates disclosed below pertain only to the loans guaranteed in the current year. 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 loan guarantees issued and prior year(s) loan guarantees issued. The subsidy expense reported in the current year also includes reestimates.

Subsidy Rates for Loan Guarantees

Defaults	1.41%
Fees	(1.72)%



Liability for Loan Guarantees (Post-1991)

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 2011 and 2010 subsidy rate was (0.31) percent and (0.20) percent, respectively. The liability for loan guarantees as of September 30, 2011, and 2010 is \$4,973 million and \$4,823 million, respectively.

Schedule for Reconciling Loan Guarantee Liability Balances

Beginning Balance, Changes and Ending Balance	2011	2010
Beginning balance of the liability	\$ 4,823	\$ 3,871
Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
Default costs (net of recoveries)	1,011	951
Fees and other collections	(1,234)	(1,058)
Total of the above subsidy expense components	(223)	(107)
Adjustments:		
Fees received	904	867
Foreclosed property and loans acquired	(468)	(351)
Claim payments to lenders	(908)	(995)
Interest accumulation on the liability balance	215	103
Change in reestimate approved by OMB	(161)	7
Total Adjustments	(418)	(369)
Ending balance of the liability before reestimates	4,182	3,395
Subsidy reestimates by component		
Interest rate reestimate	(10)	204
Technical/default reestimate	801	1,224
Total of the above reestimate components	791	1,428
Ending balance of the liability	\$ 4,973	\$ 4,823

Loan Sales

VA owns mortgages and real estate on certain defaulted loans that were guaranteed by VA and have gone through the foreclosure process with the lender. VA sells the real estate to a third party owner and makes the direct loan for the underlying mortgage loan receivable. To reduce the administrative burden of servicing these loans, VA will bundle these loans and sell them to a third party investor (Trust) pursuant to a sale agreement. It is at least reasonably

possible that the proceeds from the sale of its loans will differ from the reported carrying value of the loans and the underlying value of their related assets resulting in a realized gain or loss on sale.

Under the sale agreement, the Trust owns the mortgage loans and other property acquired in the sale and 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. In addition, the Trust will issue certificates backed by mortgage loans and installment contracts. The certificates represent interests in the assets of the Trust and are paid from the Trust's assets. On the closing date of the certificates, VA transfers its entire interest in the related loans receivable and collateral to the Trustee for the benefit of the related certificate holders pursuant to the sale agreement. VA guarantees that the investor will receive full and timely distributions of the principal and interest on the certificates backed by the full faith and credit of the Federal Government.

During the period 1992 through 2011, the total loans sold amounted to \$14.7 billion. VA recognized loan sale proceeds of \$187 million during 2011 resulting in no gain or loss. VA recognized loan sale proceeds of \$229 million during 2010 resulting in a gain of \$2 million. As a result of the sale of \$187 million and \$227 million of loans receivable in 2011 and 2010, respectively, the amount of guaranteed loans sold increased by the carrying amount of the loans receivable at the date of sale. The components of the loan sale are summarized in the tables below:

Loan Sales

Years Ended September 30,

	2011	2010
Loans Receivable Sold	\$ 187	\$ 227
Net Proceeds from Sale	(187)	(229)
Gain on Receivables Sold	<u>\$ -</u>	<u>\$ (2)</u>

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,

	2011	2010
Outstanding Balance Guaranteed Loans Sold, Start of Year	\$ 1,661	\$ 1,714
Sold to the Public	187	227
Payments, Repayments, and Terminations	(59)	(280)
Outstanding Balance Guaranteed Loans Sold, End of Year	<u>\$ 1,789</u>	<u>\$ 1,661</u>



Subsidy Expense for Loan Sale Guarantees

Pursuant to the Credit Reform Act, subsidy costs for new loan sale guarantees must be obligated at the time the loan sale is closed. The subsidy

expense for loan sale guarantees is shown below:

Loan Sale-Guaranteed Loan Subsidy Expense for the years ended September 30,

	2011	2010
Defaults	\$ 5	\$ 6
Other	(1)	(1)
Subtotal	<u>4</u>	<u>5</u>
Interest Rate Reestimates	-	16
Technical Reestimates	26	16
Total Loan Sale-Guaranteed Subsidy Expense	<u>\$ 30</u>	<u>\$ 37</u>

Liability for Loan Sale Guarantees (Post-1991)

For these programs, 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. 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 2011 and 2010 is 2.00 percent and 2.42 percent, respectively. The liability for loan sale guarantees as of September 30, 2011, and 2010, is \$89 million and \$62 million, respectively.

Schedule for Reconciling Loan Sale Guarantee Liability Balances

Beginning Balance, Changes and Ending Balance	2011	2010
Beginning balance of the liability	\$ 62	\$ 45
Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
Default costs (net of recoveries)	5	6
Other subsidy costs	(1)	(1)
Total of the above subsidy expense components	<u>4</u>	<u>5</u>
Adjustments:		
Claim payments to lenders	(28)	(23)
Interest accumulation on the liability balance	25	1
Change in reestimate approved by OMB	-	2
Total Adjustments	<u>(3)</u>	<u>(20)</u>
Ending balance of the liability before reestimates	<u>63</u>	<u>30</u>
Subsidy reestimates by component		
Interest rate reestimate	-	16
Technical/default reestimate	26	16
Total of the above reestimate components	<u>26</u>	<u>32</u>
Ending balance of the liability	<u>\$ 89</u>	<u>\$ 62</u>



Program Totals

Total Loans Receivable and Related Foreclosed Property, Net as of September 30,	2011	2010
Total Direct Loans	\$ 1,243	\$ 1,972
Total Guaranteed Loans	862	1,213
Total Loans Receivable and Related Foreclosed Property, Net	\$ 2,105	\$ 3,185

Total Subsidy Expense for the years ended September 30,	2011	2010
Total Direct Loans	\$ 398	\$ 46
Total Guaranteed Loans	568	1,321
Total Loan Sales	30	37
Total Subsidy Expense	\$ 996	\$ 1,404

Total Liabilities for Loan Guarantees as of September 30,	2011	2010
Total Loan Guarantee Liability	\$ 4,973	\$ 4,823
Total Loan Sale Guarantee Liability	89	62
Total Liabilities for Loan Guarantees	\$ 5,062	\$ 4,885

Foreclosed Property

Prior to the foreclosure of property secured by a VA Loan Guarantee, 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. There has been no change in the methodology for calculating the amount recorded for foreclosed property and there are no restrictions on the use or disposition of foreclosed property for the years ended September 30, 2011, and 2010.

As of September 30, 2011, and 2010, the estimated number of residential properties in VA's inventory was 7,322 and 10,835, respectively. For 2011 and 2010, the average holding period from the date properties were conveyed to VA until the properties were sold was estimated to be 7 months and 8 months, respectively. The number of properties for which foreclosure proceedings are in process is estimated to be 22,000 and 20,500 as of September 30, 2011, and 2010, respectively.

**Administrative Expense**

Administrative expense on direct and guaranteed loans for the fiscal years ended

September 30, 2011, and 2010, was \$142 million and \$145 million, respectively.

8. Inventories and Related Property, Net**Inventories**

as of September 30,

	2011	2010
Held for Current Sale	\$ 68	\$ 54
Other	3	2
Total Inventories	\$ 71	\$ 56

9. General Property, Plant and Equipment**General Property, Plant and Equipment**

as of September 30, 2011

	Cost	Accumulated Depreciation	Net Book Value
Land and Improvements	\$ 896	\$ (142)	\$ 754
Buildings	22,019	(11,647)	10,372
Equipment	3,815	(1,940)	1,875
Other Structures and Capital Leases	3,033	(1,708)	1,325
Internal Use Software	472	(322)	150
Construction Work in Progress	4,041	-	4,041
Internal Use Software in Development	169	-	169
Total Property, Plant, and Equipment	\$ 34,445	\$ (15,759)	\$ 18,686

General Property, Plant and Equipment

as of September 30, 2010

	Cost	Accumulated Depreciation	Net Book Value
Land and Improvements	\$ 789	\$ (101)	\$ 688
Buildings	20,142	(10,455)	9,687
Equipment	3,726	(1,865)	1,861
Other Structures and Capital Leases	2,720	(1,560)	1,160
Internal Use Software	477	(336)	141
Construction Work in Progress	2,997	-	2,997
Internal Use Software in Development	196	-	196
Total Property, Plant, and Equipment	\$ 31,047	\$ (14,317)	\$ 16,730

Depreciation and amortization expense totaled \$1.9 billion and \$1.4 billion in 2011 and 2010, respectively.



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.

Heritage Assets in Units					
as of September 30,	2010 Balance	2011 Additions	2011 Withdrawals	2011 Balance	Condition
Art Collections	245	-	-	245	A
Buildings and Structures	1,510	25	-	1,535	*U
Monuments/Historic Flag Poles	1,006	-	-	1,006	A
Other Non-Structure Items	247	-	-	247	A
Archaeological Sites	35	-	-	35	A
Cemeteries	**164	-	-	**164	A
Total Heritage Assets in Units	3,207	25	-	3,232	

Explanation of Condition: A = Acceptable (No to slight deterioration); U=Unacceptable (Moderate to significant deterioration)

*Buildings and Structures: Approximately 50% of VA's historic buildings and structures are unoccupied and risk deterioration. Many are in the "U" range.

** This total accounts only for open, operational cemeteries, not those under development.



11. Debt

Intragovernmental Debt

as of September 30,

	2010 Beginning Balance	2010 Net Borrowing	2010 Ending Balance	2011 Net Borrowing	2011 Ending Balance
Loan Guaranty Debt					
Debt to the Treasury	\$ 1,544	\$ 105	\$ 1,649	\$ 25	\$ 1,674
Debt to the Federal Financing Bank	5	-	5	-	5
Total Loan Guaranty Debt	1,549	105	1,654	25	1,679
Direct Loans Debt – Vocational Rehabilitation Program					
Debt to the Treasury	1	-	1	-	1
Debt to the Federal Financing Bank	-	-	-	-	-
Total Direct Loans Debt	1	-	1	-	1
Total Debt					
Debt to the Treasury	1,545	105	1,650	25	1,675
Debt to the Federal Financing Bank	5	-	5	-	5
Total Debt	\$ 1,550	\$ 105	\$ 1,655	\$ 25	\$ 1,680

At September 30, 2011, and 2010, all debt is classified as intragovernmental debt. VA had no debt due to any other Federal agency and all debt is covered by budgetary resources.

Loan Guaranty debt has a 30-year term from the date of issuance and bears interest at the Treasury securities rate at the time of borrowing. The interest rates on debt issued ranged from 1.00 to 7.58 percent in 2011 and 2.00 to 7.58 percent in 2010. Interest expense was \$142.2 million for 2011 and \$154.7 million for 2010.

Vocational Rehabilitation Program Direct Loan debt has a 2-year term from the date of issuance and bears interest at the

Treasury securities rate at the time of borrowing. The interest rate on debt issued was 1.00 to 1.49 percent in 2011 and 1.07 to 4.12 percent in 2010. Interest expense was \$56 thousand for 2011 and \$42.9 thousand for 2010.

Net borrowings related to the Loan Guaranty debt and Direct Loans debt does not include any amounts that result from refinancing debt.

No debt was held by the public during 2011 or 2010. There were no redemptions or calls of debts before maturity or write-offs of debt owed to the Treasury.



12. Liabilities Not Covered By Budgetary Resources

Liabilities Not Covered By Budgetary Resources

as of September 30,

	2011	2010
Workers' Compensation (FECA)*	\$ 2,327	\$ 2,289
Annual Leave	1,797	1,733
Judgment Fund	966	798
Environmental and Disposal	884	879
Veterans Compensation and Burial	1,533,700	1,474,800
Insurance	1,161	1,073
Amounts due to Non-Federal Trust	155	161
Total	\$ 1,540,990	\$ 1,481,733

* The actuarial estimate for workers' compensation provided by DOL was computed using an interest rate of 4.30 percent and 4.72 percent to discount the projected annual benefit payments as of 2011 and 2010, respectively.

Total Unfunded Liabilities include Workers' Compensation (FECA) which is comprised of the actuarial Workers' Compensation (FECA) Liability, Accrued FECA Liability for DOL funded costs not yet appropriated and Unfunded Employee Liability. The Accrued

FECA Liability and Unfunded Employee Liability are Intragovernmental Liabilities totaling \$436 million and \$427 million at September 30, 2011, and 2010, respectively.

13. Federal Employee and Veterans Benefits Liabilities

Federal Employee Benefits: Imputed Expenses-Employee Benefits

Years ended September 30,

	2011	2010
Civil Service Retirement System	\$ 375	\$ 145
Federal Employees Health Benefits	1,518	1,348
Federal Employees Group Life Insurance	2	1
Total Imputed Expenses-Employee Benefits	\$ 1,895	\$ 1,494

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 burial flag, headstone/marker and a plot

allowance for burial in a private cemetery. These benefits are provided under Title 38, Part 2, Chapter 23 in recognition of a Veteran's military service and are recorded as a liability on the balance sheet in the period the requirements are met.



Federal Employee and Veterans Benefits Liabilities				
as of September 30,				
	2011		2010	
Workers' Compensation (FECA)	\$	1,891	\$	1,862
Compensation		1,529,200		1,470,500
Burial		4,500		4,300
Total Federal Employee and Veterans Benefits Liabilities	\$	1,535,591	\$	1,476,662

VA provides certain Veterans and/or their dependents with pension benefits if the Veteran died or was disabled from nonservice-related causes, based on annual eligibility reviews. The actuarial present value of the future liability for pension benefits is a nonexchange 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, 2011, and 2010 was \$89.2 billion and \$80.8 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) above are also incorporated into the projection. The projected liability does not include any administrative costs. Actual administrative costs incurred annually are included in the Veterans Benefits Administration's Net Program Costs shown in the accompanying Statements of Net Cost.

In 2010, VA made refinements to (1) the method of estimating future changes in the degree of disability connected with military service due to the elimination of computer software modeling limitations, (2) the estimate of future Cost of Living Adjustments (COLA) based on a linear regression model of the Consumer Price Index (CPI) and Treasury interest rates to account for low interest rate environments compared to a constant real rate of interest assumption, and (3) the use of attained age method for future benefit calculations compared to the use of the age at valuation date for future benefit calculations. The changes in fair value of the actuarial liabilities that resulted from the refinements in valuation techniques or their application are treated as a change in estimate and accounted for on a prospective basis beginning in 2010.

The liability for future compensation and burial payments is reported on VA's balance sheet at the present value of expected future payments, and is developed on an actuarial basis. Discount rates at September 30, 2011, and 2010 were based on the 10-year average historical interest rate yield curves on marketable Treasury securities at September 30 of each year for the period 2002 to 2011 and 2001 to 2010 for September 30, 2011, and 2010, respectively. The yield rates that generate the average range from 1.64 to 4.1 percent and from 1.86 to 4.64 percent for September 30, 2011, and 2010, respectively.



All calculations were performed separately by age for the Compensation, Pension and Burial programs.

Various assumptions in the actuarial model, such as the number of Veterans and dependents receiving payments, cost of living adjustments, presumptive service conditions resulting in benefits coverage, change in degree of disability connected with military service and life expectancy, impact the amount of the liability.

The total number of Veterans, estimated future military separations and total number of beneficiary participants are determined through actual and projected data. The amount of benefits by beneficiary category and age were based on current amounts being paid, future cost of living adjustments (COLA), change in degree of disability connected with military service and presumptive service conditions in existence at September 30, 2011, and 2010, respectively, resulting in benefits coverage to determine the average benefits per Veteran for each future time period, and changes in other factors that affect benefits. The average COLA rate used for all future years at September 30, 2011, and 2010, was 2.78 percent and 2.86 percent, respectively. COLA rates for future years are modeled to be consistent with the discount rate assumption described above.

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 2006 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.

Expected benefit payments have been explicitly modeled for the next 100 years. The Compensation and Pension projections only reflect benefits associated with military service through September 30, 2011.

Veteran's Presumptive Disability Benefits

Congress established a process to guide the creation of new presumptive disability benefit payments through the Agent Orange Act of 1991, P.L. No. 102-4. The Secretary of VA announced on October 13, 2009, that relying on an independent study by the Institute of Medicine (IOM), he determined that presumptions of service connection are warranted for Vietnam Veterans who have any of three specific illnesses, based on the latest evidence of an association with herbicides used in Vietnam, including Agent Orange. The illnesses affected by the recent decision are B cell leukemia, such as hairy cell leukemia; Parkinson's disease; and ischemic heart disease. Effective August 31, 2010, subject to the 60-day waiting period, a final regulation was issued. In accordance with the Agent Orange Act, the adjudication of cases based on these three new presumptions began.

For accounting purposes, the three new presumptive disability benefits were recognized in the compensation actuarial liability at September 30, 2010, as previously discussed. This had the effect of increasing the calculated liability amounts by \$105.9 billion as of September 30, 2010. Increased benefit expenses due to these new presumptive illnesses have been incorporated into the VA's actuarial estimations as of September 30, 2011.



Adoption of New Accounting Standard

Effective October 1, 2009, VA adopted SFFAS 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting Gains and Losses from Changes in Assumptions, and Selecting Discount Rates and Valuation Dates* (SFFAS 33). SFFAS 33 will apply to the actuarial liabilities recognized for Veterans compensation and burial obligations reported in VA’s general purpose financial reports prepared pursuant to FASAB standards.

SFFAS 33 requires the display of gains and losses from changes in long-term assumptions used to measure liabilities for Veterans compensation and burial obligations, as separate line items on the Statements of Net Cost. The Standard also requires disclosure in notes to the financial statements of a reconciliation of beginning and ending Veterans compensation and burial obligations balances, including all material components of expense “from experience” and “from assumptions

changes” by significant programs and in total. In addition, SFFAS 33 provides standards for selecting the discount rate assumption to measure the Veterans compensation and burial obligations as of the reporting date and selecting a valuation date for estimating the obligation which will establish a consistent method for such measurements.

The adoption of the new accounting standard, effective October 1, 2009, was accounted for as a change in accounting principle and resulted in a \$66.5 billion reduction in the Veterans Compensation and Burial Actuarial Liabilities. The cumulative effect of the change in accounting principle on prior periods is reported as an adjustment to the beginning balance of Cumulative Results of Operations, in the Consolidated Statement of Changes in Net Position with an offsetting reduction in the Veterans Compensation and Burial Actuarial Liabilities in the 2010 Consolidated Balance Sheet.



Part III - Notes to Consolidated Financial Statements

Reconciliation of Veterans Compensation and Burial Actuarial Liabilities

For the Year Ended September 30,

	<u>Compensation</u>	<u>Burial</u>	<u>TOTAL</u>
Liability at September 30, 2009	\$ 1,313,900	\$ 3,600	\$ 1,317,500
Cumulative Effect of Change in Accounting Principle:			
Changes in Assumptions:			
Changes in Discount Rate Assumption	(186,200)	(500)	(186,700)
Changes in COLA Rate Assumption	119,800	-	119,800
Other Assumption Changes	-	400	400
Net Actuarial (Gain)/Loss from Cumulative Effect of Change In Accounting Principle	(66,400)	(100)	(66,500)
Liability at October 1, 2009, as adjusted	1,247,500	3,500	1,251,000
Current year changes:			
Changes in Assumptions:			
Changes in Discount Rate Assumption	110,500	300	110,800
Changes in COLA Rate Assumption	(45,700)	(100)	(45,800)
Model Refinements (Net)	40,700	600	41,300
Other Assumption Changes	(4,900)	-	(4,900)
Net (Gain)/Loss from Changes in Assumptions	100,600	800	101,400
Changes in Experience:			
Changes in Veterans Counts and Status	16,500	-	16,500
Changes due to New Presumptive Conditions	105,900	-	105,900
Other Experience Changes	-	-	-
Net (Gain)/Loss from Changes in Experience	122,400	-	122,400
Net Actuarial (Gain)/Loss from Current Year Activity	223,000	800	223,800
Liability at September 30, 2010	1,470,500	4,300	1,474,800
Current year changes:			
Changes in Assumptions:			
Changes in Discount Rate Assumption	51,900	200	52,100
Changes in COLA Rate Assumption	4,000	100	4,100
Model Refinements (Net)	-	-	-
Other Assumption Changes	13,500	-	13,500
Net (Gain)/Loss from Changes in Assumptions	69,400	300	69,700
Changes in Experience:			
Changes in Veterans Counts and Status	(10,700)	(100)	(10,800)
Other Experience Changes	-	-	-
Net (Gain)/Loss from Changes in Experience	(10,700)	(100)	(10,800)
Net Actuarial (Gain)/Loss from Current Year Activity	58,700	200	58,900
Liability at September 30, 2011	\$ 1,529,200	\$ 4,500	\$ 1,533,700



14. Environmental and Disposal Liabilities

VA had unfunded environmental and disposal liabilities in the amount of \$884 million and \$879 million as of September 30, 2011, and 2010, 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.

Technical Bulletin (TB) 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, as amended by TB 2011-2, was issued on September 28, 2006, and is effective for periods beginning after September 30, 2012. TB 2006-1 requires all Federal entities that own tangible property, plant, and equipment (PP&E) that contain asbestos to disclose liabilities related to friable and nonfriable asbestos cleanup costs deemed probable, but not reasonably estimable consistent with SFFAS 5, SFFAS 6, and Technical Release No. 2. VA does not believe adoption of the TB requirements will have a material impact on the Net Position and Statements of Net Cost.

15. 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,

	2011	2010
Deposit and Clearing Account Liabilities	\$ (4)	\$ 22
Accrued Expenses - Federal	300	828
Deferred Revenue	33	41
Resources Payable to Treasury	169	177
Custodial Liabilities	187	25
Credit Reform Act Subsidy Reestimates*	64	50
General Fund Receipts Liability	-	6
Accrued VA Contributions for Employee Benefits	111	283
Total Other Intragovernmental Funded Liabilities	\$ 860	\$ 1,432

* The subsidy amount for each guaranteed loan 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 to Treasury.



Other Intragovernmental Unfunded Liabilities

as of September 30,

	2011	2010
Accrued FECA Liability	\$ 425	\$ 415
Unfunded Employee Liability	11	12
Total Other Intragovernmental Unfunded Liabilities	<u>\$ 436</u>	<u>\$ 427</u>
Total Other Intragovernmental Liabilities	<u>\$ 1,296</u>	<u>\$ 1,859</u>

Other Public Funded Liabilities

as of September 30,

	2011	2010
Accrued Funded Annual Leave	\$ 19	\$ 16
Accrued Expenses	4,055	3,348
Accrued Salaries and Benefits	475	1,242
Capital Lease Liability	10	10
Other	96	86
Total Other Public Funded Liabilities	<u>\$ 4,655</u>	<u>\$ 4,702</u>

Other Public Unfunded Liabilities

as of September 30,

	2011	2010
Annual Leave*	\$ 1,797	\$ 1,733
Amounts due to non-Federal trust	155	161
Judgment Fund-Unfunded**	966	798
Total Other Public Unfunded Liabilities	<u>\$ 2,918</u>	<u>\$ 2,692</u>
Total Other Public Liabilities	<u>\$ 7,573</u>	<u>\$ 7,394</u>

* Annual leave is accrued when earned and is adjusted at the end of each reporting period 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 18, Contingencies).



16. Leases

VA has both capital and operating leases. The capital lease liability was \$10 million as of September 30, 2011, and 2010.

Future commitments for Real Property and Equipment operating leases are based on leases in effect as of September 30, 2011. Due to the number of equipment operating leases and the decentralization of records, the future commitment for equipment leases has been estimated using the amount from 2011 in lieu

of actual amounts being available. VA's 2011 operating lease costs were \$394 million for real property rentals and \$118 million for equipment rentals.

The 2010 operating lease costs were \$468 million for real property rentals and \$119 million for equipment rentals. The following chart represents VA's projected operating lease commitments or costs for the next five years:

Leases:		
Year	Real Property	Equipment
2012	235	118
2013	208	118
2014	180	118
2015	157	118
2016	130	118

17. Insurance Programs

Through VA, the Government administers six life insurance programs: the United States Government Life Insurance (USGLI) program, the National Service Life Insurance (NSLI) program, the Veterans Special Life Insurance (VSLI) program, and the Veterans Reopened Insurance (VRI) program, which cover Veterans who served during World War I, World War II, and the Korean Conflict eras, and also the Service-Disabled Veterans Insurance (S-DVI) program and the Veterans Mortgage Life Insurance (VMLI) program, which cover severely disabled Veterans and are open to new issues. VMLI is part of the Veterans Insurance & Indemnities (VI&I) fund.

In addition, VA supervises the Servicemembers Group Life Insurance (SGLI) and the Veterans Group Life Insurance (VGLI) programs, which provide coverage to members of the uniformed armed services, reservists, and post-Vietnam

Veterans and their families. All SGLI insureds are automatically covered under the Traumatic Injury Protection (TSGLI) program, which provides for insurance payments to members who suffer a serious traumatic injury in service. VA has entered into a group policy with the Prudential Insurance Company of America to administer these programs.

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 Servicemember'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 VA 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 Servicemembers' premiums, as are all other programs costs.

The insurance reserves for the administered programs are reported as liabilities covered by budgetary resources, while part of the S-DVI and 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. United States Code, Title 38, requires that the Life Insurance programs invest in Treasury securities.

Actuarial reserve liabilities for the administered life insurance programs are based on the mortality and interest assumptions that 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, 2011**

Program	Insurance Death Benefits	Death Benefit Annuities	Disability Income & Waiver	Reserve Totals
NSLI	\$ 6,187	\$ 84	\$ 47	\$ 6,318
USGLI	8	2	-	10
VSLI	1,528	7	15	1,550
S-DVI	484	6	646	1,136
VRI	227	1	2	230
VI&I	114	-	-	114
Subtotal	\$ 8,548	\$ 100	\$ 710	\$ 9,358
Unearned Premiums				65
Insurance Dividends Left on Deposit and Related Interest Payable				1,587
Dividends Payable to Policyholders				101
Unpaid Policy Claims				2
Insurance Liabilities reported on the Consolidated Balance Sheet				<u>11,113</u>
Less Liability not Covered by Budgetary Resources				<u>(1,161)</u>
Liability Covered by Budgetary Resources				<u>\$ 9,952</u>

as of September 30, 2010

Program	Insurance Death Benefits	Death Benefit Annuities	Disability Income & Waiver	Reserve Totals
NSLI	\$ 6,753	\$ 95	\$ 55	\$ 6,903
USGLI	10	3	-	13
VSLI	1,550	8	16	1,574
S-DVI	462	5	565	1,032
VRI	251	1	2	254
VI&I	115	-	-	115
Subtotal	\$ 9,141	\$ 112	\$ 638	\$ 9,891
Unearned Premiums				70
Insurance Dividends Left on Deposit and Related Interest Payable				1,648
Dividends Payable to Policyholders				121
Unpaid Policy Claims				2
Insurance Liabilities reported on the Consolidated Balance Sheet				<u>11,732</u>
Less Liability not Covered by Budgetary Resources				<u>(1,073)</u>
Liability Covered by Budgetary Resources				<u>\$ 10,659</u>



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. The supervised programs' policies and face value 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. As a result, the information provided below under the Supervised Programs

is for informational purposes only and is unaudited. Prudential and its reinsurers provided coverage to 6,103,250 and 6,132,150 insured for a face value of \$1.3 trillion for each year ended September 30, 2011, and 2010, 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, 2011, and 2010. The number of policies represents the number of active policies remaining in the program as of the end of each fiscal year.

	2011 Policies	2010 Policies	2011 Face Value	2010 Face Value
Supervised Programs				
(UNAUDITED)				
SGLI Active Duty	1,560,000	1,562,000	\$ 604,138	\$ 602,853
SGLI Ready Reservists	774,500	783,500	271,826	277,400
SGLI Post Separation	88,000	88,000	33,097	33,093
SGLI Family - Spouse	1,128,000	1,149,000	111,320	113,466
SGLI Family - Children	2,126,000	2,123,000	21,260	21,230
TSGLI*	-	-	233,450	234,550
VGLI	426,750	426,650	60,694	58,946
Total Supervised	6,103,250	6,132,150	\$ 1,335,785	\$ 1,341,538
Administered Programs				
NSLI	665,394	748,895	\$ 8,040	\$ 8,924
VSLI	158,765	167,320	2,141	2,218
S-DVI	227,887	213,295	2,340	2,179
VRI	27,605	31,425	283	317
USGLI	2,958	3,765	8	11
VMLI	2,395	2,381	179	177
Total Administered	1,085,004	1,167,081	\$ 12,991	\$ 13,826
Total Supervised and Administered Programs	7,188,254	7,299,231	\$ 1,348,776	\$ 1,355,364

*TSGLI coverage is a rider attached to SGLI coverage, so policies under SGLI also have TSGLI.

Policy Dividends

The Secretary of VA determines annually the excess funds available for dividend payment. Policy dividends for 2011 and 2010 were \$229 million and \$273 million, respectively.

18. Commitments and 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. Medical malpractice cases comprised 78 percent of the amounts funded on behalf of VA by the Judgment Fund in 2011 and 2010. Contract dispute payments for 2011 and 2010 were \$8.8 million and \$5.5 million, respectively. The discrimination case payments for 2011 and 2010 were \$4.2 million and \$1.1 million, respectively. 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, 2011, and 2010.

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 \$966 million for 2011 and \$798 million for 2010. The contract and personnel law cases where there was at least a reasonable possibility that a loss may occur were 12 cases totaling \$69.2 million for 2011 and 14 cases totaling \$75.8 million for 2010. VA received an Administrative Claim on January 20, 2011, regarding the alleged use of patented technology for healthcare treatment of Servicemembers and Veterans. The estimated amount or range of the possible liability cannot reasonably be made at this time. 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,			
		2011	2010
Fiscal Year Settlement Payments	\$	96	\$ 114
Less Contract Dispute and "No Fear" Payments		(13)	(7)
Imputed Financing-Paid by Other Entities		83	107
Increase (Decrease) in Liability for Claims		168	135
Operating Expense	\$	251	\$ 242

It is the opinion of VA's management that resolution of pending legal actions as of September 30, 2011, 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. The 2011 tort payments were \$83 million and the 2010 tort payments were \$107 million.

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. The amount of unobligated and obligated authority relating to appropriations cancelled on September 30, 2011, and 2010 was \$96.6 million and \$74.3 million, respectively.

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 2009-2011, the average medical care cost per year was \$37 billion.

VA Data Theft Litigation

VA was 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 in 2009 that was settled and the claim paid from the Judgment Fund in 2010 in the amount of \$20 million.

19. Earmarked Funds

SFFAS 27, *Identifying and Reporting Earmarked Funds*, requires disclosure of all earmarked funds for which VA has program management

responsibility. The U.S. Treasury does not set aside assets to pay future expenditures associated with earmarked funds. 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 that are not assets of the Federal Government as a whole and are available for authorized expenditures and are thus assets of the earmarked fund. Treasury Securities are issued to the earmarked fund as evidence of earmarked receipts and provide the fund the authority to draw upon the Treasury for future expenditures. When the earmarked fund redeems its Treasury Securities to make expenditures, the Treasury will finance those expenditures in the same manner that it finances all other expenditures.



The VA's Earmarked Funds are as follows:

Earmarked Fund Name	Treasury Symbol	Authority	Purpose of Fund	Financing Sources
Medical Care Collections Fund	36x5287	P.L. 105-33 111 Stat 665	Third-party and patient co-payments for medical services.	Public, primarily insurance carriers.
Cemetery Gift Fund	36x8129	38 U.S.C. 1007	Donations for Veterans cemeteries.	Public donors.
National Service Life Insurance Fund	36x8132	38 U.S.C. 720	Premiums insure WWII Veterans.	Public, Veterans.
Post-Vietnam Era Education Assistance Program	36x8133	38 U.S.C. 1622	Subsidizes the cost of education to Veterans.	Veterans, DoD.
U.S. Government Life Insurance	36x8150	38 U.S.C. 755	Premiums insure WWI Veterans.	Public, Veterans.
Veterans Special Life Insurance Fund	36x8455	38 U.S.C. 723 101-228	Premiums insure Korean conflict Veterans.	Public, Veterans.
General Post Fund, National Homes	36x8180	38 U.S.C. 101-228	Donations for patient benefits.	Public, mostly Veterans.
Canteen Service Revolving Fund	36x4014	38 U.S.C. 78	Operates the canteen services at hospitals.	Revenue from sales.
National Cemetery Administration Facilities Operation Fund	36x5392	P.L. 108-454	Proceeds benefit land and buildings.	Proceeds from leases.
Service-Disabled Veterans Insurance Fund	36x4012	38 U.S.C. 1922	Provides insurance to Veterans with service-connected disabilities.	Public, Veterans.
Servicemen's Group Life Insurance	36x4009	38 U.S.C. 1965	Provides insurance to active duty, ready reservists, retired reservists and cadets attending service academies and ROTC.	Public, Veterans.
Veterans Reopened Insurance Fund	36x4010	38 U.S.C. 1925	Provides insurance to World War II and Korea Veterans.	Public, Veterans.
Enhanced-Use Lease Trusts	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 related to Cumulative Results of Operations – Earmarked Funds in the Consolidated Statements of Changes in Net Position:

Balance Sheet – Earmarked Funds					
as of September 30, 2011					
	Insurance	Medical Care	Benefits	Burial	Total Earmarked Funds
Assets:					
Fund Balance with Treasury	\$ 45	\$ 239	\$ 65	\$ 1	\$ 350
Investments with Treasury	9,948	84	-	-	10,032
Other Assets	478	1,433	-	2	1,913
Total Assets	\$ 10,471	\$ 1,756	\$ 65	\$ 3	\$ 12,295
Liabilities and Net Position:					
Payables to Beneficiaries	\$ 190	\$ 33	\$ 1	\$ -	\$ 224
Other Liabilities	11,001	171	-	-	11,172
Total Liabilities	11,191	204	1	-	11,396
Unexpended Appropriations	-	-	-	-	-
Cumulative Results of Operations	(720)	1,552	64	3	899
Total Liabilities and Net Position	\$ 10,471	\$ 1,756	\$ 65	\$ 3	\$ 12,295

Statement of Net Cost – Earmarked Funds					
for the Year Ended September 30, 2011					
Gross Program Costs	\$ 1,054	\$ 548	\$ 2	\$ -	\$ 1,604
Less Earned Revenues	965	3,371	1	-	4,337
Net Program Costs	89	(2,823)	1	-	(2,733)
Costs Not Attributable to Program Costs	-	-	-	-	-
Net Cost/(Benefit) of Operations	\$ 89	\$ (2,823)	\$ 1	\$ -	\$ (2,733)

Statement of Changes in Net Position – Earmarked Funds					
for the Year Ended September 30, 2011					
Net Position Beginning of Period	\$ (631)	\$ 1,455	\$ 65	\$ 3	\$ 892
Budgetary and Other Financing Sources	-	(2,726)	-	-	(2,726)
Net Cost/(Benefit) of Operations	89	(2,823)	1	-	(2,733)
Change in Net Position	(89)	97	(1)	-	7
Net Position End of Period	\$ (720)	\$ 1,552	\$ 64	\$ 3	\$ 899



Balance Sheet – Earmarked Funds					
as of September 30, 2010					
	Insurance	Medical Care	Benefits	Burial	Total Earmarked Funds
Assets:					
Fund Balance with Treasury	\$ 29	\$ 249	\$ 66	\$ 1	\$ 345
Investments with Treasury	10,629	82	-	-	10,711
Other Assets	517	1,330	-	2	1,849
Total Assets	\$ 11,175	\$ 1,661	\$ 66	\$ 3	\$ 12,905
Liabilities and Net Position:					
Payables to Beneficiaries	\$ 235	\$ 29	\$ 1	\$ -	\$ 265
Other Liabilities	11,571	177	-	-	11,748
Total Liabilities	11,806	206	1	-	12,013
Unexpended Appropriations	-	-	-	-	-
Cumulative Results of Operations	(631)	1,455	65	3	892
Total Liabilities and Net Position	\$ 11,175	\$ 1,661	\$ 66	\$ 3	\$ 12,905

Statement of Net Cost – Earmarked Funds					
for the Year Ended September 30, 2010					
Gross Program Costs	\$ 1,263	\$ 521	\$ 1	\$ -	\$ 1,785
Less Earned Revenues	988	3,431	1	-	4,420
Net Program Costs	275	(2,910)	-	-	(2,635)
Costs Not Attributable to Program Costs	-	-	-	-	-
Net Cost/(Benefit) of Operations	\$ 275	\$ (2,910)	\$ -	\$ -	\$ (2,635)

Statement of Changes in Net Position – Earmarked Funds					
for the Year Ended September 30, 2010					
Net Position Beginning of Period	\$ (403)	\$ 1,333	\$ 65	\$ 3	\$ 998
Budgetary and Other Financing Sources	47	(2,788)	-	-	(2,741)
Net Cost/(Benefit) of Operations	275	(2,910)	-	-	(2,635)
Change in Net Position	(228)	122	-	-	(106)
Net Position End of Period	\$ (631)	\$ 1,455	\$ 65	\$ 3	\$ 892



20. Exchange Transactions

Exchange Revenues

Although VA recognizes full cost per SFFAS 4, *Managerial Cost Accounting Standards and Concepts*, 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.

The Office of Financial Policy within VA’s Office of Finance established policy requiring a four-part biennial self certification program to be implemented by VHA. The first part of the certification program requires each medical facility to certify whether charges established by VHA are sufficient to recover the full cost of providing services. The second part requires each medical facility to certify that its cost accounting procedures comply with SFFAS 4. Any medical facility with a fully functional Decision Support System (DSS) that produces timely (i.e. current year) data will be able to certify compliance with this requirement. The third part requires each medical facility to certify its compliance with Federal pricing policies and that it has fully disclosed situations where it does not comply with those policies as required by SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. The fourth part requires each medical facility to certify whether its enhanced health care sharing contracts recover full cost or market price as defined in OMB Circular A-25, *User Charges*.

The Management Quality Assurance Service (MQAS) within VA’s Office of Business Oversight (OBO) is responsible for reviewing the implementation and execution of the self certification program. Each year MQAS reviews half of the Veterans Integrated Service

Networks (VISNs); even VISNs one year and odd VISNs the second year. Generally, one station is selected for review per VISN. MQAS review efforts culminate in a summary report issued to the VHA Chief Financial Officer (CFO) and is distributed to VA senior management including the VA Chief Financial Officer.

Public Exchange Transactions

VA’s Loan Guaranty Program collects certain fees that are set by law. The loan guarantee funding fees collected for 2011 and 2010 were \$917 million and \$877 million, respectively. The loan guarantee lender participation fees collected for 2011 and 2010 were \$1.6 million and \$1.7 million, respectively.

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 nine 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, maintenance and any other costs associated with the lodges. NCA has agricultural licenses at seven cemeteries to private sector entities, for which it receives rental payments. NCA also leases buildings at two cemeteries, one to a private sector entity for which it receives rental payments, and one to a not-for-profit group that is responsible for the historic preservation of the building at no cost to NCA.

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 care services, 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 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.

Intragovernmental Exchange Transactions

Intragovernmental costs relate to the source of goods and services purchased by VA and not to the classification of related intragovernmental revenue. Classification of revenue and/or costs as "Intragovernmental" or "With the Public" is determined on a transaction by transaction basis for disclosure purposes. Classification of preceding transactions in a product's life cycle will not have an impact on classification of subsequent transactions. The purpose of this classification is to enable the Federal Government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs that are incurred to produce public and 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 \$380.0 million and \$406.8 million during 2011 and 2010, respectively, for the Post-Vietnam Era Education Assistance Program, Reinstated Entitlements Program for Survivors, and the New GI Bill for Veterans.

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.

21. Net Program Costs by Administration

Schedule of Net Program Costs by Administration					
For the Period Ending September 30, 2011 (Dollars in Millions)	Veterans Health Administration	Veterans Benefits Administration	National Cemetery Administration	Indirect Administrative Program Costs	Total
Production Costs					
Intragovernmental Costs	\$ 7,719	\$ 1,033	\$ 31	\$ 893	\$ 9,676
Less Earned Revenues	(68)	(1,181)	-	(514)	(1,763)
Net Intragovernmental Production Costs	7,651	(148)	31	379	7,913
Public Costs	48,521	66,362	248	3,601	118,732
Less Earned Revenues	(3,651)	(846)	-	(159)	(4,656)
Net Public Production Costs	44,870	65,516	248	3,442	114,076
Net Cost by Administration before changes in Veterans Benefits Actuarial Liabilities	52,521	65,368	279	3,821	121,989
Net (Gain)/Loss on Actuarial Liability Changes	-	58,700	200	-	58,900
Total Net Cost of Operations	\$ 52,521	\$ 124,068	\$ 479	\$ 3,821	\$ 180,889



Schedule of Net Program Costs by Administration					
For the Period Ending September 30, 2010 (Dollars in Millions)	Veterans Health Administration	Veterans Benefits Administration	National Cemetery Administration	Indirect Administrative Program Costs	Total
Production Costs					
Intragovernmental Costs	\$ 8,039	\$ 362	\$ 36	\$ 809	\$ 9,246
Less Earned Revenues	(165)	(1,145)	-	(534)	(1,844)
Net Intragovernmental Production Costs	7,874	(783)	36	275	7,402
Public Costs	43,726	59,561	238	3,395	106,920
Less Earned Revenues	(3,516)	(913)	-	(138)	(4,567)
Net Public Production Costs	40,210	58,648	238	3,257	102,353
Net Cost by Administration before changes in Veterans Benefits Actuarial Liabilities	48,084	57,865	274	3,532	109,755
Net (Gain)/Loss on Actuarial Liability Changes	-	223,000	800	-	223,800
Total Net Cost of Operations	\$ 48,084	\$ 280,865	\$ 1,074	\$ 3,532	\$ 333,555



22. Disclosures Related to the Statements of Budgetary Resources

Budgetary Accounting

Budgetary resources, which include new budget authority, unobligated balances, direct spending authority, and obligation limitations, are forms of authority given to VA allowing it to incur obligations. Budget authority is provided by Federal law to enter into financial obligations that will result in immediate or future outlays involving Federal Government funds. Budget authority may be classified by the period of availability (1-year, multiple-year, no-year or available until expended), by the timing of congressional action (current or permanent), or by the manner of determining the amount available (definite or indefinite).

Budget authority from appropriations is the most common form of providing for the specific amount of money authorized by Congress for approved work, programs, or individual projects. Appropriations do not represent cash actually set aside in the Treasury for purposes specified in the appropriation act; they represent amounts that VA may obligate during the period of time specified in the respective appropriation acts. An appropriation may make funds available from the general fund, special funds, or trust funds.

Borrowing authority is budget authority enacted to permit VA to borrow money and then to obligate against amounts borrowed. It may be definite or indefinite in nature. The funds are typically borrowed from the Treasury.

Spending authority from offsetting receipts and collections is budget authority that permits VA to obligate and expend funds from sources that are not appropriated. Offsetting collections are authorized by law to be credited to appropriation or fund expenditure accounts. They result from (1) business-like transactions or market-oriented activities with the public, (2) intragovernmental transfers, and (3) collections

from the public that are governmental in nature but required by law to be classified as offsetting. Collections resulting from business-like transactions with the public and other government accounts are also known as reimbursements. Laws authorizing offsetting collections make them available for obligation to meet the account's purpose without further legislative action.

Offsetting collections include reimbursements, transfers between federal and trust fund accounts, offsetting governmental collections, and refunds. For accounting purposes, earned reimbursements are also known as revenues. These offsetting collections are netted against gross outlays in determining net outlays from such appropriations.

Offsetting receipts are collections that are offset against gross outlays but are not authorized to be credited to expenditure accounts. Offsetting receipts are deposited in receipt accounts. Like offsetting collections, they result from (1) businesslike transactions or market oriented activities with the public, (2) intragovernmental transfers, and (3) collections from the public that are governmental in nature but required by law to be classified as offsetting receipts.

The Status of Budgetary Resources reflects 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. Unobligated balances currently unavailable may become available subject to apportionment by OMB and allotment by VA.

Apportionments are distributions made by OMB 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.

Upon apportionment and allotment, obligations can be incurred. Obligations represent a commitment that creates a legal liability for VA to pay for goods and services ordered or received, or a legal duty on the part of VA that could mature into a legal liability by virtue of actions on the part of the other party beyond the control of VA. An obligation is 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. Obligational authority is an amount carried over from one year to the next if the budget authority is available for obligation in the next fiscal year. Not all obligational authority that becomes available in a fiscal year is obligated and paid out in that same year. Balances are described as (1) obligated, (2) unobligated, or (3) unexpended.

An obligated balance is the amount of obligations already incurred for which payment has not yet been made, including undelivered orders and other unliquidated obligations. Budget authority that is available for a fixed period expires at the end of its period of availability, but the obligated balance of the budget authority remains available to liquidate obligations for 5 additional fiscal years. At the end of the fifth fiscal year, the account is closed and any remaining balance is canceled. An unobligated balance is the portion of obligational authority that has not yet been obligated. For an appropriation account that is available for a fixed period, the budget authority expires after the period of availability ends but its unobligated balance remains available for 5 additional fiscal years for

recording and adjusting obligations properly chargeable to the appropriations period of availability such as to record previously unrecorded obligations or to make upward or downward adjustments in previously recorded obligations, such as contract modifications properly within scope of the original contract. At the end of the fifth fiscal year, the account is closed and any remaining balance is canceled.

Unexpended balance represents the sum of the obligated and unobligated balances.

Outlay is the amount of checks, disbursement of cash, or electronic transfer of funds 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. Under the Credit Reform Act, the credit subsidy cost is recorded as an outlay when a direct or guaranteed loan is disbursed. Outlays during a fiscal year may be for payment of obligations incurred in prior years (prior-year obligations) or in the same year.

The caption, Budget Authority - Appropriations Received under Budgetary Resources in the Combined Statements of Budgetary Resources, does not agree to caption Budgetary Financing Sources - Appropriations Received in the Consolidated Statements of Changes in Net Position. The amount in the Combined Statement of Budgetary Resources includes appropriations from the General Fund and Special Receipt Funds, while the Consolidated Statements of Changes in Net Position includes appropriations from the General Fund only.

The caption, Spending Authority from Offsetting Collections - Earned under Budgetary Resources in the Combined Statement of Budgetary Resources, does not agree to caption Earned Revenue in the Consolidated Statements



of Net Cost. The amount in the Combined Statement of Budgetary Resources includes Credit Reform subsidies for interest, fees and

principal as required by Treasury reporting requirements, while the Consolidated Statements of Net Cost includes interest only.

**Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations
Years Ended September 30,**

Category A, Direct consists of amounts requested to be apportioned by each calendar quarter in the fiscal year. Category B, Direct consists of amounts requested to be apportioned on a basis other than calendar quarters, such as activities, projects, objects, or a combination of these categories.

	2011	2010
Category A, Direct	\$ 68,345	\$ 62,594
Category B, Direct	61,707	56,540
Reimbursable	5,247	5,285
Total Obligations	<u>\$ 135,299</u>	<u>\$ 124,419</u>

Prior Year Recoveries

Prior year recoveries consist of cancellations or downward adjustments of obligations incurred in prior fiscal years and recoveries of prior year paid obligations (i.e., cash refunds). Anticipated resources are required to be apportioned by OMB before they can be used. Once apportioned by OMB, they have to be allotted back down to the appropriate facilities or specific program offices. This authority cannot be used until funds are deobligated or refunded and realized. These adjustments relate primarily to multi-year and no-year appropriations.

VA's systems require modification to properly account for the prior year recoveries as provided by Treasury and the guidance in the Treasury Financial Manual. VA has begun a technical assessment to determine specific requirements for systems modifications. When an automated systems solution is implemented, VA will be enabled to properly identify prior year recoveries, systematically monitor reapportioned budget authority and track both for internal and external financial reporting.

Borrowing Authority

Loan Guaranty had borrowing authority of \$1.47 billion and \$1.5 billion as of September 30, 2011, and 2010, respectively. The interest rates on the borrowing authority range from 1.00 to 7.58 percent for 2011 and range from 2.00 to 7.58 percent for 2010. Principal repayment is expected over a 30-year period from the date of issuance of debt. Direct Loans under the Vocational Rehabilitation Program had borrowing authority of \$3.05 million and \$2.7 million as of September 30, 2011, and 2010, respectively. The interest rates on the borrowing authority were 1.00 to 1.49 percent for 2011 and ranged from 1.07 to 4.12 percent for 2010. Principal repayment is expected over a 2-year period from the date of issuance of debt. Loan Guaranty borrowing is repaid to Treasury through the proceeds of portfolio loan collections, funding fees, and the sale of loans to housing trusts. The Vocational Rehabilitation loans generally had a duration of one year, and repayment was made from offsetting collections.



Adjustments to Budgetary Resources

During 2011, \$8 million was recovered from prior year obligations. For 2011, VA appropriations were subjected to a rescission of \$384.3 million under the provisions of P.L. 112-10, *The Department of Defense and Full-Year Continuing Appropriations Act, 2011*.

Permanent Indefinite Appropriations

VA has four housing benefit programs that have permanent and indefinite appropriations to cover unexpected losses.

Use of Unobligated Balances of Budget Authority

Available unobligated balances on the Statement of Budgetary Resources (SBR) are comprised 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 comprised of unobligated funds that were not apportioned by OMB for 2011 use and expired appropriation unobligated amounts, which generally are not available for new obligations, but can be used to increase existing obligations under certain circumstances.

Unobligated VA funds are available for uses defined in VA's 2011 Appropriation Law (P.L. 112-10). These purposes include: Veteran's 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 the Statement of Budgetary Resources and the Budget of the US Government

Obligations were increased by \$20.3 million for 2011 on the Combined Statement of Budgetary Resources to reverse the adjustment recorded

in 2010 which was also 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 a Period

The amount of budgetary resources obligated for undelivered orders at the end of 2011 and 2010 was \$10.5 billion and \$9.3 billion, respectively.

Contributed Capital

The amount of contributed capital received during 2011 consisted of donations in the amount of \$48.8 million to the General Post Fund and \$0.2 million to the National Cemetery Gift Fund. For 2010 \$59.8 million was donated to the General Post Fund and \$0.3 million to the National Cemetery Gift Fund.



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 VA with its net cost of operations.

DEPARTMENT OF VETERANS AFFAIRS		
RECONCILIATION OF NET COSTS OF OPERATIONS TO BUDGET		
for the Years Ended September 30,	2011	2010
Resources Used to Finance Activities		
Obligations Incurred	\$ 135,299	\$ 124,419
Less Spending Authority from Offsetting Collections and Adjustments	(9,643)	(8,858)
Obligations Net of Offsetting Collections and Adjustments	125,656	115,561
Less Offsetting Receipts	(3,320)	(3,689)
Net Obligations	122,336	111,872
Donations of Property	26	37
Transfers-out	-	-
Imputed Financing	1,978	1,601
Other Financing Sources	(409)	(309)
Total Resources Used to Finance Activities	123,931	113,201
Resources That Do Not Fund Net Cost of Operations		
Change in Amount of Goods, Services and Benefits Ordered But Not Yet Provided	(1,067)	(1,909)
Resources that Finance the Acquisition of Assets	(7,339)	(7,646)
Resources that Fund Expenses Recognized in Prior Periods	(2,190)	(1,178)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	4,708	4,535
Other	-	-
Total Resources that Do Not Fund Net Cost of Operations	(5,888)	(6,198)
Total Resources Used to Finance the Net Cost of Operations	118,043	107,003
Costs That Do Not Require Resources in the Current Period		
Increase in Annual Leave Liability	64	78
Increase (Decrease) in Environmental and Disposal Liability	5	(5)
Reestimates of Credit Subsidy Expense	1,242	1,129
Increase in Exchange Revenue Receivable from the Public	(342)	(528)
Increase (Decrease) in Veterans Benefits and Other Noncurrent Liabilities	59,252	224,308
Depreciation and Amortization	1,880	1,378
Bad Debts Related to Uncollectible Non-Credit Reform Receivables	590	676
Loss on Disposition of Assets	111	171
Other	44	(655)
Total Costs That Do Not Require Resources in the Current Period	62,846	226,552
Net Cost (Benefit) of Operations	\$ 180,889	\$ 333,555



24. Reclassifications

Intragovernmental Revenues

In 2011, as a result of a corrective action plan to resolve VA's intragovernmental reporting deficiencies, VA identified and corrected the misclassification of certain revenue accounts from Federal to Non-Federal Revenues. These revenue accounts relate to Supply Fund and Franchise Fund rebates, usage fees and funding fees earned and collected from non-Federal entities, refunds of MCCF collections to the original paying individual or organization and contractual adjustments and uncollectible amounts from Medicare or insurance companies related to Medicare equivalent adjustments. The reclassifications had no impact on the Consolidated Statements of Net Cost for 2011 or 2010. However, the net effect

on 2010 of reclassifying revenues between Federal Revenues and Public Revenues disclosed in Note 21 was to increase Federal Revenues and decrease Public Revenues by \$147 million as the reclassifications primarily affected contractual adjustments and uncollectible revenue accounts.

Insurance Liabilities

Accrued Interest Payable on Insurance Policies of \$44 million for 2010 was reclassified from Public Accounts Payable to Insurance Liabilities to conform to the 2011 presentation of the Consolidated Balance Sheet. The reclassification had no other effect on the Consolidated Financial Statements.



VA Office of Inspector General

OFFICE OF AUDITS & EVALUATIONS



**Department of
Veterans Affairs**
*Audit of VA's
Consolidated Financial
Statements for Fiscal
Years 2011 and 2010*

November 10, 2011
11-00343-26



Department of Veterans Affairs

Memorandum

Date: November 10, 2011

From: Assistant Inspector General for Audits and Evaluations (52)

Subj: Audit of VA's Consolidated Financial Statements for Fiscal Years 2011 and 2010

To: Secretary of Veterans Affairs (00)

1. We contracted with the independent public accounting firm, Clifton Gunderson LLP, to audit VA's consolidated financial statements as of September 30, 2011 and 2010, and for the years then ended. This audit is an annual requirement of the Chief Financial Officers Act of 1990. The results of Clifton Gunderson LLP's audit are presented in the attached reports.

2. Clifton Gunderson LLP provided an unqualified opinion on VA's fiscal year 2011 and 2010 consolidated financial statements. With respect to internal control, Clifton Gunderson LLP identified one material weakness, information technology security controls, which is a repeat condition. They also reported two significant deficiencies, accrued operating expenses, which is a repeat condition, and loan guaranty reporting. The department has taken corrective actions sufficient to eliminate four other significant deficiencies previously cited last year.

3. Clifton Gunderson LLP reported that VA did not substantially comply with the Federal financial management systems requirements of the Federal Financial Management Improvement Act (FFMIA) of 1996. They also noted instances of non-compliance with the Debt Collection Improvement Act of 1996.

4. Clifton Gunderson LLP is responsible for the attached auditor's reports dated November 10, 2011, and the conclusions expressed in the reports. We do not express opinions on VA's financial statements, internal control, or compliance with FFMIA. We also do not express conclusions on VA's 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 fiscal year 2012 audit of VA's consolidated financial statements.


BELINDA J. FINN

Attachments



Independent Auditor's Report

To the Secretary
and Inspector General
Department of Veterans Affairs

We have audited the accompanying consolidated balance sheets of the Department of Veterans Affairs (VA) as of September 30, 2011 and 2010, and the related consolidated statements of net cost, changes in net position, and the combined statements of budgetary resources for the years then ended. 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 applicable provisions of Office of Management and Budget 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2011 and 2010, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the consolidated financial statements, management adopted Statement of Federal Financial Accounting Standards No. 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting Gains and Losses from Changes in Assumptions, and Selecting Discount Rates and Valuation Dates* in 2010, which required a change in its policy for calculating the actuarial liability for Veterans benefits.

11710 Beltsville Drive, Suite 300
Calverton, MD 20705-3106
tel: 301-931-2050
fax: 301-931-1710

www.cliftoncpa.com





In accordance with *Government Auditing Standards*, we have also issued our reports dated November 10, 2011, on our consideration of VA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on internal control over financial reporting or compliance. Those reports are an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A), Required Supplementary Stewardship Information (RSSI), and Required Supplementary Information (RSI) is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

All other information exclusive of the consolidated financial statements, MD&A, RSSI and RSI listed in the table of contents is presented for additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Clifton Gunderson LLP

Calverton, Maryland
November 10, 2011



Independent Auditor's Report on Internal Control Over Financial Reporting

To the Secretary
and Inspector General
Department of Veterans Affairs

We have audited the financial statements of the Department of Veterans Affairs (VA) as of and for the year ended September 30, 2011, and have issued our report thereon dated November 10, 2011. 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 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

In planning and performing our audit, we considered VA's internal control over financial reporting by obtaining an understanding of the design effectiveness of internal controls, determined whether these controls had been placed in operation, assessed control risk, and performed tests of controls 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 VA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of 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 deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below in Section 1 to be material weaknesses in internal control over financial reporting.

11710 Beltsville Drive, Suite 300
Calverton, MD 20705-5106
tel: 301-931-2050
fax: 301-931-1710
www.cliftoncpa.com





A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below in Section 2 to be significant deficiencies.

SECTION 1 – MATERIAL WEAKNESS

1. Information Technology (IT) Security Controls (Repeat Condition)

The VA relies on extensive Information Technology (IT) systems to administer benefits to Veterans. Internal controls over these operations are essential to ensure the integrity, confidentiality, and reliability of critical data while reducing the risk of errors, fraud and other illegal acts. Our review of IT controls covered general and selected business process application controls. As noted in prior years' audits, VA continues to have weaknesses in Security Management, Access Controls, Segregation of Duties, Configuration Management and Contingency Planning controls designed to protect mission-critical systems from unauthorized access, alteration, or destruction.

This year VA made some incremental improvement in control activities supporting the segregation of duties within the Integrated Funds Distribution, Control Point Activity, Accounting and Procurement (IFCAP) module of the Veterans Health Information Systems and Technology Architecture (VistA) and supporting its compliance with OMB Memorandum M-08-22, *Guidance on the Federal Desktop Core Configurations (FDCC)*. However, more improvement is needed.

Our current year audit identified that while weaknesses were corrected in some locations, they still continue to exist in other areas. This is evidenced by the continued existence of previously identified IT weaknesses at VA facilities. Many of these weaknesses may be attributed to ineffective implementation and enforcement of an agency-wide information security program and ineffective communication from VA management to the individual field offices. VA needs to improve its monitoring process to ensure controls are operating as intended and communicate the results of the monitoring process to the appropriate personnel to implement corrective actions.

Our assessment of the general and application controls of VA's key IT infrastructure and financial systems identified the following conditions:

Conditions:

Security Management

- Security management documentation, including the risk assessments, system security plans, and memoranda of understanding/information security agreements, were outdated and did not accurately reflect the current system environment or federal standards.
- Background reinvestigations were not being performed timely and personnel were not receiving the proper level of investigation for their position sensitivity levels.



- Plans of Actions and Milestones (POA&M) were not updated in a timely manner, milestones were frequently missed, and supporting documentation was not adequate to support closure of POA&Ms.
- Definitive guidance on role-based training requirements was not provided by the Office of Information and Technology (OI&T), which resulted in specialized training for IT personnel not being consistently performed. In addition, security awareness and privacy training for employees was not consistently performed.

Access Controls

- Reviews of user accounts and proper completion of user access requests were not consistently performed to eliminate conflicting roles and enforce the principle of least privilege.
- Inconsistent reviews of financial application user access resulted in numerous generic, system, and inactive user accounts that were not removed from the system and users with access rights that were not appropriate.
- Password standards were not consistently implemented and enforced across multiple VA systems including the network domain, databases, and key financial applications. In addition, multi-factor authentication for remote access had not been implemented across the agency.
- Timely remediation of security and privacy incidents was not consistently performed.

Segregation of Duties

- Some users within key financial applications had excessive rights or conflicting roles assigned within the systems.

Configuration Management

- Change control policy and procedures for authorizing, testing and approval of system changes were not consistently implemented for the VistA, Insurance Payment System, Veterans Insurance Claims Tracking and Reporting System, VALERI and iSeries and CLASS applications.
- Systems were not patched or securely configured to mitigate known and unknown information security vulnerabilities.
- Baseline configurations, including implementation of the Federal Desktop Core Configuration, were not consistently implemented to mitigate significant system security risks and vulnerabilities across the facilities and data centers.

Contingency Planning

- VA contingency plan policy did not contain explicit and consistent guidance regarding the testing of contingency plans.
- Contingency Plan documentation was outdated and the testing of contingency plans at selected facilities and data centers was not routinely performed.



Criteria:

OMB Circular A-130, Appendix III, *Security of Federal Automated Information Resources*, states that “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.”

The Federal Information Security Management Act of 2002 (FISMA) requires that each agency develop an agency-wide information security program that includes:

- Periodic assessments of risk, including the magnitude of harm that could result from the unauthorized access, use, disclosure, disruption, modification, or destruction of information and information systems that support the operations and assets of the organization;
- Policies and procedures that are based on risk assessments, cost-effectively reduce information security risks to an acceptable level and address information security throughout the life cycle of each organizational information system;
- Plans for providing adequate information security for networks, facilities, information systems, or groups of information systems, as appropriate;
- Security awareness training to inform personnel of the information security risks associated with their activities and their responsibilities in complying with organizational policies and procedures designed to reduce these risks;
- Periodic testing and evaluation of the effectiveness of information security policies, procedures, practices, and security controls to be performed with a frequency depending on risk, but no less than annually;
- A process of planning, implementing, evaluating, and documenting remedial actions to address any deficiencies in the information security policies, procedures, and practices of the organization;
- Procedures for detecting, reporting, and responding to security incidents; and
- Plans and procedures for continuity of operations for information systems that support the operations and assets of the organization.

Cause:

The dispersed locations, the continued reorganization, and the diversity in applications have impacted facilities and management’s ability to effectively address and reduce the number of prior year IT deficiencies. For example, VA lacks a coherent financial system architecture, which has resulted in the lack of common controls and maintenance of IT systems. VA continues to be challenged with the consistent and proactive enforcement of the established policies and procedures throughout its geographically dispersed portfolio of legacy applications and newly implemented systems. The continued reorganization of components within the VA, such as the centralization of the data centers and the shift of control from the Medical Center level to the Veterans Integrated Service Network (VISN) level and from the Regional Office level to the Network Service Center level has caused delays in communication with personnel throughout the VA.



Effect:

By not effectively documenting, implementing and enforcing IT policies and procedures, there is an increased risk that financial and personally identifiable information may be inadvertently or deliberately misused and may result in improper disclosure or theft without detection. Additionally, inappropriate or unnecessary changes may be made to key financial information systems, which could result in misstated financial information. Finally, inadequate contingency plan testing increases the risk that VA would not be able to recover systems and data in a timely manner and could have an adverse effect on financial processes.

Recommendations:

The Assistant Secretary for Information and Technology should continue to analyze and prioritize remediation efforts to accomplish security and control objectives. Key tasks should include, but are not limited to:

- Review and update security documentation, including risk assessments, system security plans, and memoranda of understanding/information security agreements on at least an annual basis to ensure all required information is included and accurately reflects the current environment, new risks, and federal standards.
- Develop and implement a process to ensure that facilities or Human Resource personnel track reinvestigations for employees and contractors in high risk positions and the Security Investigation Center (SIC) initiates all reinvestigations. Additionally, develop and implement a process for the facilities or Human Resource personnel to accurately and timely report any change in position sensitivity level to the SIC.
- Segregate national POA&Ms from the facility-level POA&Ms and implement a process to review, update and remediate national POA&Ms in a timely manner.
- Implement a process to review, update and remediate facility-level POA&Ms in a timely manner and ensure that closed POA&Ms are adequately supported with appropriate documentation.
- Provide definitive guidance on specific role-based training requirements for personnel with specialized security responsibilities and ensure that appropriate IT personnel receive specialized security training and retain documentation of completed training.
- Develop and implement a process to ensure that all personnel complete the annual VA Privacy and Information Security Awareness Training and retain documentation of completed training.
- Ensure the proper completion and retention of the user access request forms to include proper authorizations prior to system access being granted.
- Implement a process for the periodic review of network and financial applications to identify and remove generic and inactive accounts on systems and networks and recertify that access remains appropriate and restricted to necessary personnel.
- Establish and implement a process to be in compliance with VA policy for password and security configuration baselines on the domain controls, operating systems, databases, applications and network devices.
- Complete the implementation of two-factor authentication for remote access throughout the agency.
- Implement a process to ensure the timely follow-up and resolution of security and privacy incidents. Implement controls to enforce appropriate segregation of duties



principles and eliminate conflicting user access roles and permissions for key financial applications.

- Establish and implement change control procedures to ensure the consistent approval and testing during development and implementation of changes to VA financial applications.
- Establish and implement a process to ensure that systems, including network devices, servers, and databases are patched, updated and maintained at vendor recommended version levels.
- Establish and implement a process to ensure that workstations are patched, updated and configured to minimize security risks and are in compliance with Federal Desktop Core Configuration requirements.
- Review and update existing contingency planning procedures to provide more explicit guidance, communication and coordination of contingency testing activities. In addition, enforce procedures for the annual review and update of contingency plans.
- Implement processes to ensure information security contingency plans are fully tested at the alternate processing facilities on an annual basis.

SECTION 2 – SIGNIFICANT DEFICIENCIES

1. Accrued Operating Expenses (Repeat Condition)

Conditions:

In order to calculate, record, and track estimates for accrued services payable on nearly 175,000 unpaid obligations each month, VA employs a system generated accrual code at the time of obligation. When this “accrual flag” code is applied, FMS calculates a straight-line estimate of costs incurred under the obligation based on the recorded end date of the obligation’s period of performance, and after subtracting payments made to date, records an automatic accrual entry at the end of each month. Although VA improved compliance with its policy over the use of the accrual flag in FY2011, VA does not perform any validation review to ensure the methodology provides a materially accurate liability estimate throughout the year.

During our statistically based sample testing of accrued expenses for intragovernmental obligations we found that the actual amount of services performed as of September 30 was different from the estimate accrued for 6 sample items. The projected value of the error to the balance of accrued expenses – Federal was an overstatement of approximately \$174 million.

During our statistically based sample testing of accrued expenses for non-federal obligations we found numerous errors including: 1) the end date of the period of performance was not accurate or was not updated for three sample items; 2) the actual amount of services performed as of September 30 were less than the accrued amount for 11 sample items; 3) a large pharmaceutical contract was accrued as management expected the delivery by September 30, however the delivery was not made until October; and 4) six obligations were found to be under accrued. The projected value of the error to the balance of accrued expenses – public was an overstatement of approximately \$576 million.



Criteria:

Statement of Federal Financial Accounting Standards (SSFAS) No. 1, *Accounting for Selected Assets and Liabilities*, states, "Accounts payable are amounts owed by a federal entity for goods and services received from, progress in contract performance made by, and rents due to other entities." SFFAS No. 1 continues, "When an entity accepts title to goods, whether the goods are delivered or in transit, the entity should recognize a liability for the unpaid amount of goods. If invoices for these goods are not available when the financial statements are prepared, the amounts owed should be estimated."

OMB Circular A-123, *Management Responsibility for Internal Controls*, 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:

Although the methodology should provide an overall reasonable estimate of accrued expenses, the methodology accrues a full month of service cost in the month the obligation is recorded. VA records many new large obligations at the end of the last month of the fiscal year where the actual amount of services performed in September is minimal.

Program managers are not always properly recording or updating the end date of the obligations in FMS.

Effect:

Without an effective review and validation process, VA's estimates of its accrued expense liability may be significantly misstated. The accompanying financial statements have not been corrected for the effect of these errors. We were able to perform sufficient testing to ensure the net impact of these errors was not material to the financial statements as a whole.

Recommendation:

VA should reevaluate the accrual flag system methodology based on the actual cost patterns to ensure the resulting accruals are materially consistent with actual costs. VA should also develop procedures to periodically review the largest open obligations and ensure the reasonableness of the accrued liability to be recorded in FMS.

2. Loan Guaranty Reporting

Condition:

VBA's Home Loan Guaranty Program helps veterans by insuring Veteran's home mortgage loans. VBA uses the Veterans Housing Model (model) to produce budget formulation, reestimate, and Financing Account Interest Calculator (FAIC) cash flows for four of its Housing programs—the Loan Guaranty Program (GL), the Direct Vendee Loan Portfolio (VL), the Direct



Acquired/Refunded Loan Portfolio (AL), and the Guaranteed Loan Sale Securities Account (LS). The model is also used to support certain estimated balances reported in the financial statements, including the liability for loan guarantee, and the allowance for subsidy for direct and defaulted guaranteed loans.

VA does not adequately monitor and review the loan guarantee modeling process and resulting financial statement balances. During our audit, we noted:

- An error in the model's methodology for discounting future cash flows from direct loans and defaulted guaranteed loans, resulting in a misstatement in the allowance for subsidy of \$654 million.
- VA did not properly consider current trends in sales proceeds related to foreclosed property from loan guarantees in determining the proper allowance for subsidy. We estimated a potential misstatement in the allowance of \$216 million.
- The model was not effectively calibrated to reflect the impact of the current housing crisis, which increases the risk of understating the liability for loan guarantee.

Criteria:

OMB Circular A-123, *Management Responsibility for Internal Controls*, 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.

Federal Financial Accounting and Auditing Technical Release 6: *Preparing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act*- Amendments to Technical Release No. 3 *Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act*, states in part:

Preparing reliable and timely direct loan and loan guarantee subsidy estimates must be a joint effort between the budget, CFO and program offices at each agency. These offices should work together to ensure that the procedures and internal control outlined in this section are implemented and operating as designed.

Agencies must accumulate sufficient relevant and reliable data on which to base cash flow projections. It is important to note that agencies should prepare all estimates and reestimates based upon the best available data at the time the estimates are made.

Cause:

VA's current financial monitoring and internal review procedures do not include a detailed review of the Home Loan Guaranty modeling processes and resulting financial balances due to the complexity of the modeling process and accounting requirements.

VA does not have a structured program to compare actual program performance against model forecasts which could identify material deficiencies in model design or performance.



VA's model uses a static long term house price appreciation assumption, and does not incorporate other loan specific variables (e.g. debt-to-income and loan-to-value ratios) which could result in a more predictive model.

Effect:

VA may not be accurately presenting the current condition and expected performance of the Loan Guaranty Program.

Except for the \$654 million error in the allowance for subsidy for vendee and acquired loans, the accompanying financial statements have not been adjusted to reflect these errors. We were able to perform sufficient testing to ensure the net impact of these errors was not material to the financial statements as a whole.

VA's credit subsidy rates may not be accurate or fully reflect the differences in performance caused by the impact of the different economic environments during each cohort.

Recommendations:

We recommend the Under Secretary for Benefits:

- Develop policies regarding the review of financial balances and the underlying support in connection with the quarterly financial reporting process.
- Develop and implement control procedures to perform a detailed mid-year analytical review and validation of all Housing Model assumptions and outputs against actual results.
- Develop a management review process specific for the model to assess the model forecasts against historical results for reasonableness.
- Document management's review and approval of the assumptions and outputs developed in connection with the subsidy estimation.
- Consider the benefits of incorporating loan level variables into the model to reflect changes in portfolio attributes over time.
- Incorporate dynamic house price forecast data rather than the historical average as a variable to the model.

STATUS OF PRIOR YEAR'S CONTROL DEFICIENCIES

As required by *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended, we have reviewed the status of VA's corrective actions with respect to the findings and recommendations included in the prior year Independent Auditor's Report on Internal Control over Financial Reporting dated November 10, 2010.

The prior year report identified a material weakness in the area of Information Technology Security Controls. While VA has made some incremental progress on this material weakness, it is repeated as a material weakness this year.



We also noted certain other nonreportable matters involving internal control over financial reporting that we will communicate in a separate letter to VA management.

This report is intended solely for the information and use of the management of VA, the VA Office of Inspector General, the Government Accountability Office, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Calverton, Maryland
November 10, 2011



Independent Auditor's Report on Compliance and Other Matters

To the Secretary
and Inspector General
Department of Veterans Affairs

We have audited the financial statements of the Department of Veterans Affairs (VA) as of and for the year ended September 30, 2011, and have issued our report thereon dated November 10, 2011. 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 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The management of VA is responsible for complying with laws and regulations applicable to the VA. As part of obtaining reasonable assurance about whether VA's financial statements are free of material misstatements, we performed tests of VA's compliance with certain provisions of laws and regulations, 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 07-04, as amended. We limited our tests of compliance to those provisions and we did not test compliance with all laws and regulations applicable to VA. Providing an opinion on compliance with certain provisions of laws and regulations 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 of compliance with laws and regulations described in the preceding paragraph disclosed no instances of reportable noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin 07-04, as amended.

Under the Federal Financial Management Improvement Act of 1996 (FFMIA), we are required to report whether the financial management systems used by VA substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Standard General Ledger (SGL) at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

11710 Beltsville Drive, Suite 300
Calverton, MD 20705-3106
tel: 301-931-2050
fax: 301-931-1710

www.cliftoncpa.com





The objective of our audit was not to provide an opinion on compliance with FFMIA. Accordingly, we do not express such an opinion. However, except for matters described below, where VA did not substantially comply with applicable Federal financial management systems requirements, the results of our work disclosed no other instances in which VA's financial management systems did not substantially comply with Federal accounting standards and the United States SGL at the transaction level.

1. Non-compliance with FFMIA

Financial Management Systems

We have concluded that VA's financial management systems do not substantially comply with the Federal financial management systems requirements as required by FFMIA Section 803(a) for the following reasons:

- As reported in our report on internal control over financial reporting, VA has a material weakness over "Information Technology (IT) Security Controls". This is a repeat finding.
- Although VA has made significant progress in remediating significant deficiencies, VA continues to have two significant deficiencies in internal control over financial reporting, one of which is a repeat finding.
- VA's underlying financial systems are complex and disjointed legacy applications and operating platforms. VA lacks a coherent financial system architecture that controls financial transactions from their initiation to their summarization and presentation in the financial statements. As a result, certain financial statement line items may not be readily re-created and supported by audit trails of detailed financial transactions. Not all current interfaced systems can be readily accessed and used without extensive manipulation, and manual processing and reconciliation. Some examples of issues we found include:
 - VBA's subsidiary ledgers (VETSNET and BDN) have reconciliation issues with the general ledger (FMS). We noted an \$83.7 million difference at year-end between the subsidiaries and general ledger related to receivables.
 - The VBA systems are not fully integrated and the coding of the transaction level activity is not always accurate. Due to a previous lack of an automated interface between VETSNET and FMS, we noted a manual adjustment amount of \$41.1 billion to reclassify incorrect manual budget coding. This adjustment relates to activity that occurred prior to the VETSNET to FMS interface that began in June 2010. Although this reconciling item did not affect the financial statement amounts, additional effort was expended to rectify the budget coding error. Prior to the automatic interface between VETSNET and FMS, VBA (through the Hines Finance Center) used certain VETSNET accounting transactions to manually back out cash activity from VETSNET and then manually post that activity to FMS. This manual work around, coupled with ongoing FMS and VETSNET coding issues caused the reconciling items.



- The BDN system is not designed to keep a complete history of education benefit related transactions. Detail transaction data on Chapter 34 and 35 education benefit expense could not be retrieved.
- The fixed asset system (FAS) can not readily provide reports on additions, deletions or current depreciation to support effective and efficient reconciliation of account balances and the investigation of discrepancies.

2. Non-compliance with Debt Collection Improvement Act

Condition:

We tested various sample transactions for compliance with the Debt Collection Improvement Act of 1996 (DCIA), and noted the following exceptions:

- 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, for 86 sample items out of a total of 90 sample selections tested, VBA did not charge interest or administrative costs on delinquent payments from veterans related to certain receivables for Compensation, Pension, and Education.

Criteria:

Public Law 96-466 and Title 38 U.S.C § 501(a) and §5315, and 38 CFR 1.919 require VA to charge interest and administrative costs on any amount owed to the United States.

Cause:

This has been a long standing issue and is based on a former VA Deputy Secretary's instruction in July 1992, that VA not charge interest or administrative costs on veteran debts.

Effect:

VA is noncompliant with the Debt Collection Improvement Act of 1996.

Recommendation:

We recommend that VA:

- Implement policies and procedures to assess applicable interest and administrative costs or propose a legislative remedy to request a waiver of these requirements.



Part III - Independent Auditors' Report

This report is intended solely for the information and use of the management of VA, the VA Office of Inspector General, the Government Accountability Office, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Calverton, Maryland
November 10, 2011



Department of
Veterans Affairs

Memorandum

Date: **NOV 10 2011**

From: Executive in Charge, Office of Management, and Chief Financial Officer (004)

Subj: Report of the Audit of the Department of Veterans Affairs Consolidated Financial Statements for Fiscal Years 2011 and 2010

To: Assistant Inspector General for Audits and Evaluations (52)

1. The Office of Management has reviewed the Report of the Audit of the Department of Veterans Affairs Consolidated Financial Statements for Fiscal Years 2011 and 2010, and we are pleased with the receipt of an unqualified opinion. We are also pleased that we met the 2011 reporting timeline established by the Office of Management and Budget. Please extend to your staff and the staff of Clifton Gunderson, LLP our appreciation for their detailed planning, hard work, and cooperation during this year's audit.

2. VA senior officials and applicable program managers are aware of the unqualified audit opinion. As a result of the dedicated efforts of staff throughout the Department, only one material weakness remains. We will continue to focus on completing corrective actions as detailed in the remediation plans for the one remaining material weakness, Information Technology (IT) Security Controls. For this repeat material weakness, the existing remediation plans will be revised and expanded, as needed, to address the findings and recommendations in your audit report.

3. Thank you again for your efforts in another successful conclusion of the audit cycle.

A handwritten signature in black ink, appearing to read "W. Todd Grams", is written over the typed name.

W. Todd Grams



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.

Grant Program Costs					
Years Ended September 30,	2011	2010	2009	2008	2007
State Extended Care Facilities	\$ 54	\$ 242	\$ 163	\$ 162	\$ 138
State Veterans Cemeteries	44	49	40	37	46
Total Grant Program Costs	\$ 98	\$ 291	\$ 203	\$ 199	\$ 184

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 five fiscal years, the State Home Construction Grant Program has awarded grants in excess of \$759 million. VA also provides per diem payment for the care of eligible Veterans in state homes.

Since the cemetery program was established in 1980, VA has awarded grants totaling more than \$482 million to 47 states and territories. The program provides up to 100 percent of the cost to establish, expand, or improve state or tribal Veterans cemeteries. State organizations provide the land and agree to operate the cemeteries.

2. Human Capital

Investment in human capital is comprised of 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.



Part III - Required Supplementary Stewardship Information

Veterans and Dependents Education

Years Ended September 30,

	2011	2010
Program Expenses		
Education and Training-Dependents of Veterans	\$ 567	\$ 477
Vocational Rehabilitation and Education Assistance	11,259	9,031
Administrative Program Costs	370	348
Total Program Expenses	<u>\$ 12,196</u>	<u>\$ 9,856</u>
Program Outputs (Participants)		
Dependent Education	96,078	81,974
Veterans Rehabilitation	81,097	77,176
Veterans Education	822,808	634,038

Veterans and Dependents Education

Years Ended September 30,

	2009	2008
Program Expenses		
Education and Training-Dependents of Veterans	\$ 464	\$ 451
Vocational Rehabilitation and Education Assistance	4,393	3,102
Administrative Program Costs	304	251
Total Program Expenses	<u>\$ 5,161</u>	<u>\$ 3,804</u>
Program Outputs (Participants)		
Dependent Education	82,345	80,409
Veterans Rehabilitation	72,803	68,826
Veterans Education *	822,738	459,594

*Due to the implementation of the new Post 9/11 GI Bill during 2009, total participants in the Veterans Education Program for 2009 may include two records for a single participant who switches from the Montgomery GI Bill (MGIB) to the Post-9/11 GI Bill mid-year.



Veterans and Dependents Education

Years Ended September 30,

2007

Program Expenses

Education and Training-Dependents of Veterans	\$ 450
Vocational Rehabilitation and Education Assistance	3,095
Administrative Program Costs	<u>243</u>
Total Program Expenses	\$ <u>3,788</u>

Program Outputs (Participants)

Dependent Education	79,134
Veterans Rehabilitation	69,409
Veterans Education	490,826

Program Outcomes

VA's education and training programs are intended to provide higher education to dependents that 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 new Post-9/11 GI Bill, 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, and eligible family members.



3. Health Professions Education

Health Professions Education					
Years Ended September 30,					
	2011	2010	2009	2008	2007
Program Expenses					
Physician Residents and Fellows	\$ 637	\$ 584	\$ 547	\$ 508	\$ 469
Associated Health Residents and Students	114	113	99	88	81
Instructional and Administrative Support	819	794	707	623	606
Total Program Expenses	\$ 1,570	\$ 1,491	\$ 1,353	\$ 1,219	\$ 1,156
Program Outputs					
Health Professions Rotating Through VA:					
Physician Residents and Fellows	36,984	36,600	35,099	34,003	33,775
Medical Students	20,516	21,267	20,567	18,135	18,728
Nursing Students	25,931	33,580	31,380	28,320	27,515
Associated Health Residents and Students	31,869	23,416	22,916	20,946	20,875
Total Program Outcomes	115,300	114,863	109,962	101,404	100,893

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 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. VA has affiliation agreements with 112 allopathic and 15 osteopathic medical schools for physician education, and in 40 other health professions represented by affiliation agreements with more than 1,200 colleges and universities. 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.



Program Expense Year Ended September 30,				2011
	Basic	Applied	Development	Total
Medical Research Service	\$ 166.1	\$ 80.0	\$ -	\$ 246.1
Rehabilitative Research and Development	8.7	68.6	47.4	124.7
Health Services Research and Development	-	85.3	-	85.3
Cooperative Studies Research Service	43.2	80.3	-	123.5
Medical Research Support	-	579.8		579.8
Total Program Expenses	\$ 218.0	\$ 894.0	\$ 47.4	\$ 1,159.4

Program Expense Year Ended September 30,				2010
	Basic	Applied	Development	Total
Medical Research Service	\$ 202.9	\$ 97.5	\$ -	\$ 300.4
Rehabilitative Research and Development	6.4	50.6	35.0	92.0
Health Services Research and Development	-	91.0	-	91.0
Cooperative Studies Research Service	34.0	63.6	-	97.6
Medical Research Support	-	581.0		581.0
Total Program Expenses	\$ 243.3	\$ 883.7	\$ 35.0	\$ 1,162.0

Program Expense Year Ended September 30,				2009
	Basic	Applied	Development	Total
Medical Research Service	\$ 164.4	\$ 89.6	\$ -	\$ 254.0
Rehabilitative Research and Development	5.6	42.7	32.7	81.0
Health Services Research and Development	-	80.0	-	80.0
Cooperative Studies Research Service	33.3	61.7	-	95.0
Medical Research Support	-	510.0		510.0
Total Program Expenses	\$ 203.3	\$ 784.0	\$ 32.7	\$ 1,020.0



Part III - Required Supplementary Stewardship Information

Program Expense				
Year Ended September 30,				
	Basic	Applied	Development	2008 Total
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
Total Program Expenses	\$ 193.0	\$ 670.0	\$ 28.0	\$ 891.0

Program Expense				
Year Ended September 30,				
	Basic	Applied	Development	2007 Total
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
Total Program Expenses	\$ 209.0	\$ 589.2	\$ 24.4	\$ 822.6

In addition, VHA researchers received grants from the National Institutes of Health in the amount of \$474 million and \$249 million in other grants during 2011. 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.

Research and Clinical Research Program (excluding CSP) 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.

Program Outputs/Outcomes

For 2011, VA's R&D general goal related to stewardship was to ensure that VA's Pre-clinical

Research and Development Measures-Actual					
Years Ended September 30,					
	2011	2010	2009	2008	2007
Percent of Funded Research Projects Relevant to VA's Health-Care Mission	100.0%	100.0%	100.0%	100.0%	100.0%
Number of Research and Development Projects	2,200	2,350	2,193	1,956	2,019



VA's Pre-clinical Research and Clinical Research Program's (excluding CSP) 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

**These materials are not audited
(dollars in millions, unless otherwise noted)**

1. Deferred Maintenance

Deferred maintenance is classified as maintenance 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, where condition ratings are assigned. The costs assigned “D” (poor) and “F” (critical) ratings, qualify for reporting as deferred maintenance.

Deferred Maintenance

As of September 30,	2011	2010
General PP&E	\$ 5,719	\$ 5,166
Heritage Assets	698	648
Total Deferred Maintenance	\$ 6,417	\$ 5,814



2. Schedule of Budgetary Activity Year Ended September 30, 2011

	Total Budgetary Resources	Obligations Incurred	Spending Authority from Offsetting Collections and Adjustments	Obligated Balance Net, Oct. 1	Obligated Balance Net, Sept. 30	Total Outlays
Veterans Health Administration						
Medical Admin 0152	\$ 5,572	\$ 5,268	\$ 72	\$ 1,041	\$ 893	\$ 5,344
Medical Care 0160	41,548	40,133	295	4,885	5,139	39,584
Medical Facilities 0162	5,898	5,803	35	2,432	3,128	5,072
Information Technology 0167	3,762	3,584	52	1,605	1,785	3,352
All Other	6,569	2,765	435	3,512	2,972	2,870
Total	\$ 63,349	\$ 57,553	\$ 889	\$ 13,475	\$ 13,917	\$ 56,222
Veterans Benefits Administration						
Compensation, Pension, & Burial Benefits 0102	\$ 66,863	\$ 53,932	\$ -	\$ 3,923	\$ 278	\$ 57,577
Readjustment Benefits 0137	11,990	10,769	380	417	101	10,705
Direct Loan Financing 4127	573	404	408	15	7	4
Guaranteed Loan Financing 4129	5,980	2,774	3,798	264	279	(1,039)
National Service Life Insurance Fund 8132	1,238	1,238	196	1,269	1,182	1,129
All Other	5,649	3,311	1,666	501	503	1,643
Total	\$ 92,293	\$ 72,428	\$ 6,448	\$ 6,389	\$ 2,350	\$ 70,019
National Cemetery Administration						
Total	\$ 309	\$ 287	\$ -	\$ 199	\$ 178	\$ 308
Indirect Administrative Program Costs						
General Operating Expenses 0151	\$ 3,371	\$ 3,269	\$ 735	\$ 648	\$ 542	\$ 2,640
Supply Fund 4537	1,834	1,180	1,081	(424)	(279)	(46)
All Other	691	582	490	60	99	53
Total	\$ 5,896	\$ 5,031	\$ 2,306	\$ 284	\$ 362	\$ 2,647
Total of all Administrations	\$ 161,847	\$ 135,299	\$ 9,643	\$ 20,347	\$ 16,807	\$ 129,196



VA Snapshot

vICU Helps Patient Heal



Demonstration of the Virtual Intensive Care Unit.

The Department of Veterans Affairs (VA) strives to serve Veterans and improve their lives, and the new virtual intensive care unit (vICU) helps us do that. The vICU provides access to critical care services to smaller facilities within a Veterans Integrated Service Network (VISN). There are several Tele ICU models across the country using a traditional model where a physician sits in a room and monitors patients remotely. However, in VISN 19, VA is testing an innovative vICU that is nurse-driven and nurse-managed and uses a rapid response multidisciplinary team approach taking patient care to a higher level. This higher level of care is illustrated by the following example of the vICU in action.

At 2:45 a.m. on February 11, an ICU nurse at the Fort Harrison VA Medical Center (VAMC) requested immediate virtual assistance from the vICU nurse in Denver for an unstable patient. The vICU nurse then connected with Ft. Harrison via the vICU telehealth equipment and assessed the patient remotely to provide positive assistance.

The patient, a 34-year-old OEF/OIF Veteran, had been admitted that day to the Ft. Harrison ICU for severe lung problems. Despite receiving care, the patient's condition had worsened. When the vICU nurse was contacted, she suggested several medications and immediately contacted specialists in Denver for further assistance in areas including cardiothoracic, medicine, and neurology. Based on the specialists' recommendations, facilitated by the vICU, the patient was stabilized.

The vICU nurse coordinated the patient's expedited transfer to Denver where the patient was admitted to the Denver VAMC on February 12. The cardiothoracic, pulmonary, and medicine teams coordinated his care. A few days later, the patient underwent several specialized operations that could not be done in many rural facilities. The patient recovered without further complications and was discharged in stable condition on February 18. Without the vICU, he may not have survived.

For more information on VA's efforts to improve the health of Veterans living in rural areas, visit the **Web** site at www.ruralhealth.va.gov.



VA Snapshot

VA Psychologist Kathleen Castles Wins Myrtle Beach Marathon



Dr. Kathleen Castles became the first woman in the history of the Myrtle Beach Marathon to finish as the overall winner by finishing in 2:40:11. This record time qualifies her for the 2012 U.S. Olympic Team Trials.

Dr. Kathleen Castles accomplished an amazing feat on Saturday, February 19, 2011—winning the Myrtle Beach Marathon in South Carolina. In doing so, she became the first woman in the history of the event to finish as the overall winner. Castles, a psychologist at the VA New Jersey Health Care System, finished the marathon in 2:40:11. This time qualifies her for the 2012 U.S. Olympic Team Trials. This marks the second time that Dr. Castles has qualified for the Olympic Marathon Trials. What is even more remarkable is that as a full-time professional, she is competing against athletes who devote most of their time to training. Castles is the coordinator of the Dual Diagnosis Program as well as the MOVE!® Coordinator at the medical center. She is also the captain/coach of the VA New Jersey Health Care System’s Running Team, ROVE (Runners of Veterans Everywhere).



Summary of Financial Statement Audit and Management Assurances

The following tables provide a summary of audit-related or management-identified material weaknesses and the non-compliance with FFMIA and Federal financial management system requirements outlined in the 2011 Performance and Accountability Report. The title of each material weakness is consistent throughout this section and in the entire document. The material weakness and the associated remediation plan is the same as the audit-related material weakness.

During 2011, VA continued its remediation plans to correct the one material weakness identified in prior years for “Information Technology (IT) Security Controls.” As of September 30, 2011, VA continues to report

one material weakness related to “Information Technology (IT) Security Controls.”

No new material weaknesses were found in the design or operation of internal controls during 2011 as a result of VA’s annual assessment of internal control over financial reporting, operations, laws and regulations, and financial management systems requirements in accordance with FMFIA sections 2 and 4. Under FFMIA Section 803(a) for 2011, VA reported non-compliance with Federal financial management system requirements related to the material weakness for “Information Technology (IT) Security Controls”. VA also reported non-compliance with Federal accounting standards related to the Debt Collection Improvement Act.

Table 1 - Summary of Financial Statement Audit

Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Management Oversight					
IT Security Controls	✓				✓
<i>Total Material Weaknesses</i>	1	0	0	0	1

Table 2 - Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA – 2)						
Statement of Assurance	Unqualified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Material Weaknesses</i>	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA – 2)						
Statement of Assurance	Unqualified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance



<i>Total Material Weaknesses</i>	0	0	0	0	0	0
Conformance with Financial Management System Requirements (FMFIA – 4)						
Statement of Assurance	Conform except for the non-conformance findings below					
Material Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
IT Security Controls *	✓					✓
<i>Total Material Non-Conformances</i>	1	0	0	0	0	1
Compliance with Federal Financial Management Improvement Act (FFMIA)						
	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 Elimination and Recovery Act (IPERA) of 2010

Narrative Summary of Implementation Efforts for 2011/Agency Plans for 2012- 2014

Section I

This section briefly describes the risk assessments performed for the risk-susceptible programs based on OMB's IPERA guidance thresholds, highlighting changes from last year's report.

VA reviewed the requirements of the Improper Payment Elimination and Recovery Act of 2010 (IPERA) to identify those programs susceptible to significant erroneous payments. The Veterans Benefits Administration (VBA) performed risk assessments for four Veterans benefit programs. Dependency and Indemnity Compensation (DIC) is one of the programs previously identified in the former Section 57 of OMB Circular A-11 but is reported here as part of Compensation. Statistical samplings were performed on all required programs to estimate improper payments (2010 data were used to ensure that an accurate representation of a full fiscal year's results was obtained). VBA is required to report five programs. These programs include Compensation (including DIC), Pension, Education, Insurance, and Vocational Rehabilitation and Employment (VRE). The Office of Management and Budget (OMB) granted temporary relief from reporting under IPERA for Loan Guaranty (LGY) until year 2012.

The Veterans Health Administration (VHA) conducted a formal risk assessment on all 25 VHA programs and activities to establish a new baseline. Based on the risk assessment results, VHA determined 18 programs have low risk and are not susceptible to significant improper

payments. VHA determined seven programs were potentially susceptible to significant improper payments and, therefore, these programs underwent a statistically valid payment review. After completing the review, three of the seven programs had estimated improper payments that did not exceed the thresholds established by IPERA, 2.5 percent of program payments and \$10 million or \$100 million. These programs include: Non-VA Care Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA)¹, Prosthetics, and Travel and Transportation. The CHAMPVA program has an improper payment rate of 1.03 percent and \$7.9 million in estimated improper payments; the Prosthetics program has an improper payment rate of 1.17 percent and \$14.8 million in estimated improper payments; and the Travel and Transportation program has an improper payment rate of 0.87 percent and \$7.6 million in estimated improper payments.

VHA determined that four programs are deemed susceptible to significant improper payments and are required to be reported. These programs include: Non-VA Care Fee, Other Contractual Services, State Home Per Diem Grants, and Supplies and Materials².

Section II

¹ CHAMPVA had previously been reported in VA's 2009 and 2010 Performance and Accountability Report.

² 2011 is the first year VHA identified and reported significant improper payments in the Other Contractual Services, State Home Per Diem Grants, and Supplies and Materials programs.



This section briefly describes the statistical sampling process conducted to estimate the improper payment rate for each program identified, highlighting changes from last year's report.

1. Compensation (including DIC) and Pension.

The calculation of the estimate of the improper payment rate for both the Compensation and Pension programs is based on actual dollar amounts of debt referred to the VA Debt Management Center (DMC) and erroneous payments identified in VA's Systemic Technical Accuracy Review (STAR) quality assurance program. Half of the estimated debt identified by STAR is included in the calculation of erroneous payments. That half is the amount written off as administrative error. The other half of the debt identified by STAR results in award action to create debts reflected in the DMC data. Debts referred to the DMC can reflect erroneous payments spanning a multiple of years, as in overpayments associated with VA's Income Verification Match and Fugitive Felon Match. In 2010, DMC received \$416.4 million in compensation debt and \$381.2 million in pension debt for collection.

The STAR program is VBA's quality assurance review program for Compensation and Pension benefit claims processing. Since the STAR review process already conducts the claims processing accuracy review of a random sample of cases, the only additional review step required to capture over and underpayment rates was to calculate the dollar amount. 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 were applied to the entire population of claims processed, including a weighting factor for regional office workload share to generate overall estimated improper payments. Since STAR quality assurance reviews are inherently "after the fact," review result reports are

generated two months after the month in which the actions reviewed were completed. Over and underpayment rates are calculated for errors in the following review categories: incorrect grant or denial, assigned percentage effective date, payment rates, dependents establishment or removal, and hospitalization or incarceration. The results from the national STAR program for over and underpayments are based on technical and administrative errors. The STAR process involves a comprehensive technical accuracy review of a statistically valid random sample of completed cases. We reviewed 29,761 Compensation and Pension cases. The number of cases reviewed represents 1.37 percent of all cases subject to review. We estimated 80 percent to be Compensation cases and 20 percent to be Pension cases. Accordingly, the sample size was 0.78 percent for the Compensation program and 0.22 percent for the Pension program.

2. Education

Education Service conducts quarterly Quality Assurance (QA) reviews of a random sample of completed education benefit claims to identify the payment accuracy rate. QA review of education benefit claims is designed to provide statistically valid results at the 95 percent confidence level with a confidence interval of 2.5 percent. To develop the sample size, an estimated accuracy rate of 94 percent is used. This number is lower than the true estimate of 96 percent by design in order to ensure an adequate sample size is used. Using the standard sample size formula ($SS = Z^2 * (p * q) / C^2$) where SS is the sample size, Z is the value of the confidence level, p is the estimated accuracy percentage, q equals one minus p, and C is the confidence level. The sample size is then corrected for total population using the formula $(SS) / (1 + (SS / \text{Total Population}))$. To be statistically valid using these formulas, a sample size of 346 is required as long as the actual processing accuracy rate is 94 percent or



higher. As a cautionary measure, the sample size is increased to 400 or more per quarter to ensure the statistical validity of results are achieved in the event the actual accuracy rate is observed at 93 percent. Because the QA review is conducted quarterly, this results in an annual review of 1,600 or more randomly selected Education benefits claims.

3. Insurance

For the Insurance Service, the steps to determining the actual rate of improper payments are the following:

- Determine the number of accounts receivables established in the prior year from an Excel report created by the Finance division.
- Determine the dollar amount of all accounts receivables identified as improper payments.
- Determine the dollar amount of all disbursements made for the same year from a report from the Accounting section.
- Divide the dollar amount of all improper payments by the dollar amount of all disbursements to determine the improper payment rate for the year.

The Insurance Service also uses its Statistical Quality Control (SQC) program to help validate the improper payment rate. The Insurance SQC program is our method for assessing the ongoing quality and timeliness of our work products. A random sample of completed or pending work products is reviewed each month to ensure that the service provided to the Veteran or the Veteran's representative was accurate, appropriate, and complete, according to established guidelines. Each month a computer-generated program randomly selects 100 cash disbursements created by policy loan or cash surrender and 100 samples relating to the processing and payment of a death claim. Each case is reviewed for accuracy and timeliness. Our accuracy rate for cash disbursements for 2010 was over 99 percent.

In addition to SQC, the Insurance Service also completes monthly individual employee performance reviews. 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.

4. Vocational Rehabilitation and Employment

VRE's QA reviews were designed to provide statistically valid results at the 99 percent confidence level with a confidence interval of 1.6 percent. To develop the sample size, an estimated accuracy rate of 50 percent is used. This number is significantly lower than the true estimate of 92 percent by design in order to ensure an adequate sample size is used. Using the standard sample size formula ($SS = Z^2 * (p * q) / C^2$) where SS is the sample size, Z is the value of the confidence level, p is the estimated accuracy percentage, q equals one minus p, and C is the confidence level. The sample size is then corrected for total population using the formula $(SS)/(1+(SS/Total Population))$. To be statistically valid using these formulas, a sample size of 2,603 is required as long as the actual processing accuracy rate is 50 percent or higher. As a cautionary measure, the sample size is increased to 6,000 or more per year to ensure the statistical validity of results are achieved in the event the actual accuracy rate is observed at 93 percent.

In 2010, 6,014 randomly selected VRE cases were reviewed and the fiscal accuracy rate was 92.6 percent. The total value of payments for the 6,014 VRE fiscal cases are determined as well as the total value of all improper payments.



VRE currently does not collect data on overpayment and underpayment amounts. It only collects data on fiscal accuracy. In 2010, the total rate of improper payments was estimated at 7.4 percent of the total payments.

5. Four VHA Programs: Non-VA Care Fee, Other Contractual Services, State Home Per Diem Grants, and Supplies and Materials

VHA used a two-stage sampling probability approach, and consulted with its Allocation Resource Center and a statistician to ensure the validity of its sample design, sample size, and measurement methodology. In the first-stage sampling, probability-proportional-to-size (PPS) was used to draw a sample of 14 medical facilities where the size was identified as the number of invoices processed at the facility. Using this methodology, larger facilities had a greater probability of being selected than the smaller ones. In the second-stage sampling, simple random sampling was used to draw a sample of sufficient size to yield an estimate with a 90 percent confidence level with a confidence interval of 2.5 percent. Using this methodology, each payment within a medical facility had an equal probability of being selected from VA's Financial Management System. As part of the PPS sampling, each payment in the sample had an associated weight which was the inverse of the selection probability. The sampling weights were post-stratified using simple ratio adjustments so that sample totals were equal to the universe totals. The error rate and the improper payment amounts were then estimated using the sampling weights and appropriate methodology.

The VHA Financial Assistance Office reviewed sampled payments using a specialized checklist detailing specific compliance criteria to more accurately identify payment accuracy. For example, each sampled payment and supporting documentation was reviewed against policies and procedures to determine if the payment was made to an eligible recipient, was for an eligible good or service, was a duplicate payment, was for

goods or services received, accounted for credit of applicable discounts, and was made in the correct amount.

Based on OMB's direction, VHA also reviewed payments for non-compliance with policies and procedures and reported these errors as improper payments in 2011. Non-compliance errors are payments made in the correct amount, to the correct entity, for the right reason, and are neither overpayments nor underpayments. These errors occurred due to internal control violations when processing the payment. The estimated improper payment amount resulting from these errors are non-monetary and do not have a recoverable amount tied to them as corrective actions are internal.

Section III

This section describes VA's IPERA Corrective Action Plan for each identified program to reduce the estimated rate and amount of improper payments for each type of root cause of error identified.

**1. Compensation (including Dependency and Indemnity Compensation) and Pension
Root Causes of Error: Fugitive Felon Program, Processing Errors, Month of Death, Incarceration, and Failure to Report Information Change**

Improper payments in the Compensation and Pension programs resulted from three types of error categories: federal administration and documentation, including processing errors (1.34 percent), authentication and medical necessity, including month of death, fugitive felon and incarceration (98.63 percent), verification and local administration, including failure to report change information (0.03 percent).

Fugitive Felon Program

One cause of overpayments in both the Compensation and Pension programs has been



the implementation of the Fugitive Felon program. This program, created by Public Law 107-103, Veterans Education and Benefits Expansion Act of 2001, in December 2001, prohibits Veterans or their dependents who are fugitive felons from receiving specified Veterans' benefits. The law requires VA to retroactively terminate awards to Veterans and other beneficiaries from the date the beneficiary became a "fugitive felon." As of January 2011, nearly 23,000 fugitive felon cases have been referred to field stations resulting in a total of nearly \$165 million accumulated overpayments which cover multiple warrant years. The Committees on Waivers and Compromises had waived nearly \$22 million in overpayments. Most overpayments were waived because there was no indication of fraud on the part of the beneficiary and collection would cause the beneficiary financial hardship. It takes approximately 9 to 12 months to completely process fugitive felon cases. The amount of overpayments 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 (i.e., VA was notified in 2010, but the claimant's warrant was from Warrant Year 2004.)
- 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 Inspector General (OIG).

In addition to the identification of fugitive felons, notification of incarcerations may also lead to the establishment of overpayments. These incarceration adjustments resulted in a total of \$9.7 million in estimated payments.

According to current law, these cases are given due process and then adjusted. Notification of status is a function of agreements made with States, the Bureau of Prisons, and other law enforcement agencies. As previously indicated, these overpayments typically span multiple years as OIG's negotiation of agreements with various jurisdictions expands. As OIG involves 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.

Corrective Action Plan

VA makes efforts to improve in all areas to eliminate overpayment errors. For example, three signatures are required for awards where the retroactive payment of any benefit exceeds \$25,000. The Veteran Service Center Manager (VSCM) or supervisory designee authorizes the payment. Awards with an effective date retroactive eight or more years, or that result in a lump-sum payment of \$250,000 or more, require a review by the Compensation and Pension (C and P) Service prior to award authorization. If C and P determines the proposed decision is improper, instructions for specific corrective action are provided.

VA continued to expand staffing levels under Public Law 111-5, the American Recovery and Reinvestment Act (ARRA) of 2009, which provided \$150 million for the hiring and training of temporary surge claims processors through 2010. VBA converted approximately 2,400 ARRA temporary employees to permanent positions and also hired an additional 600 permanent employees in 2010. All employees were on duty by 2010. Based on the increase in staffing levels, the number of inexperienced decision makers will continue to be a significant factor for the immediate future, as it takes two



to three years to become fully trained and productive. Therefore, the potential for errors in evaluating, granting, and denying benefits may be greater in the short term.

The issue of double payments for spouses who are on more than one Veteran's award was initially detected during a contractor's proof-of-concept conducted in 2001. A data mining effort conducted by the C and P Service and the Office of Performance Analysis and Integrity found that Veterans' records with inconsistent identifying data for dependents had the potential to involve improper payments. In July 2010, Fast Letter 10-27 was issued for the data match. Stations were identified based on folder location and two lists of claim numbers were generated. A total of 748 cases were identified nationwide where it appeared that two Veterans were receiving benefits for the same spouse or possibly a social security number was entered incorrectly. As a result, 330 cases revealed no errors and the remaining cases have been adjusted or are pending adjustment.

Approximately 73,600 disability compensation records and 6,000 DIC records were terminated due to death in 2010. The estimated annual overpayment for the month of death was based on an estimated 24,200 disability compensation beneficiaries' and 1,900 DIC beneficiaries' deaths occurring during the last 10 days of the month. The potential overpayment is estimated at \$26.8 million based on an average monthly benefit of \$1,006 for disability compensation and \$1,263 for DIC.

A. Compensation

Root Causes of Error: Processing Errors, Month of Death, Incarceration, and Failure to Report Change Information

For underpayments based on denial of service connection or under evaluation, the evidence does not have to show conclusively that an error was made in a prior decision. If the

evidence is in equipoise, VA is required to resolve the claim in the claimant's favor according to 38 CFR 3.102. For overpayments, the standard is clear and unmistakable error; that is, there is no basis in any reasonable judgment that the benefit granted could be sustained according to 38 CFR 3.105 (a) and (d). Changes in ratings are made prospectively, unless fraud on the part of the beneficiary is found.

Most errors related to underpayments were found on initial decisions on claims. Many of these underpayments are likely corrected upon reconsideration during the appeal process, either at the local level or by the Board of Veterans Appeals. This is a mitigating factor only. It does not eliminate the fact that even where the initial action was corrected, an incorrect decision was made and that benefits were delayed.

Corrective Action Plan

VA continues to improve training programs, which will play an even more important role over the next couple of years as we continue our hiring focus, and are expected to reduce processing errors or other types of errors. The training staff is working on an Electronic Performance Support System (EPSS) for Combat Related Special Compensation (CRSC) and Concurrent Retirement and Disability Pay (CRDP), including new calculators, which will be released in the latter part of 2011.

Per Fast Letter 11-04, there is now a National Training Curriculum (NTC) consisting of 85 mandatory training hours for all claims processors. These 85 mandatory training hours include topics pertaining to cases with potential overpayments: Processing Write-outs (including 800 Series Work Items processing), Matching programs, Drill Pay Waivers, Fugitive Felon program, and Hospital Adjustments. These new lessons ensure that Veterans Service



Representatives (VSRs) and Rating Veterans Service Representatives (RVSRs) are aware of potential overpayment cases by providing instructor-led training, practical exercises, and actual claims development.

By providing clear and sufficient training materials for the issue of potential overpayments, VBA hopes to reduce all costs associated with overpayment of benefits. 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 data 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.

B. Pension

Root Causes of Error: Processing Errors, Month of Death, Incarceration, and Failure to Report Information Change

The Pension program provides eligible Veterans and their survivors a level of income that raises their standard of living. It requires retroactive adjustment based upon actual income received by the beneficiary. Consequently, it is prone to overpayments due to untimely reporting of income changes, misreporting of income, or failure to report income changes by claimants. Over and underpayments based on the STAR program define the errors as incorrect grants or denial, income not counted correctly, effective date or payment rate, and dependents established or removed. Other causes for overpayments are: reductions or terminations based upon matching programs, inaccurate reporting of monthly social security benefits, less paid unreimbursed medical expenses than anticipated, and receipt of greater income than anticipated. STAR reviews involve the

procedural and administrative errors and do not capture overpayment and underpayments due to late reporting by claimants for dependency issues, income, incarceration, and death.

Corrective Action Plan

VA consolidated all pension maintenance workload to the Pension Management Centers (PMCs) in order to improve the quality and timeliness of pension processing, as well as to focus training in this area. The improved quality of pension processing and focused training should reduce the average size of overpayments through greater claims processing efficiencies and reduced cycle time. Pension processing quality has already increased significantly through consolidation and specialization, and we expect that trend to continue. Consolidation of original disability pension and death pension claims processing began on May 1, 2008. The consolidation was completed in September 2009.

VA has implemented the following actions to strengthen efficiencies at the three PMCs:

- The Pension Transformation Project Team, in conjunction with Booz Allen Hamilton, are working together to identify the best business practices within the three PMCs to create a more consolidated working environment. Within this initiative the focus is to identify the priority claims; therefore, reducing the amount of overpayments created based on the type of workload PMCs currently process.
- PMCs continue to utilize the national standardized training program and refresher training curriculum to ensure standardized processing of pension claims. Centralized training materials are continually being updated to provide current information to the field. Training materials, such as, Incarceration, Common Law Marriage, Matching programs, and



Deemed Valid Marriage have been updated in 2010.

- Several Training Performance and Support System (TPSS) web-based training modules related to pension processing have been updated or are in the process of being updated.
 - Module 3, Original Pension, completed in May 2010.
 - Module 4, Income Adjustments, projected completion is at end of calendar year 2011.
 - Module 5, Dependency and Indemnity Compensation, completed in October 2010.
 - Module 6, Burials, completed in September 2010.
 - Module 8, Accrued Benefits, projected completion date is at the end of calendar year 2011.
 - Module 10, Special Monthly Pension, projected completion date is at the end of calendar year 2011
- PMCs implemented an electronic application that stores and sorts C and P system messages (800 series write-outs) associated with pension maintenance activities by frequency, claim number, terminal digit, etc., to assist with timeline processing of these messages. Training materials for this subject were updated in October 2010.
- PMCs continue to enhance Virtual VA to ensure accurate documentation is contained in the electronic claims folder.
- PMCs have transitioned the majority of pension claims into the Veterans Service Network (VETSNET) application. The next conversion is scheduled for April 2012 where helpless child awards will be converted from the Benefits Delivery Network (BDN) to VETSNET.

Less judgment is involved in determining entitlement to the Pension program, 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. The creation of overpayments can occur when VA does not receive timely notification of a Veteran's death, such as:

- A Veteran dies and VA subsequently releases payment(s) prior to receiving notification of the death.
- VA receives notification of the death too late in the monthly processing cycle to prevent the release of the next month's payment.

Approximately 35,700 disability pension records and 18,100 death pension records were terminated due to death in 2010. The estimated annual overpayment for the month of death was based on an estimated 12,800 disability pension beneficiaries' death and 6,000 pension beneficiaries' death occurring during the last 10 days of the month. The potential overpayment is estimated at \$13 million based on an average monthly benefit of \$850 for disability pension and \$496 for death pension.

Non-entitlement for the month of death and the remarriage of a surviving spouse also cause overpayments. The month of death overpayment occurs when a Veteran dies too late in the month to stop the release of the check for the month of death, to which he or she is not entitled. Many of the VA Regional Offices were paying the month of death check for the surviving spouse only when requested in writing, by phone, or with the submission of an Application for DIC, Death Pension and Accrued Benefits. The VSCM Conference Call in December 2008 stated that effective immediately any First Notice of Death that is processed should be screened for a surviving spouse and an award processed for the month of death for those eligible surviving spouses.



This will eliminate the possibility of surviving spouses not receiving the month of death check for which they are eligible. Although an overpayment may still be created when there is no eligible surviving spouse, the majority of these payments are recouped.

Recently, a new computer application was implemented to improve the timeliness and accuracy of Month of Death payments. The National Call Centers and National Cemetery Administration personnel use the application when VA receives the first notice of a Veteran's death. The surviving spouse is verified and the correct monetary benefit is automatically processed. Overpayments occur on rare occasions when the Veteran's dependency records are not timely updated.

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. Most pension recipients are required to file an Eligibility Verification Report (EVR) reporting their actual previous year and anticipated current year income. The number of EVRs mailed to pensioners is based on the number who report receipt of income other than Social Security or medical expenses other than Medicare Part B. For 2010, VBA sent approximately 27 percent of the pensioners an EVR to complete.

This program results in overpayments due to late reporting of income changes that result in larger overpayments due to two statutory provisions:

- Reductions in payment rates are effective the first of the month following receipt of a change in income. An overpayment is created retroactive to the effective date of the change.
- Failure to return an EVR results in retroactive termination of the award and

overpayment from the beginning of the calendar year.

VBA has an Income Verification Match (IVM) with the Internal Revenue Service and Social Security Administration. This computer match of pension recipients may disclose change in income that may require a retroactive adjustment to the benefit amount, creating an overpayment. Effective date rules govern adjustments to pension benefits. As a result, a change in income may require a retroactive adjustment to the benefit amount and creating an overpayment.

2. Education

Root Causes of Error: Enrollment Document Not Processed, Erroneous Date of Reduction or Termination, Erroneous Payment for Interval between Terms, and Erroneous Determination of Training Time

Improper payments in the Education program resulted from one type of error category: documentation and administration (100 percent) with the four root causes of error stated above.

Performance accountability measures, including payment accuracy, are set at the administration level for directors of the offices that process education claims, and set by the directors for their 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 broader goals.

Education Service has used the QA program to assess payment errors since 1992. Quarterly QA review reports are used to identify error trends and causes for Regional Processing Offices to use in conducting refresher training. Required training based on quarterly quality



reviews was conducted in 2010. The four major causes of error (listed in order below by number of occurrences) accounted for 73 percent of the total Education benefits processing errors. Causes number two and three 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 2010. Due to the complexity of applicable requirements, leading to more frequent errors, causes one and four are the subject of regular refresher training.

1. Recording incorrect attendance dates
2. Failure to process a document in the file
3. Incorrect interval payment
4. Award not certified

The complexity of Post-9/11 GI Bill claims continues to contribute to errors. In addition to the complexity of Post-9/11 GI Bill claims, increased workload associated with the Post-9/11 GI Bill has affected other Education programs. However, the implementation during the last quarter of 2010 of a new automated processing system for the Post-9/11 GI Bill will continue to improve both accuracy and speed of processing. Changes to the Post-9/11 GI Bill contained in P.L. 111-377 have necessitated the delay in other previously scheduled system updates.

Corrective Action Plan

The following list outlines VBA plans to continue to improve accuracy of processing benefits claims and reducing payment errors.

- Implement an automatic interface from VA on-line Certification of Enrollment (VA-OnCE) to the Long Term Solution (LTS). It will eliminate manual entry of school enrollment information; therefore, minimizing human error when manually re-entering information. It was completed with LTS automation system release 3 on October 31, 2010.

- Implement automatic interface between LTS and BDN payment systems. It will eliminate manual "fiscal transaction/fiscal authorization actions" human data input required for all but "exception" cases; therefore, minimizing human errors when re-entering correctly calculated amounts. It was completed with LTS automation system release 4 on January 14, 2011.
- Distribute an RPO training letter. It will serve as a reminder to the Veterans Claims Examiners to be more vigilant when authorizing payments to ensure that the data used to calculate the benefit payment are correct. The letter was sent in January 2010.
- Conduct an Education Liaison Representative (ELR) Training Conference. It will provide standardized training to ELRs to aid them in accomplishing their major job duties including training School Certifying Officials. The date is tentative.
- Enhance the LTS to allow for student monthly verification of enrollment. Verification of enrollment from students will ensure that VA is notified timely of drops or withdrawals in order to minimize overpayments of housing allowance for periods when a student is not enrolled. The date is to be determined and will be posted on December 31, 2011.

3. Insurance

Root Causes of Error: Errors due to Inputting or Processing Payments Incorrectly at the Federal Level

Improper payments in the Insurance program resulted from one type of error category: documentation and administration (100 percent).

The majority of Insurance Service improper payments are result of human errors related to the effort to speed up the service and the large volume of transactions processed. The other



vulnerabilities are timeliness of checks traced or cashed, incorrect beneficiary, incorrect amount, and deceased Veteran or beneficiary.

Corrective Action Plan

The Insurance program has a very low improper payment rate of 0.01 percent because of the high quality of the work performed by Insurance Specialists and the controls established by the Insurance Service Internal Control Staff (ICS). ICS intensifies traditional management controls (e.g., internal system edits, supervision, performance reviews, and quality control reviews). They have the responsibility to ensure the propriety of system-generated disbursements. They also monitor, review, and approve all manual insurance disbursements, and some other controlled transactions. It is the reviewer's duty to perform accurate reviews to verify the correctness and propriety of all critical insurance actions. ICS is the primary control point for all processes involving clerical disbursement actions.

ICS identified best practices by consulting with OIG, which provided them with a variety of computer matching programs assisting in identifying patterns that may indicate abuse. Internal Control managers also attended classes in the prevention and detection of fraud, waste, and abuse, and attended formal training in management and accountability. They have shared their expertise with other elements of VBA, and individuals from OIG have referred to their operation as a "best practice." The Insurance Service also provides in-house training for all incoming Insurance Specialists and provides ongoing training for operations employees regarding various aspects of the program.

4. Vocational Rehabilitation and Employment Root Causes of Error: Administrative and Documentation Errors

Improper payments in the VRE program resulted from one type of error category: documentation and administration (100 percent).

Corrective Action Plan

VRE uses the QA program to assess fiscal errors. In 2010, quality review analysis was used to identify error trends and causes for VA Regional Offices to use in conducting refresher training. Required training based on quality reviews was conducted in 2010. VRE Service has adjusted the number of QA sample selections each year, from two sample selections in 2010 to ten sample selections 2011. The increase in the number of QA sample selections provides quicker feedback to the field, allowing for better identification of trends and better training.

As part of corrective action plan, there is an implementation of QA Web Application – a unified and centralized web application designed to support the new streamlined QA workflow. It will accomplish the following:

- Facilitate sampling and tracking of cases for review.
- Facilitate the QA review.
- Automate analysis and reporting of results.
- Provide post review actions in local and national training requirements, policy adjustments, and procedure enhancements.

Beta testing was completed in December 2010, and the deployment date is scheduled in December 2011.

5. Non-VA Care Fee

Four Root Causes of Error: Incorrect Application of Payment Methodologies, Lack of Documentation, Lack of Authorization, and Data Entry Errors

Improper payments in the Non-VA Care Fee program resulted from two error categories: documentation and administrative (97 percent)



and verification (3 percent) with the four root causes of error stated above.

Incorrect Application of Payment

Methodologies: VHA identified 37 percent of improper payments resulting from incorrect application of payment methodologies. Over the past year, the National Fee Program Office (NFPO) has enhanced its automated payment methodology capabilities through the Fee Basis Claims Software (FBCS) and continues to identify enhancements to reduce future payment errors. The NFPO intranet site contains guidance for choosing the appropriate payment methodology for each type of care received. Additionally, the VHA Chief Business Office (CBO) Purchased Care Business Line (PCBL) creates and distributes monthly outlier reports to identify potential payment errors for assessment and review by the local VA Medical Center (VAMC). This information is shared with the Veterans Integrated Service Network (VISN) Business Implementation Managers and Fee managers. PCBL is developing a policy requirement to ensure a medical facility-level review of these reports along with individualized corrective action plans.

Lack of Documentation: VHA identified 22 percent of improper payments resulting from a lack of documentation. Examples included improperly submitted claims by the provider that should have been rejected and missing claims and supporting documentation that, had they been available for review, could have supported the appropriateness of payment. PCBL continues to update policy information and conduct training to foster procedures that support appropriateness of payment.

Lack of Authorization: VHA identified 16 percent of improper payments resulting from a lack of clinical authorization approving non-VA services. In collaboration with the facility, Fee staff, and various VHA audit groups, PCBL

created and released a standardized automated assessment tool that assists in managing the initial administrative decision concerning the use of non-VA care services and the accuracy of pricing and payment of claims associated with those services. This tool enables leadership to monitor non-VA care referrals, ensure clinical justification for referrals, and assess individual site application of the regulations and policies governing the Non-VA Purchased Care program. In addition, the PCBL has been piloting new processes intended to standardize and further automate the initiate authorization requirement. These process changes will be implemented across all facilities by the end of 2012, providing VHA more structured tool sets at the initial authorization stage. PCBL continues to update policy information and conduct training to promote non-VA care referral compliance.

Data Entry Errors: VHA identified 15 percent of improper payments resulting from data entry errors. NFPO provides training, risk assessments, suggested internal controls, and partners with the Office of Compliance and Business Integrity (CBI) compliance officers to coordinate audit oversight and compliance at local and regional levels. PCBL is exploring alternatives to further enhance automation of Fee claims processing systems to reduce manual input errors. PCBL publishes and communicates findings from the purchase care audit contract and various monthly outlier reports.

Other Errors: VHA identified 10 percent of improper payments resulting from scrubber not properly used, improper invoicing, internal control violations, incorrect appropriation of funds, and duplicate payments.

Many of the audit discrepancies can be attributed to the manual nature of the technology in 2010. PCBL believes that a



decentralized claims processing system, with multiple software products in place, is the root cause for many errors. The payment program has more than 2,000 claims processors distributed across 132 medical facilities. Given such a working environment, with multiple decentralized software products in place, the direct enforcement and responsibility of ensuring compliance to Fee policies and procedures is sporadic and problematic. These variability factors make accountability more challenging. To resolve these issues, PCBL has been working toward developing one claims processing solution with centralized management. Because this is a long-term solution, CBO has interim enhancements, using software products that positively impact payment accuracy.

Corrective Action Plan

PCBL took aggressive steps to reduce the rate and amount of improper payments and continues to implement and plan proactive steps in 2011. PCBL has taken steps to centralize responsibility and assess current program operations. Many of these improvements already provide field facilities greater access to information for processing claims and help the NFPO modify training materials to meet the needs identified in the field as well as address errors found in this audit.

Organizational Realignment: On June 5, 2011, the Deputy Chief Business Officer realigned all business lines into a single operating entity, merging Health Administration Center programs with PCBL programs, creating a more efficient, streamlined organization. PCBL will focus on the reduction of improper payments by leveraging a very mature program already in place in other components of the organization.

Fee Basis Claims System: The Veterans Health Information Systems and Technology

Architecture (Vista) Fee package was developed more than 20 years ago and was not designed for the sophistication and volume of claims that VA is now processing. As a result, CBO has developed a full set of business requirements for a replacement system that will address more timely claims processing, elimination of duplicate payments, and reduction of manual entry and data entry errors. Because of the time it will take to develop and implement the long-term technological changes, VA has put in place an interim automation system, FBCS, which has resulted in increased timeliness of claims processing, reduced manual input errors, and fewer instances of lack of documentation.

Site Assessment Visits: PCBL has expanded its Field Assistance program to provide enhanced site visits designed to improve local operations by assessing site status and helping develop increased internal controls. In 2010, 35 site visits occurred. The 2011 site visits include training with the newly deployed Claims Pricing Assessment Tool. The sites will use the tool for self-assessments and review of Fee claims to determine trends in improper payments. Field assistance staff has been expanded to include FBCS field assistance specialists who are “super-users” of FBCS and will provide support and training to sites that require assistance. A mechanism was established in 2011 to track field assistance findings at all sites and to measure trends and identify lessons learned among all sites for training course development.

Claims Pricing Assessment Tool: Responding to the 2010 improper payment audit, PCBL provided additional tools to enable sites and audit teams to identify improper payments. As a result, VHA has improved the accuracy of which improper payments are identified and has been able to use that data to develop program improvement initiatives. For example, in conjunction with the Austin Information and



Technology Center Central Fee program, PCBL developed a duplicate payment report, accessed through SnapWeb, which identifies possible improper duplicate payments. The SnapWeb reports enable medical facilities to identify duplicate payments made from their sites and between sites.

Training and Education: The NFPO will continue to provide training and communication to the field regarding its published policies and procedures. Due to the current organization of VHA, compliance and enforcement of policies and procedures occurs at the VISN and VAMC levels. NFPO has created a tracking mechanism that identifies and outlines the Field Assistance Site results. The tracking mechanism will be used to record the lessons learned, which will be shared with training staff to modify and improve training for future workshops. The Purchased Care Fee Academy is the primary training program provided to the VISN and VAMC Fee employees nationwide. Fee Academy is organized into a four-tiered progressive level of curriculums designed to improve performance, enhance internal controls, and be in compliance with program policies. PCBL continues to improve and implement training and communications; however, the responsibility for enforcement remains with the decentralized VISN and VAMC network. The national implementation of FBCS included a three-week training course on FBCS procedures that was provided to site Fee staff during rollout. Many sites received additional training, and FBCS trainers provided a second round of training when field assistance staff addressed process and work flow procedures. Supplemental online training is also provided. Further, the PCBL provides ongoing education with monthly super-user conference calls and claims processing tips and recommendations that are posted on the NFPO home page. PCBL continues to work closely with auditors, including CBI to improve the knowledge and

auditing capabilities of PCBL programs to have field compliance officers perform compliance and risk assessments directly related to Fee processes at medical centers.

NFPO Intranet Site: The NFPO intranet site has been expanded to include updated training materials, procedure guides, notices and FBCS alerts. This information is available to the field to alert staff to any changes and provide status of multiple projects related to Fee.

Non-VA Purchased Care Claims Audit Contract (CCAC): This contract enables PCBL to conduct post-payment reviews and analysis that identify errors in payment methodologies and procedures for Fee claims processing. The findings from the CCAC will be tracked and trended. The results will be used to enhance performance improvement programs, procedures and policy development, and training curriculum. This contract also enables PCBL to notify the VAMCs in a timely manner on payment processing errors occurring at their facilities.

Program Integrity Contract: In January 2011, PCBL awarded a contract to assist the VA in establishing an enhanced program integrity function in order to reduce fraud, waste, and abuse through implementing industry standard applications and processes. The contractor is exploring a predictive modeling analytics tool to apply to PCBL programs.

Expanded Recovery Audit: PCBL manages the national contract for an external audit of non-VA care inpatient payments. In March 2011, PCBL expanded the recovery audit to include outpatient services. The findings from all recovery audits will be tracked and trended in a data-driven causation and corrective-action tracking sheet. The results will be used to reinforce training and field communications and



develop additional audit and corrective action plans.

6. Other Contractual Services

Two Root Causes of Error: Non-compliance with Policies and Procedures and Lack of Documentation

Improper payments in the Other Contractual Services program resulted from one error category: documentation and administrative errors (100 percent) with two root causes of error stated above.

Non-compliance with Policies and Procedures:

VHA identified 99.9 percent of improper payments resulting from non-compliance with policies and procedures. These were payments that should have been made; however, VHA's internal policies and procedures were not followed when making the payment. The majority of these errors occurred because payments were not charged to the appropriate cost center or budget object code due to a lack of understanding of how to apply the definitions of cost centers and budget object codes to the payment scenario. In some cases, cost center policy definitions changed during 2010, and facilities were either not aware of the change, or did not know how to appropriately apply the change to their payments.

Specifically, 90 percent of these payment errors were Non-VA Care Fee payments that were charged to incorrect cost centers resulting in their inclusion in the Other Contractual Services program since VHA uses budget object codes and cost centers to define programs and activities. The other non-compliance error was made using a convenience check, which was prohibited by policy. This error occurred due to a lack of awareness of the policy, and except for the method of payment, the payment was otherwise correct.

Lack of Documentation: VHA identified less than 1 percent of improper payments resulting

from lack of documentation to fully support the payment.

Corrective Action Plan

VA strives to alleviate errors caused by non-compliance with policies and procedures by continually reviewing and updating accounting policy. The Office of Financial Policy (OFP) within the Department's Office of Management is responsible for providing Departmentwide financial policy and guidance. Part of the responsibility of OFP is to develop, coordinate, issue, evaluate, and review VA financial policies, systems, and procedures for compliance with all financial laws and regulations. During the last three years the OFP has updated financial policies as part of the VA Financial Policy Improvement Initiative (FPPII). During 2011, VHA OFP created a team of subject matter experts to work with VA to continue updating Departmentwide financial policy chapters in conjunction with FPPII. The VHA Accounting Policy Section is also developing a set of national VHA detailed procedures which will be included as a supplement to respective VA policy chapters.

The VHA Accounting Policy Section will also ensure dissemination of policy requirements for proper assignment of cost center and budget object codes when preparing financial transactions. Requirements will be addressed and training provided as part of the September 2011 monthly national finance conference call. Requirements related to use of convenience checks and prohibition for salary payments will also be addressed.

Additional communication venues to communicate and educate agency employees regarding agency proper fiscal policies and procedures include:

- Financial Management Advisory Committee (FMAC). The FMAC will continue to discuss and recommend policy updates or request



clarification regarding ambiguous or unclear policies and procedures.

- VHA VISN Chief Financial Officer (CFO) call. This conference call includes all VISN CFO's and allows for open discussion on policy, procedures, and improvement opportunities within fiscal operations.
- Quarterly VISN CFO Face to Face meeting. This meeting is a one to two day conference where VISN CFO's collaborate and discuss policy and procedural issues within VHA.

7. State Home Per Diem Grants

Five Root Causes of Error: Ineligible Recipient, Non-compliance with Policies and Procedures, Incorrect Amount, Ineligible Goods, and Lack of Documentation

Improper payments in the State Home Per Diem Grants program resulted from one error category: documentation and administrative errors (100 percent) with the five root causes of error stated above.

Ineligible Recipient: VHA identified 90 percent of improper payments resulting from the omission of an authorizing signature for the documentation for care on multiple claims.

Non-compliance with Policies and Procedures: VHA identified 4.6 percent of improper payments resulting from a lack of segregation of duties or the use of the wrong obligation number for services rendered.

Incorrect Amount: VHA identified 4.5 percent of improper payments resulting from the use of incorrect per diem rates or application of the incorrect payment methodology.

Ineligible goods: VHA identified less than 1 percent of improper payments resulting from improper use of State Home funds to reimburse for medications.

Lack of Documentation: VHA identified less than 1 percent of improper payments resulting from medical facilities not producing the necessary documentation to substantiate the payment.

The majority of improper payments occurred because of a lack of understanding of program requirements by staff having delegated authority to process payments, non-standardized processes and procedures, and the reliance on a manual processing system resulting in variances in payment calculations and processing.

Corrective Action Plan

The PCBL has launched a number of initiatives over the past year to enhance and standardize business processes within the State Home Per Diem Grants program that includes:

- A VA Intranet Web site for use by VA Central Office, VISN, and VAMC of jurisdiction program managers was completed in November 2010.
- National policy for the State Home Per Diem program has been re-written and updated. Currently the policy is under review and is in the final phase of the VA concurrence process. The completion date is October 2011.
- Monthly conference calls to provide guidance and direction to VISN and VAMC jurisdiction program managers were established in January 2011 and are on-going.
- A consultant contractor began conducting a review of the current and future state workload processing, data informatics, financial management, and information technology solutions in October 2010. The final report is provided to CBO in September 2011.
- PCBL will conduct national reviews and soliciting feedback from internal and external stakeholders to include the



National Association of State Veterans Homes (NASVH) Liaison Committee, the NASVH Financial Operations Advisory Committee, and VA program managers. Their collective goal is to identify and pursue common interests and identify best practices. These reviews and feedback will facilitate relevant education on commonly identified errors and correct processes to use.

- PCBL will develop audit tools with CFOs from NASVH and the VHA Financial Quality Assurance Managers. Policy and the audit tool were provided to VHA field activities at the CBO National Purchased Care Conference on September 13-15, 2011. Approximately 600 VHA program managers and auditors attended.
- Daily Audits are conducted by CBO State Home Per Diem program office staff. Overpayments and underpayment outcomes are communicated to VISN and VAMC of jurisdiction program office staff and financial managers so that recovery actions can be pursued.

8. Supplies and Materials

Five Root Causes of Error: Non-compliance with Policies and Procedures, Lack of Documentation, Ineligible Goods, Incorrect Amount, and Discounts not Taken

Improper payments in the Supplies and Materials program resulted from one error category: documentation and administrative errors (100 percent) with five root causes of error stated above.

Non-compliance with Policies and Procedures:

VHA identified 66.4 percent of improper payments resulting from non-compliance with policies and procedures. These were payments that should have been made; however, VHA internal policies and procedures were not followed when making the payment. For example, VHA identified an error on an

obligating document (VA Form 1358) where the certifying official and the funds control point official were the same person, thus violating segregation of duties. In another example, VHA found a payment where a service was provided prior to the authorization of the purchase order and there was not a delegation of authority for the cardholder. VHA also identified instances where the proper accounting code was not charged when making the payment. In another case, VHA found that the federal supply schedule was not being used to make purchases where these supplies were available for lower costs to the Government.

Lack of Documentation: VHA identified 18.2 percent of improper payments resulting from lack of documentation. These errors occurred due to facilities not providing necessary support to determine payment accuracy, such as invoices, receiving reports, or contract terms to verify pricing.

Ineligible Goods: VHA identified 14.9 percent of improper payments resulting from ineligible goods. This error was caused by lack of authorizations. Examples include an error where the cardholder was not properly warranted to make a purchase above the \$3,000 micro-purchase threshold and a payment that had no delegation for a "Pay Only" order which is required by the VA policy.

Incorrect Amount: VHA identified less than 1 percent of improper payments resulting from payment in the incorrect amount. Examples include VHA paying more than the contractual amount or improperly paying sales tax on an invoice.

Discounts not Taken: VHA identified less than 1 percent of improper payments resulting from discounts not taken. In these cases VHA did not apply the 1 percent vendor discounts for prompt payments.



Corrective Action Plan

The largest dollar error (55 percent) was due to lack of proper segregation of duties when using VA Form 1358. During 2011, VHA issued strict guidance prohibiting the same individual(s) to request, approve, obligate, and certify funds when using VA Form 1358 as an obligation tool. In July 2011, VHA installed a system of information technology patches to enhance segregation of duties. These patches will prevent the same individual(s) from requesting, approving, and recording the 1358 obligations and approving payments.

The VHA Procurement and Logistics office will develop a training package for use by the facilities. The training will be disseminated using the VA Learning University Web site and will be required for purchase card holders responsible for purchasing supplies and materials. Each VISN Director will certify to the Deputy Under Secretary for Health for Administrative Operations (DUSH/AO) that the training has been completed by all affected employees within their VISN, no later than September 30, 2012.

The required training will emphasize:

- The newly designed VHA policies and procedures intranet Web site which contains: updated financial policies, a search tool allowing users to find financial policies using a keyword or phrase, contact information for clarification of policy or procedures, and the ability to request policy changes.
- Proper use of accounting codes.
- Proper application of discounts when making a payment.
- Proper documentation required for purchase of supplies and materials.

Section IV

A. The table below identifies VA's IPERA reportable programs. The information is

provided for each program by overpayment and underpayment when the information is available. This information includes prior and current year's outlays, percent of improper payments, and dollar amounts of improper payments, as well as estimates for the next three years.



Improper Payment Reduction Outlook 2010 –2014 (Based on 2009 –2013 data)
(\$ in millions)

Program	2010 (based on 2009 actual data)			2011 (based on 2010 actual data)			2012 (based on 2011 estimated data)			2013 (based on 2012 estimated data)			2014 (based on 2013 estimated data)		
	OUTLAYS (\$) ⁽¹⁾	IP %	IP \$	OUTLAYS (\$) ⁽¹⁾	IP % ^(6,7)	IP \$ ^(6,7)	OUTLAYS (\$) ⁽¹⁾	IP %	IP \$	OUTLAYS (\$) ⁽¹⁾	IP %	IP \$	OUTLAYS (\$) ⁽¹⁾	IP %	IP \$
Compensation ⁽²⁾		0.75	427.2		0.76	478.7		0.77	407.5		0.77	440.7		0.73	450.3
	56,957	0.25	142.4	62,983	0.24	151.2	52,917 ⁽³⁾	0.23	121.7	57,239	0.23	131.7	61,689	0.21	129.5
Net Amount		1.00	569.6		1.00	629.9		1.00	529.2		1.00	572.4		0.94	579.8
Pensions		7.88	343.1		0.97	44.8		0.97	47.9		0.97	51.4		0.94	53.7
	4,354	0.29	12.6	4,614	0.03	1.4	4,937	0.03	1.5	5,300	0.03	1.6	5,710	0.02	1.1
Net Amount		8.17	355.70		1.00	46.2		1.00	49.4		1.00	53.0		0.96	54.8
Education		4.00	356.4		1.5	154.5		1.4	148.8		1.2	130.3		1.1	127.7
	8,909	4.00	356.4	10,299	0.6	61.7	10,625	0.5	53.1	10,857	0.4	43.4	11,611	0.3	34.9
Net Amount		8.00	712.80		2.1	216.2		1.9	201.9		1.6	173.7		1.4	162.6
Insurance		0.03	0.40		0.01	0.161		0.01	0.157		0.01	0.150		0.01	0.146
	1,334	0.0	0.0	1,613	0.0	0.0	1,568	0.0	0.0	1,499	0.0	0.0	1,458	0.0	0.0
Net Amount		0.03	0.40		0.01	0.161		0.01	0.157		0.01	0.150		0.01	0.146
VRE		N/A	N/A		7.0	57.4		7.0	58.9		6.0	54.4		5.0	48.0
	N/A ⁽⁴⁾	N/A	N/A	819.6	0.0	0.0	841.0	0.0	0.0	959.7	0.0	0.0	959.7	0.0	0.0
Net Amount		N/A	N/A		7.0	57.4		7.0	58.9		6.0	54.4		5.0	48.0
Non-VA Care Fee ⁽⁸⁾		9.59	330.2		10.17	427.8		8.0	440.0		4.0	264.0		2.0	150.0
	3,442	4.29	147.7	4,205	2.26	95.1	5,500	2.0	110.0	6,600	1.0	66.0	7,500	0.5	37.5
Net Amount		13.88	477.9		12.43	522.9		10.0	550.0		5.0	330.0		2.5	187.5
Other Contractual Services ⁽⁹⁾		N/A	N/A		8.78	276.3		5.0	165.2		1.4	48.6		1.0	36.4
	N/A ⁽⁵⁾	N/A	N/A	3,146	0.0	0.0	3,303	0.0	0.0	3,468	0.0	0.0	3,642	0.0	0.0
Net Amount		N/A	N/A		8.78	276.3		5.0	165.2		1.4	48.6		1.0	36.4
State Home Per Diem Grants ⁽¹⁰⁾		N/A	N/A		12.94	92.3		9.0	77.4		7.0	70.4		5.5	64.7
	N/A ⁽⁵⁾	N/A	N/A	713.2	0.75	5.3	860	3.0	25.8	1,006	3.0	30.2	1,177	1.0	11.8
Net Amount		N/A	N/A		13.69	97.6		12.0	103.2		10.0	100.6		6.50	76.50
Supplies and Materials ⁽¹¹⁾		N/A	N/A		13.60	221.1		12.0	204.8		10.0	179.2		9.0	169.4
	N/A ⁽⁵⁾	N/A	N/A	1,626	0.0	0.0	1,707	0.0	0.0	1,792	0.0	0.0	1,882	0.0	0.0
Net Amount		N/A	N/A		13.60	221.1		12.0	204.8		10.0	179.2		9.0	169.4



Notes to Improper Payment Reduction Outlook Table:

- ⁽¹⁾ For some programs, dollars reported are payments, not necessarily outlays. Overpayments (shaded cells) and underpayments are identified for programs for which separate data is available.
- ⁽²⁾ Dependency and Indemnity Compensation is included with Compensation.
- ⁽³⁾ Compensation's outlay for 2012 decreases due to technological advances.
- ⁽⁴⁾ Numbers not available since VRE was granted temporary relief from reporting from 2008-2010.
- ⁽⁵⁾ 2011 is the first year VHA identified significant improper payments in the Other Contractual Services, State Home Per Diem Grants, and Supplies and Materials programs; therefore, no data was reported in 2010.
- ⁽⁶⁾ VHA improper payment percentages and amounts are based on sampling weights detailed in section II of this report.
- ⁽⁷⁾ Based on OMB's direction, VHA reported non-compliance errors as improper payments in 2011. These payments were made in the correct amount, to the correct entity, and for the right reason and are neither overpayments nor underpayments. The estimated improper payment amount resulting from these errors are non-monetary and do not have a recoverable amount tied to them as corrective actions are internal.
- ⁽⁸⁾ Non-VA Care Fee program has recoverable improper payments of 11.67 percent representing approximately \$490.7 million of the reported improper payment dollars.
- ⁽⁹⁾ Other Contractual Services program has no recoverable improper payments as all errors are non-monetary and corrective actions are internal.
- ⁽¹⁰⁾ State Home Per Diem Grants program has recoverable improper payments of 12.99 percent representing approximately \$92.6 million of the reported improper payment dollars.
- ⁽¹¹⁾ Supplies and Materials program has recoverable improper payments of 4.57 percent representing approximately \$74.3 million of the reported improper payment dollars.

Section V

This section describes VA's Payment recapture audit efforts.

According to IPERA, the head of each agency must conduct recovery audits with respect to each program and activity of the agency that expends \$1,000,000 or more annually, if conducting such audits would be cost-effective. Based on the Veterans Benefits Administration (VBA)/Recovery Accountability and Transparency Board (RATB) Pilot results, VA decided to use a General Services Administration (GSA) firm- fixed contract. This GSA contract will provide analysis of compensation and pension improper benefit payments to determine the level of preventable improper payments. The contract will also determine if it is feasible to pursue payment recapture audits of the improper payments

under IPERA. VA plans to award the contract by the first quarter of FY 2012.

VBA's recovery of improper payments is administered by the DMC, which provides the amounts of receivable establishments, collections, and offsets. The cumulative amount of improper payments collected and offset for Compensation and Pension programs from 2004 to 2010 was over 2.8 billion. For the same period, the cumulative amount collected and offset for Education and VRE was over 1.43 billion. (There was only one combined number reported for both Education and VRE.)

In the Insurance program, improper and erroneous payments can be divided into two broad categories, cases where recovery can be made from the contract (policy) or an annuity death benefit award, and cases where it cannot, since all proceeds from the policy have been



issued. In cases where an individual has a current policy or is receiving an annuity payment, the insurance overpayment is secured by placing a lien on the policyholder's contract. This indebtedness will not be waived and will be recovered from any disbursements such as dividends or death benefits. When an insurance indebtedness is not secured by a contract of insurance and remains unpaid, an accounts receivable is established and it is transferred to our Finance activity for collection, either through direct contact with the recipient of the funds or through the offset program with the Department of the Treasury. They also are empowered to refer large debts to our District Counsel for legal action and recovery. After three years of granted temporary relief from IPERA reporting, Insurance resumed reporting in 2010. The cumulative amount recovered from 2009 to 2010 was \$418,152.

During 2010, PCBL did not have any contracts to conduct recovery audit reviews because of a delay in the award of a new contract. By 1st quarter 2012, a new continuation contract is expected to be awarded for the Diagnosis Related Group Recovery Audit, covering care provided during fiscal years 2007 to 2011. Although the Outpatient Recovery Audit was awarded in September 2010, cases were not established prior to the end of the year.

On recovery for VHA's Other Contractual Services, State Home Per Diem Grants, and Supplies and Materials, the VA's Financial Services Center (FSC) conducts an audit recovery process to include:

- Reviewing payment files for certified payments \$50 and greater. These payments are matched against disbursed payments for the prior 90 days to identify duplicate payments.
- Reviewing payment files quarterly for payments \$2,500 and greater. These payments are matched against disbursed payments over the last 2 years to identify duplicate payments.
- Reviewing payments under \$2,500 without a certifying officer certification and high dollar payments to individuals.

In 2010, the FSC identified 27 Other Contractual Services payments totaling \$201,236, requiring recovery, and 18 Supplies and Materials payments totaling \$41,383, requiring recovery. No recoverable improper payments were identified for the State Home Per Diem Grants program. As this is the first year VHA is reporting these programs, prior year recovery data was not captured.



Part IV - IPERA of 2010

Payment Recapture Audit Reporting

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	Amount Subject to Review for 2010 Reporting	Actual Amount Reviewed and Reported (2010)	Amount Identified for Recovery (2010)	Amount Recovered (2010)	% of Amount Recovered out of Amount Identified (2010)	Amount Outstanding (2010)	% of Amount Outstanding out of Amount Identified (2010)	Amount Determined Not to be Collectable (2010)	% of Amount Determined Not to be Collectable out of Amount Identified (2010)	Amount Identified for Recovery (2004-2009)	Amount Recovered (2004-2010)	Cumulative Amounts Outstanding (2004-2010)	Cumulative Amounts Identified for Recovery (2004-2010)	Cumulative Amounts Recovered (2004-2010)	Cumulative Amounts Determined Not to be Collectable (2004-2010)
Compensation and Pension	Benefit	N/A	N/A	798	523	N/A	N/A	N/A	N/A	N/A	3,502	2,277	N/A	4,300	2,800	N/A
Education and VRE	Benefit	N/A	N/A	754	491	N/A	N/A	N/A	N/A	N/A	1,046	939	N/A	1,800	1,430	N/A
Insurance	Benefit	N/A	N/A	.126	.108	N/A	N/A	N/A	N/A	N/A	1.77	1.09	N/A	1.9	1.2	N/A
Non-VA Care Fee	Benefit	N/A	N/A	0 ⁽¹⁾	4.77	N/A	N/A	N/A	N/A	N/A	56.30	39.93	N/A	56.3	44.7	N/A
Other Contractual	Other	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾
State Home Per Diem Grants	Grant	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾
Supplies and Materials	Other	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾

Notes:

⁽¹⁾During 2009 and 2010, PCBL did not have a contract in place to conduct recovery audit reviews because of a delay in the award process.

⁽²⁾2011 is the first year VHA is reporting the Other Contractual Services, State Home Per Diem Grants, and Supplies and Materials programs; therefore, no recovery data have been collected.



Payment Recapture Audit Targets⁽¹⁾

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	2011 Amount Identified	2011 Amount Recovered	2011 Recovery Rate (Amount Recovered / Amount Identified)	2012 Recovery Rate Target	2013 Recovery Rate Target	2014 Recovery Rate Target
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Aging of Outstanding Overpayments⁽¹⁾

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	2011 Amount Outstanding (0- 6 months)	2011 Amount Outstanding (6 months to 1 year)	2011 Amount Outstanding (over 1 year)
N/A	N/A	N/A	N/A	N/A

Disposition of Recaptured Funds⁽¹⁾

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note:

⁽¹⁾OMB Circular A-136, Financial Reporting Requirements, was published on October 28, 2011. Due to the delayed issuance of A-136, VA is unable to collect the data and make it available for the FY 2011 reporting period.

Improper payments identified and recovered through sources other than payment recapture audits

1. Financial Services Center (FSC), Austin, TX
 VA continued to gain efficiencies and improve performance through the centralization of vendor payment activities at the FSC. By centralizing vendor payment activities, VA



strengthened its focus on identifying and preventing vendor payment errors. FSC persistently seeks to enhance audit recovery efforts for improper or duplicate vendor payments. 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. Payments from prior fiscal years are matched to identify potential duplicate payments for further analysis, assessment, and, as appropriate, collection. 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. Overall, during 2011, collections of improper payments and the recovery of unapplied vendor statement credits totaled \$9.3 million. Improved payment oversight enabled VA to also identify and cancel over \$9.5 million in potential improper payments prior to disbursement. Since the

inception of the FSC’s audit recovery effort in 2001, VA has recovered \$37.7 million in improper payments and prevented the improper payment of another \$80.6 million.

2. 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 offer or during contract negotiations; and (2) price reduction violations – whether the contractor complied with the terms and conditions of the price reductions clause. As part of 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 2011, this audit recovery program recovered over \$25 million.

Overpayments Recaptured Outside of Payment Recapture Audits

Source of Recovery	Amount Identified (2011)	Amount Recovered (2011)	Amount Identified (2004-2010)	Amount Recovered (2004-2010)	Cumulative Amount Identified (2004-2011)	Cumulative Amount Recovered (2004-2011)
FSC	6.50	9.30	28.60	21.90	35.10	31.20
Supply Fund	24.07	25.89	163.45	146.35	187.52	172.24

Section VI

This section describes the steps VA is taking to hold managers and leadership accountable for reducing and recovering improper payments.

The Under Secretary for Benefits continued emphasis on accountability and integrity at every level underscores the Under Secretary’s commitment to achieving the goals set forth in the IPERA. One of the President’s Management

Agenda 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 Monthly Performance Reviews with the Deputy Secretary. In addition to the monthly reviews, annual information is shared in the Performance and Accountability Report detailing VBA-wide effort and



commitment to reduce the occurrence of improper payments.

1. Two Benefit Programs: Compensation (including Dependency and Indemnity 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 and P Service. First, regional directors, service center managers, and all management personnel share the same performance standards with respect to the management of delivery for compensation and pension benefits. Non-supervisory field staffs have performance standards that measure them against quality and timeliness standards. Within C and 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 at the administration level for directors of the offices that process education claims, and set by the directors for their subordinates. Education Service has developed nationwide performance standards including payment accuracy for personnel who process claims. Performance award funds are available for stations that exceed requirements and achieve broader goals.

3. Insurance

VBA is committed to ensuring that Insurance managers are held accountable for reducing and recovering improper payments, as evidenced by the Insurance program's low improper payment rate of 0.01 percent. This is accomplished in a number of ways in the Insurance program. First, there are several operational measures as part of the Insurance

Service Director's performance plan, one of which is the accuracy of insurance disbursements. Accuracy of insurance disbursements is also a part of Insurance Operations Managers' performance plan, as well as being included in the performance of the Insurance employees who are responsible for initiating payments. In addition, a critical element of all Insurance managers is the management and accountability of Internal Controls.

4. Vocational Rehabilitation and Employment

Performance accountability measures, including payment accuracy, are set at the administration level for directors of all regional offices, and set by the directors for their subordinates. VRE Service has developed standardized nationwide performance standards, including payment accuracy. Performance award funds are available for stations that exceed requirements and achieve broader goals.

5. Non-VA Care Fee

In June 2011, the Deputy CBO for Purchased Care realigned all business lines into a single operating entity, merging the legacy Health Administration Center programs with PCBL programs. The objectives were reducing improper payments and gaining efficiencies in an enterprise-wide business process. The center of gravity in reduction of improper payments is the newly aligned Directorate of Program Oversight and Informatics. This directorate will have vastly enhanced capabilities and capacity for quality improvements based on a risk and internal controls program, ethics program, internal and external audit programs, program integrity and enhanced Informatics analysis and tools.

PCBL began the planning and implementation of a comprehensive enterprise-level Risk, Issues and Opportunities (RIO) Management program in the second quarter of 2011. This program



enhances PCBL internal controls with a single repository for the identification and handling of RIOs that will positively impact PCBL's ability to achieve its strategic mission and objectives. The RIO Management program will prioritize and allocate its resources by mitigating PCBL's weaknesses and threats, such as improper payments, while optimizing its opportunities and strengths.

6. Other Contractual Services

The VHA Office of Finance will disseminate the IPERA risk assessment results and other audits or reviews where inaccurate use of cost accounting and convenience checks has been detected, and inform local management of their responsibility to comply with financial policy.

7. State Home Per Diem Grants

PCBL and State Home Per Diem Grants program managers are confident that recent initiatives set in place will help to significantly reduce improper payments over the next several years. For outcomes cited in the audit findings, VAMCs of jurisdiction have been advised of the use of appropriate regulatory and policy references. They have also been advised that in instances where under payments were made that balance due should be processed to the state home(s) affected. Also, in cases of overpayments, bills of collection are to be processed to the state home(s) affected to assure that these VA funds are returned.

8. Supplies and Materials

Annually, VHA publishes a Director Executive Career Field performance plan to communicate to senior executives the expectations of VA. The plan includes the goal of financial stewardship, which is to support the overall Departmental goal of best practices in financial and business processes. Each Network will ensure continual monitoring of facility performances on key financial and business compliance indicators and will be required to

assign individualized requirements to appropriate business units where specific actions or improvements are needed.

Section VII

A. This section describes the information systems and other infrastructure that VA is using to reduce improper payments.

1. Compensation (including Dependency and 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 to characterize the reason for overpayment. The disability rating decision is 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 controls to ensure this requirement is met. The ability to store more data improves the ability to identify the cause of the overpayment. VA has consolidated pension processing to three PMCs. The PMCs have an accuracy rate of 96 percent for both pension entitlement claims and pension maintenance issues.

2. Education

Due to the legislation that mandated the full implementation of the Post-9/11 GI Bill by August 1, 2009, and the lack of a payment system to process the benefit, VA implemented a manual payment process that relied heavily on job aids and manual calculations. This resulted in an increase of improper payments due to calculation errors and duplicate payments. The manual payment process was an interim solution pending the development and release of a permanent benefit processing



and payment system, LTS. Beginning on March 31, 2010, the LTS began implementing in stages, with each stage providing more functionality and automation.

The first release, on March 31, 2010, was deployed on a limited basis and processed benefit claims that had not previously been paid Post-9/11 GI Bill benefits. The second release, on June 30, 2010, began converting all Post-9/11 GI Bill claims into the LTS system, provided automated eligibility, entitlement, and payment calculations. By the end of the summer of 2010, the old system of manual calculations and job aids was discontinued. However, the actual payments were still processed manually and did not eliminate the possibility of human error.

The third release, on November 1, 2010, provided increased functionality by automatically feeding enrollment information into the LTS from the VA-OnCE system. This release eliminated errors caused by manual input of enrollment information into the LTS. The fourth release, on December 17, 2010, automated the processing of the payments by feeding the payment information directly to the BDN and eliminated human intervention. This will reduce the possibility of an improper payment being made. Education Service developed and implemented a rules-based automated claims processing system for Chapter 30 benefits. The goal of this system is to automatically process up to 40 percent of all enrollments and changes in enrollment for Chapter 30 benefits. While the principal effect of implementation is to reduce processing times, it also reduces erroneous payments associated with Chapter 30 benefit claims. The long term goal is to develop a similar automated claims processing capability in LTS for Post-9/11 benefit claims. The development of this functionality was delayed in order to develop systems to support requirements

established as a result of changes in Post-9/11 GI Bill legislation in 2011. (See Section III, Education, for more information) Development and implementation of this functionality is scheduled for development in 2012 with implementation targeted for late 2012.

3. Insurance

Insurance participates in computer matches with the Social Security Administration to determine if a policyholder or beneficiary payee in receipt of monthly insurance benefits has died recently and is no longer entitled to such benefits. Insurance also images all beneficiary and option designations and all documents that are related to any type of disbursement. Additionally, Electronic Funds Transfer has reduced our exposure to external fraud when a check is lost or stolen from a policyholder or beneficiary payee. This has significantly reduced our exposure to overpayments.

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.

4. Vocational Rehabilitation and Employment

VBA has sufficient information systems and infrastructure to support VBA plans to reduce improper payments. Current development of the QA Web application and future development in Corporate WINRS (CWINRS) will reduce improper payments. (WINRS is an automated vocational rehabilitation tracking system application.)

5. Non-VA Care Fee

PCBL information systems are continuously



evaluated for improvements in efforts to enhance system processes and capabilities and minimize output errors. PCBL is conducting a business case analysis in conjunction with the pending results of several contracts that might indicate the need for a modernized information system and infrastructure that could provide centralized claims processes.

FBCS Enhancements and VA Transformation are initiatives that are designed around the incremental implementation of future state health care claims processing systems in order to automate justification, authorization, coordination, payment, and documentation of Non-VA Purchased Care. The result will be improved claims processing efficiency and accuracy and the implementation of a health care claims fraud, waste, and abuse system.

6. Other Contractual Services

VHA does not foresee an automated information system solution for the accounting errors identified during the IPERA review as they do not currently lend themselves to an information technology fix.

7. State Home Per Diem Grants

PCBL is exploring future state alternatives that would enhance the timeliness and accuracy of state home per diem payment processes. Alternatives under consideration include the design of an automated claim processing system and the centralization of some aspects of the program.

8. Supplies and Materials

The agency has information systems and infrastructure in place to reduce improper payments. During July 2011, the agency completed installation of a set of information technology patches that will enhance segregation of duties when obligations are made using the VA Form 1358 as an obligation tool.

Section VIII

This section describes the statutory and regulatory barriers that limit VA's corrective actions in reducing improper payments and what actions have been taken to remove those barriers' effects.

1. Compensation (including Dependency and Indemnity Compensation) and Pension

Many of the statutory and regulatory barriers that limit our corrective actions in reducing improper payments 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. 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. VA continues to expand its efforts to reduce overpayments for compensation and pension beneficiaries. VA is currently proposing to amend 38 CFR 3.103(b)(2), procedural due process, to state that beneficiaries have the right to request that VA take immediate adverse action rather than waiting the full 60 days after sending the advance notice. It is often to a beneficiary's advantage to shorten



the 60 days in order to minimize any overpayment that may result from an adverse action, such as incarceration or discontinued school attendance. Although VA does not create an overpayment to improved pension beneficiaries due to receipt of Medicaid-covered nursing facility care, it is to the beneficiary's advantage to reduce the benefit because it results in receipt of a greater net benefit. Allowing the beneficiary to request that VA take immediate adverse action will result in fewer improper payments.

Public Law 110-157, Dr. James Allen Veteran Vision Equity Act of 2007, Section 301, authorized VA to match and compare data in the National Directory of New Hires (NDNH) of the Department of Health and Human Services (HHS). VA will match income and employment information of individuals that may be eligible for pension benefits, parents' DIC, and individual unemployment. VBA is drafting an interagency data match agreement that we expect both agencies to sign by the end of 2012.

Combat-Related Special Compensation (CRSC) and Concurrent Retirement and Disability Pay (CRDP) are Department of Defense (DoD) programs established to restore retired pay to eligible military retirees who waive that pay in order to receive VA disability compensation. CRSC, established under the National Defense Authorization Act (NDAA) of 2003 and expanded under the NDAA of 2004 and 2008, allows for a separate monthly combat-related disability payment payable to eligible military retirees. CRDP, established under the NDAA of 2004, "phase-in" full concurrent receipt of military retired pay and VA disability compensation for eligible military retirees.

Based on eligibility for these programs, Veterans may be entitled to receive retroactive payments from VA, Defense Finance and

Accounting Service (DFAS), United States Coast Guard (USCG), and the Public Health Service (PHS). For those who qualify, CRSC may be paid retroactively as early as June 1, 2003, while CRDP may be paid from January 1, 2004. VA works closely with these agencies to implement programs and ensure that Veterans are properly paid. DFAS sends VA a monthly pay file listing the CRSC/CRDP entitlements that have an amount due from VA. These records are reviewed and retroactive CRSC/CRDP payments are made to eligible Veterans.

In October 2006, VA began making retroactive payments on records in BDN. Initially, payments were automated. However, in instances where DFAS and VA files didn't match, VA would generate Audit Error Worksheets (AEWs), which would be manually processed by VSRs. Records that began in VETSNET, or those that had been converted from BDN to VETSNET, were all paid manually using the AEW process. In July 2009, DFAS stopped including data from previous pay files on new monthly pay files. As a result, overpayments were being created in some of the automated payment cases. Accordingly, in November 2009, the automated payment process for records in BDN was terminated. In November 2010, an automated payment process for records in VETSNET was implemented called "CRSC/CRDP Batch Processing." Whereas the automated process for records in BDN made payments via fiscal transactions, the new process for records in VETSNET actually makes the payments via automated award actions. Thus, the new process updates the corporate record to reflect the payment.

The Coast Guard began submitting pay files to VA in May 2009 and the PHS began in June 2009. VA receives approximately 6,500 pay files per month from DFAS and 35 from Coast Guard. VA has not received any pay files from PHS since July 2009. Currently, only pay files



submitted by DFAS generate AEWs. As of May 14, 2011, there are 9,515 AEWs pending.

The effect of these extraordinarily complex and overlapping programs requires complex analysis and calculations. Frequently, Veterans request increased benefits, resulting in the need to recalculate CRSC or CRDP, when previous payments have been made. To add to the complexity, many Veterans qualify for both programs, but must elect to receive payment from only one. They may change their election from one program to another, depending on which is more advantageous, by contacting their Retirement Pay Center (RPC). The phase-in period for CRDP will end December 31, 2013; however, VSRs will still have to calculate the disability offset for Veterans retired due to disability (the difference between retired pay and retired pay based on disability). Currently, CRSC calculation has no end date.

DFAS advised Compensation Service leadership during an August 30, 2010 meeting that DFAS had identified over 35,000 cases where there is a CRSC/CRDP overpayment to the Veterans. Approximately 17,000 of those overpayments are VA's responsibility. The VA overpayments are a consequence of inaccurate CRSC/CRDP calculations by VA. VA has been inaccurately calculating CRSC/CRDP because VA does not have access to all necessary information on making the calculations. The information necessary to make the calculations resides with DFAS, USCG, and PHS. Therefore, on April 13, 2011, Compensation Service rescinded FL 07-01 and instructed that VA would cease making CRSC/CRDP adjustments when promulgating compensation awards. Instead adjustments to Veterans' retired pay withholding amounts due to CRSC/CRDP eligibility will be made via the AEW process.

As stated above, VA has implemented an automated CRSC/CRDP payment process for

records in VETSNET. As of May 11, 2011, there are only 3,000 records for Veterans in receipt of military retirement pay remaining in BDN. Approximately 40 percent of CRSC/CRDP adjustments are made via the automated process. Compensation Service is continually improving the automated process; therefore, it is expected the percentage of automated adjustments will increase over time. In addition, VA and DFAS are working together to develop a method to get the information necessary for VA to make the CRSC/CRDP adjustments when promulgating awards to VA. As this will involve system changes by both VA and DFAS, it is not expected that VA will resume making CRSC/CRDP adjustments when promulgating compensation awards soon.

2. Non-VA Care Fee

The Purchased Care Fee Academy is the primary training program provided to VISN and VAMC Fee employees nationwide. Efforts are under way to designate required or mandatory courses under United States Code, Title 5, "Government Organization And Employees" and VA policy; however, significant non-VA care program-processes and business system changes in development that directly impact course content prevent the completion of this course development until 2012.

3. Other Contractual Services, State Home Per Diem Grants, and Supplies and Materials

There are no known statutory or regulatory barriers for these programs that would limit VHA's corrective actions in reducing improper payments.

4. Education, Insurance, and Vocational Rehabilitation and Employment

There are no known statutory or regulatory barriers that limit VA's ability to implement corrective actions in reducing improper payments associated with these VBA programs.



Definitions

Definitions of Supporting Measures

Please note: Key Measures are defined in the Key Measures Data Table (see page II-108). The below measures are Supporting Measures.

Accuracy Rate 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. (VRE)

Accuracy rate 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. (VRE)

Alternative Dispute Resolution (ADR) participation rate in the informal stage of 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)

Amount billed for health care services provided to DoD beneficiaries at VA facilities (\$ millions)

This measure represents the dollar amount that VA facilities bill to DoD facilities for providing health care services to TRICARE beneficiaries. (Medical Care)

Appeals decided per Veteran 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 Veteran Law Judges. (BVA)

Appeals resolution time (From NOD to Final Decision) (Average Number of 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/Compensation and Pension)

Average cost of professional counseling services for participants (using constant 2009 dollars)³

The annual cost per participant represents the average cost of providing professional counseling services to all Veterans participating in the VRE program per fiscal year. The calculation takes the total amount of professional staff (counselors) salary plus the total General Operating Expenses counseling services contracting dollars divided by the total number of Veterans participating in a Vocational Rehabilitation Program. (VRE)

Average processing time for VA regulations requiring advance notice and public comment (2-stage) (number of months)

This performance measure records the average time it takes VA program offices to publish their regulations. The time starts when the Office of Regulation Policy and Management in the Office of General Counsel issues a public Regulation Identification Number (RIN) and ends when a final rule is published in the *Federal Register*. It does not include time spent in planning or research prior to issuance of a RIN.

The Administrative Procedure Act (APA) requires Federal agencies to provide advance notice of their intended regulations by publishing proposed rules in the *Federal Register* and affording members of the public an opportunity to provide written comments on the agency's proposals. Agencies must then consider the public's comments and respond to them in a second publication, which constitutes the final rule that will become the agency's regulation. This 2-stage process also includes two 90-day reviews by OMB pursuant to Executive Order 12866,

³ This measure's description was changed to better specify the staff cohort that is being included in the cost calculation.



Regulatory Planning and Review. (Departmental Management)

Average processing time for VA regulations without advance notice and public comment (1-stage) (number of months)

This performance measure records the average time it takes VA program offices to publish their regulations. The time starts when the Office of Regulation Policy and Management in the Office of General Counsel issues a public RIN and ends when a final rule is published in the *Federal Register*. It does not include time spent in planning or research prior to issuance of a RIN. The APA exempts certain kinds of Federal regulations from the requirements to provide advance notice and an opportunity for the public to comment. These regulations can be published in the *Federal Register* as final rules and become effective without being preceded by proposed rules. This 1-stage process includes only one 90-day review by OMB and can be accomplished more quickly than the 2-stage process. Accordingly, the average processing times for these kinds of regulations are measured separately. (Departmental Management)

Burial claims processed – average days to complete

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)

BVA Cycle Time (Average Number of Days)

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)

Compensation and Pension 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 Compensation 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)

Compensation entitlement claims – average days to complete

The average length of time (in days) it takes to complete claims for entitlement to compensation that require a disability or death rating determination. It 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. (Compensation)

Compensation maintenance claims – average days to complete

The average length of time (in days) it takes to complete claims for compensation that do not require a rating determination. It 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. (Compensation)

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)

Cumulative percent decrease in greenhouse gas emissions (GHG)

Executive Order 13514 requires Federal agencies to inventory, track and report on GHG emissions, and to set GHG emissions reduction targets. VA's target, approved by OMB and the White House Council on Environmental Quality in 2010, is a 30 percent reduction in emissions between 2010 and 2020 for Scopes 1 and 2 combined. Emissions are measured in tons of carbon dioxide equivalent (tons CO₂E). (Departmental Management)

Customer satisfaction survey scores

Customer satisfaction scores (measured on a scale of 1 through 5, with 5 being the highest possible score)



are based on surveys returned to OIG by the principals impacted by investigations, audits and evaluations, health care inspections, and contract reviews. 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)

Default Resolution Efficiency Ratio

The default resolution efficiency ratio measures the efficiency of joint servicing efforts by VA and VA-guaranteed loan servicers in helping borrowers with defaulted VA-guaranteed loans. The default resolution efficiency ratio compares the amount of dollars saved in potential claim payments as a result of the joint servicing efforts to the amount of dollars spent providing the joint servicing efforts. (Loan Guaranty)

Dollar value of 1st and 3rd party collections

Medical care received within VHA has a co-payment attached in some cases. This co-payment is referred to as 1st 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 3rd party collections. (Medical Care)

Education Call Center – Abandoned Call rate

The ratio of calls which are terminated by the caller before reaching a live agent to the total number of calls received at the destination. (Education)

Education Claims Completed Per FTE

This measure represents the number of original and supplemental education claims completed divided by the number of direct FTE in the Presidential Budget. (Education)

Employment Rehabilitation Rate

The rehabilitation through attaining employment calculation is as follows: (1) the number of disabled Veterans who successfully complete VA's vocational rehabilitation program and acquire and maintain suitable employment divided by (2) the total number leaving the program from case status 5 or 6 (rehab to employability and employment services)—both those rehabilitated plus discontinued cases with a plan developed in one of two case statuses

(Rehabilitation to Employability, or Employment Services) minus those individuals who benefited from but left the program under one of three conditions: the Veteran (a) reached "maximum rehabilitation gain" due to choosing to be employed in a job that is not suitable, (b) reached "maximum rehabilitation gain" due to being unemployed but employable and not seeking employment, or not employable for medical or psychological reasons, or (c) elected to discontinue his or her VRE plan to pursue educational goals utilizing Post 9/11 GI Bill Benefits (Chapter 33). (VRE)

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 health care industry as it specifically defines the age of outstanding receivables and the number of accounts receivable liquidation days. (Medical Care)

Independent Living Rehabilitation Rate

The rehabilitation through attaining independent living calculation is as follows: (1) the number of disabled Veterans who successfully complete VA's vocational rehabilitation program with disabilities for whom employment is infeasible but who obtain independence in their daily living with assistance from the program divided by (2) the total number leaving the program from case status 4 (independent living)—both those rehabilitated plus discontinued cases with a plan developed in independent living. (VRE)

Lender Satisfaction with 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 for 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 – 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)

National accuracy rate (Compensation maintenance claims)

This measure represents claims processing accuracy for compensation claims that do not require a rating decision. Review criteria include: addressing all issues, 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 entitlement claims

This measure represents claims processing accuracy for pension claims that normally require a disability or death rating determination. Review criteria include: addressing all issues, 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 Call Center Successful Call Rate

The successful call rate measures the percentage of time a caller is successfully connected to a call agent meaning the call is not blocked because there is a busy signal.

Number of arrests, indictments, convictions, criminal complaints, pretrial diversions, and administrative sanctions

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 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 Health Care Associated Complications

This measure cannot be calculated reliably. The Office of Analytics and Business Intelligence is committed to developing, testing, and validating a composite HAC rate in keeping with the goals of the Partnership for Patients.

Number of Homeless Veterans on any given night

Homelessness is very difficult to quantify given the inherent transient nature of this problem. The "number of Homeless on any given night" is an estimate of the number of actual homeless based on a survey that currently combines findings from the Department of Housing and Urban Development estimates and the CHALENG survey which is comprised of two components; a Participant Survey completed by VA staff and community providers, officials, and volunteers targeting feedback from providers of homeless services and a Consumer Survey completed by the Homeless Veteran focused on the Veteran's perceived needs and feedback on available services. (Medical Care and Departmental Management)

Number of material weaknesses

Audits are performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and the requirements of the 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 reports (audit, inspection, evaluation, contract review, and Combined Assessment Program (CAP) 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, evaluation, contract review and CAP report recommendations are documented and which require remedial action by the Department. (OIG)

Obligations per unique patient user

This measure represents the average cost of total obligations for medical care divided by unique patients served. (Medical Care)

Overall satisfaction rate (Compensation)

This measure represents the percentage of respondents to the Compensation and Pension 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 Compensation and Pension 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 measure will determine the proportion of beneficiaries who report their VA educational benefits helped them accomplish their educational or vocational goal. (Education)

Percentage of beneficiaries very satisfied or somewhat satisfied with the way VA handled their education claim

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)

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 recommended recoveries achieved from post-award contract reviews

This measure represents the percentage of recommended recoveries from post-award contract reviews that are actually billed and collected by the Department. (OIG)

Percentage of responses to pre- and post-hearing questions that are submitted to Congress within the required timeframe

Before or after a VA witness testifies at a Congressional hearing, a member of Congress may have questions that need to be answered in writing known as questions for the record. OCLA monitors the timeliness of VA's responses to pre-and post-hearing questions. (Departmental Management)

Percentage of testimony submitted to Congress within the required timeframe

OCLA monitors the timeliness of VA's submission of subject matter expert testimony for Congressional committee hearings. (Departmental Management)

Percentage of title 38 reports that are submitted to Congress within the required timeframe



OCLA monitors the timeliness of VA's submission of title 38 congressionally mandated reports to Congress. Congressionally mandated reports are reports or studies that Congress directs VA to submit, either through statutory language or language contained in reports that accompany a statute. Reports may be one-time or recurring with deadlines established by 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 Condition Index (owned buildings)

This measure is calculated by comparing the cost of repair needs to plant replacement value as defined by the Federal Real Property Council guidance. Facilities with low repair costs compared to their overall value are considered in better operating condition and would have a higher condition index. (Departmental Management)

Percent increase in number of enrolled Veterans participating in telehealth

The performance measure represents the percent increase in the number of enrolled Veterans participating in Home Telehealth (HT) and/or Store and Forward Telehealth (SFT). These two telehealth modalities use technologies to provide clinical care in circumstances where distance separates those receiving services and those providing services with the goal of improving access and easing travel burden for Veterans and their families. (Medical Care)

Percent of annual major construction operating plan executed

This measure reflects the ability to award construction contracts in accordance with schedules. The total number of contracts executed is divided by the total number of contracts planned for a set period.

Percent of annual milestones achieved towards deployment and implementation of an automated GI bill benefits delivery system

This percentage represents the number of Post 9/11 GI Bill milestones delivered during the fiscal year divided by the number of Post 9/11 GI Bill milestones planned to be delivered during the fiscal year. (Departmental Management)

Percent of available Veteran electronic records which can be accessed through Virtual Lifetime Electronic Record (VLER) capabilities

Results will be calculated using 100 percent of available Veteran electronic records. The numerator is the number of available Veteran electronic records that can be accessed through VLER. The denominator is the total number of available virtual Veteran electronic records (Departmental Management)

Percent of claims processed through the automated claims processing system (Education)

This percentage represents the number of Post-9/11 GI Bill claims processed through the Long-Term Solution divided by the number of education claims received. (Education)

Percent of claims where a portion of the required forms were filed electronically

This measure represents the percentage of claims from Servicemembers, Veterans and their beneficiaries, and other designated individuals submitted using the Internet. (Compensation and Pension)

Percent of clinic "no shows" and "after appointment cancellations" for OEF/OIF Veterans

Missed Opportunities and No Shows are clinic appointments scheduled for a patient visit, but the patient did not complete the appointment and did not call to cancel the appointment in advance (No Show). Because the appointment was not cancelled timely there was no opportunity to schedule a different patient into that appointment opening resulting in a "missed opportunity" to provide health care and other services. (Medical Care)

Percent of concurrence actions completed on time

OCLA monitors the percent of its on-time approvals for correspondence to Congress. (Departmental Management)



Percent of current year electricity consumption generated with renewable energy sources

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 eligible OEF/OIF PTSD patients evaluated at required intervals for level of symptoms

The percentage of OEF/OIF combat Veterans being treated in VA for PTSD who have their level of PTSD symptoms evaluated and recorded at required intervals. (Medical Care)

Percent of Eligible Patient Evaluations Documented within 14 days of New MH Patient Index Encounter

This measure represents the percent of Veterans not seen in a Mental Health clinic in the prior 24 months (new) presenting with a request for mental health services or those who are referred for specialty mental health services and are then seen by an MH professional qualified to provide a full MH evaluation and specialty MH care within 15 days of their referral.* (*The immediate safety and health care needs of the Veteran are addressed at the time of the initial visit.) (Medical Care)

Percent of eligible patients screened at required intervals for alcohol misuse

The percentage of Veterans seeking care in VA who were screened annually for signs and or symptoms of alcohol misuse utilizing the AUDIT C evidence-based screening instrument. (Medical Care)

Percent of eligible patients screened at required intervals for depression

The percentage of Veterans seeking care in VA screened annually for signs and or symptoms of depression utilizing the PHQ2 or PHQ9 evidence based screening instrument. (Medical Care)

Percent of eligible patients screened at required intervals for PTSD

The percentage of Veterans seeking care in VA who were screened for PTSD utilizing the PC-PTSD evidence based screening instrument. The Veteran must be screened annually for the first 5 years after most recent date of service separation and then every 5 years after the first 5 years. (Medical Care)

Percent of employees in mission critical and key occupations who participated in a competency based training program within the last 12 months

Mission Critical/Key Occupations are those occupations that have been identified from the workforce that are critical to support the mission and the accomplishment of VA's agency goals, objectives, and initiatives.

Competency Based Training Program is a program that contains competencies pertaining to the knowledge, skills, and abilities needed to build a highly competent organization capable of meeting current and future challenges. (Departmental Management)

Percent of federally recognized Native American tribes contacted by VA for outreach purposes

The percent represents the number of Federally Recognized Native American tribes that were contacted. The total number of Federally Recognized tribes is 564. (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 2 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 via fax or 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 delivered 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 IDES participants who will be awarded benefits within 30 days of discharge

The percentage of participants in the Integrated Disability Evaluation System program awarded VA compensation benefits within 30 days after their date of discharge. (Compensation and Pension)

Percent of milestones achieved in deploying and implementing the Client Relations Management System (CRMS)

This percentage represents the number of CRMS milestones delivered during the fiscal year divided by the number of CRMS milestones planned to be delivered during the fiscal year. (Departmental Management)

Percent of milestones achieved in deploying and implementing the Virtual Lifetime Electronic Record (VLER)

This percentage represents the number of VLER milestones delivered during the fiscal year divided by the number of VLER milestones planned to be delivered during the fiscal year. (Departmental Management)

Percent of milestones achieved towards deployment and implementation of a paperless disability claims processing system

This percentage represents the number of Veteran Benefits Management System (VBMS) milestones delivered during the fiscal year divided by the number of VBMS milestones planned to be delivered during the fiscal year. (Departmental Management)

Percent of milestones completed towards development of one new objective method to diagnose mild Traumatic Brain Injury (TBI)

The diagnosis of persistent problems associated with mild TBI among veterans is very challenging because there are no grossly evident neurological findings and because the symptoms are not discrete and overlap with those from other conditions related to deployment and other physical trauma, including post traumatic stress disorder (PTSD) and depression. Lack of precision in diagnosis can lead to inappropriate interventions and thus adversely affect recovery. Objective methods that can accurately diagnose blast related-mild TBI, which is unique to service members and veterans, and differentiate mild TBI from PTSD, are especially needed. (Medical Care)

Percent of Montgomery GI Bill or Post 9/11 GI Bill participants who successfully completed an education or training program

This measure represents the percentage of service members and Veterans who received Post-9/11 GI Bill or Montgomery GI Bill education benefits and obtained a degree or certificate. (Education)

Percent of national cemetery buildings and structures that are assessed as "acceptable" according to annual Facility Condition Assessments

The percentage represents the number of facilities (buildings and structures) at national cemeteries that are assessed as acceptable divided by the total number of facilities assessed.

An NCA facility (building or structure) is "acceptable" if the overall grade from the Facility Condition Assessment, Building, and Structure Score Sheet is a "C" or better and there are no critical areas scored "D" or "F". (Burial)



Percent of NonVA claims paid in 30 days

This measure represents the percent of claims paid for medical care provided to eligible Veterans outside of the VA when VA facilities or services are not available. (Medical Care)

Percent of OEF/OIF Veterans with a primary diagnosis of PTSD who receive a minimum of 8 psychotherapy sessions within a 14-week period

This measure represents the percent of OEF/OIF Veterans seeking care in VA with a primary diagnosis of PTSD who have received at least 8 individual evidence based psychotherapy sessions over the span of a 14 week period. (Medical Care)

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 (SHEP) that they were seen by the provider within 20 minutes or less of their scheduled appointment time. (Medical Care)

Percent of Presidential Memorial Certificate applications that are processed within 20 days of receipt

This percentage represents the number of applications for Presidential Memorial Certificates (PMC) processed within 20 days of receipt of the application divided by the total number of applications for PMCs received. (Burial)

Percent of respondents who agree or strongly agree that the quality of the headstone or marker received from VA was excellent

This measure represents the number of survey respondents who agree or strongly agree that the quality of the headstone or marker received from VA is excellent divided by the total number of survey respondents, expressed as a percentage. (Burial)

Percent of respondents who agree or strongly agree that the quality of the Presidential Memorial Certificate received from VA was excellent

This measure represents the number of survey respondents who agree or strongly agree that the quality of the PMC received from VA is excellent divided by the total number of survey respondents, expressed as a percentage. (Burial)

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 separating Servicemembers that are provided with VA and DoD benefit information within 6 months of the expiration of their term of service (ETS) through the eBenefits portal

This is a joint VA/DoD effort that measures the percentage of Servicemembers provided benefit and service information within 6 months of the expiration of their term of service through eBenefits Portal. The VA/DoD Identity Repository system and eBenefits portal are the mechanisms used to track and provide targeted benefit and service information messages to Servicemembers. (Benefits Assistance Service)⁴

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 Total Hearings that are Conducted via Video Conference

This measure is calculated by dividing the number of hearings conducted by video conference by the total number of hearings held. Hearings are held either by video conference, in person in the field, or in person at BVA's Washington, DC office. (BVA)

Percent of total procurement dollars awarded to service-disabled Veteran-owned small businesses

This number represents the percentage of total dollars spent with service-disabled Veteran-owned small businesses based on total small business eligible dollars reported. Data are obtained from the

⁴ This is a new VBA business line that manages the delivery of benefits information related to Compensation/Pension, Insurance, Education, Loan Guaranty, and Vocational Rehabilitation & Employment benefits.



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. In addition, some businesses may be owned and operated by an eligible surviving spouse. (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 VAAR 819.7001 must be listed on the VetBiz.gov Vendor Information Pages (VIP) Database. (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 small business eligible dollars reported. Data are obtained from the FPDS-NG, provided by the Federal Procurement Data Center at <https://www.fpds.gov>. Final data are based on the 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 VAAR 819.7001 must be listed on the VIP Database. (Departmental Management)

Percent of VA Hospitals whose unplanned readmissions rates are less than or equal to other hospitals in their community

This measure represents the percent of VA Hospitals with a readmission rate for heart failure less than or equal to their regional benchmark. (Medical Care)

Percent of VA IT systems that automatically reuse all redundant client information in other systems

This percentage represents the number of IT systems using a common identity management solution divided by the number of IT systems that are planned to use a common identity management solution. (Departmental Management)

Percent of Veterans who report "yes" to the Shared Decision-making questions in the Inpatient SHEP survey

This measure looks at Veterans who indicated whether their doctors or other health providers discussed with them the pros and cons of each choice for their treatment or health care and which choice was best for them. (Medical Care)

Percent of Veterans who successfully obtain resident status as a result of vouchers distributed through the U.S. Department of Housing and Urban Development and Veterans Affairs Supportive Housing (HUD-VASH) program

This measure represents the percent of homeless Veterans who use Housing Choice Voucher (HCV) rental assistance through HUD with case management and clinical services provided by VA. (Medical Care)

Percent of VHA clinical health care professionals who have had VA training prior to employment

This performance measure represents the response received from VA's All-Employee Survey for current VA employees who took part in a training or educational program based partly or entirely in VA before becoming a VA employee (programs include paid and unpaid **internships, residencies, fellowships, or clinical or administrative rotations**). (Medical Care)

Program Review Accuracy Rate (Housing)

This measure represents the national percentage of Loan Guaranty workload reviewed and determined



to be technically accurate. The accuracy rate for the nation is a compilation of Loan Guaranty Service's review of a statistically significant sampling of cases completed by the 9 Regional Loan Centers and the Honolulu Regional Office Loan Guaranty Division. The Program Review Accuracy Rate reflects the number of correct Loan Guaranty actions, as determined by Statistical Technical Accuracy Reviews, expressed as a percentage of total actions reviewed.

Progress toward researching, developing, and implementing innovations in clinical practice that ensure improved access to health care for Veterans, especially in rural areas

This research is aimed at improving healthcare for Veterans (1) who are not geographically close to VA medical facilities, (2) who lack capability of transport to nearby facilities, and (3) whose access might be, or appear to be, unequal due to factors such as race, ethnicity, gender, addiction, or mental health status. This includes research on the causes and prevention of homelessness, medical treatment of the homeless, analysis of current care patterns as stratified by the demographic variables above, implementation of care delivery models, and treatment of women and those with certain mental illnesses. (Medical Care)

Rate of homeownership 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)

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)

Return on investment (monetary benefits divided by cost of operations in dollars)

This measure represents the monetary benefits derived from inspections, reports, investigations, evaluations and other oversight performed by OIG divided by the cost of doing those activities. (OIG)

Serious Employment Handicap (SEH) Rehabilitation Rate

The serious employment handicap rehabilitation rate calculation is as follows: (1) 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 whom employment is infeasible but who obtain independence in their daily living with assistance from the program divided by (2) 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 under one of three conditions: the Veteran (a) reached "maximum rehabilitation gain" due to choosing to be employed in a job that is not suitable, (b) reached "maximum rehabilitation gain" due to being unemployed but employable and not seeking employment, or not employable for medical or psychological reasons, or (c) elected to discontinue his or her VR&E plan to pursue educational goals utilizing Post 9/11 GI Bill Benefits (Chapter 33). (VRE)

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)

Success Rate of Automated Certificate of Eligibility (ACE) System

This measure represents the percent of successful Certificate of Eligibility determinations processed via the ACE system. (Loan Guaranty)



Part IV - Definitions of Supporting Measures

Total amount expended for health care services rendered to VA beneficiaries at a DoD facility (\$ millions)

This measure represents the dollar amount that VA facilities pay to DoD facilities for health care services provided to Veterans at DoD facilities. (Medical Care)

Veterans' Satisfaction Level with the VA Loan Guaranty Program

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)

Veterans' Satisfaction with the Vocational Rehabilitation and Employment Program

This measure represents the percent of Veterans who answered "very satisfied" or "somewhat satisfied" overall with the VRE program (of those who completed or withdrew from the program). (VRE)

Workers' Compensation Lost Time Case Rate (LTCR)

The Lost Time Case Rate (LTCR) represents the number of Office of Workers' Compensation Programs (OWCP) lost time injury and illness cases per 100 employees. The rates are calculated separately by dividing the number of lost time cases by the number of employees. The resulting number is then multiplied by 100, for a rate per 100 employees. OPM provided OSHA with the data on the average number of employees for each department and independent agency for each fiscal year. The Lost Time case numbers are derived from claims submitted to OWCP involving lost production days and with "case create" dates from each fiscal year (less denied cases). (Departmental Management)



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)

Acquired loans

This term is defined as VA-guaranteed loans in default that VA purchases from the private sector mortgage lender and services the loan with the Veteran directly after VA determines the Veteran can service the debt service payments. This type of loan is part of the VA loan guaranty program. (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 OMB 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)

Appropriated funds

This term is defined as general fund expenditure accounts established to record amounts appropriated by law for the general support of Federal Government activities and the subsequent expenditure of these funds. It includes spending from both annual and permanent appropriations. (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)

Earmarked funds

This term is defined as funds where VA has program management responsibility and that 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 U.S. Treasury does not set aside assets to pay future expenditures associated with earmarked funds. (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 it is 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 (1) held for sale, including raw materials and work in process, (2) in the process of production for sale, or (3) 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 (1) programs achieve their intended results; (2) resources are used consistent with agency mission; (3) programs and resources are protected from waste, fraud, and mismanagement; (4) laws and regulations are followed; and (5) 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 (MSN). 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)

Native American loans

This term is defined as direct loans that are special financing enabling Native Americans to purchase a home on Federally recognized trust land. This type of loan is part of the VA loan guaranty program. (Financial)

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)

Offsetting collections

Offsetting collections include reimbursements, transfers between Federal and trust fund accounts, offsetting governmental collections, and refunds. For accounting purposes, earned reimbursements are also known as revenues. These offsetting collections are netted against gross outlays in determining net outlays from such appropriations. (Financial)

Offsetting receipts

Offsetting receipts are collections that are offset against gross outlays but are not authorized to be credited to expenditure accounts. Offsetting receipts are deposited in receipt accounts. Like offsetting collections, they result from (1) businesslike transactions or market-oriented activities with the public, (2) intragovernmental



transfers, and (3) collections from the public that are governmental in nature but required by law to be classified as offsetting receipts. Offsetting receipts are offsets to gross budget authority and outlays, usually at the Department or Administration level, but some are unavailable for expenditure. Unlike offsetting collections, offsetting receipts cannot be used without being appropriated. (Financial)

OMB Circular No. A-123

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

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

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)

Revolving funds

This term is defined as a fund used to finance a cycle of business-like operations through collections of



amounts received from the sale of products or services. The collections are used to finance its spending, usually on a self-sustaining basis. Revolving funds record the collections and the outlays of revolving funds in the same Treasury account. A revolving fund is a form of permanent appropriation receiving authority to spend the collections; the fund does not generally receive appropriations. (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 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)

Special funds

This term is defined as an appropriation account established to record appropriations, obligations, and outlays financed by the proceeds of special fund receipts, which are dedicated collections by law for a specific purpose or program. Medical Care Collections Fund and Lease of Land and Building (NCA Facilities Operation Fund) are special funds. (Financial)

State and Tribal Organization Veterans Cemeteries

State and Tribal Organization 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 States or Tribal Organizations with the assistance of VA's Veterans Cemetery Grants Program (VCGP). The VCGP provides grants to states of up to 100 percent of the cost of establishing, expanding, or improving State and Tribal Government 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 FMFIA. 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 (1) the material weaknesses in the agency's system of internal accounting and administrative controls and (2) 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 131 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)

Vendee loans

This term is defined as direct loans issued by VA to a third-party borrower for the acquisition price of foreclosed real estate sold by VA after the transfer of the property to VA by a private sector mortgage lender upon default of a loan subject to the VA Loan Guaranty Program. (Financial)

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

ACSI

American Customer Satisfaction Index

AFGE

American Federation of Government Employees

ALS

Amyotrophic Lateral Sclerosis

AMC

Appeals Management Center

ARRA

American Recovery and Reinvestment Act of 2009

BDD

Benefits Delivery at Discharge

BDN

Benefits Delivery Network

BHIE

Bi-Directional Health Information Exchange

BOSS

Burial Operations Support System

BPA

Blanket Purchase Agreement

BVA

Board of Veterans' Appeals

C&A

Certification and Accreditation

C&P

Compensation and Pension

CAMS

Capital Asset Management System

CAP

Combined Assessment Program

CARES

Capital Asset Realignment for Enhanced Services

CBOC

Community-based Outpatient Clinic

CFS

Consolidated Financial Statements

CHAMPVA

Civilian Health and Medical Program of the Department of Veterans Affairs

CIO

Chief Information Officer

CMOP

Consolidated Mail Outpatient Pharmacy

COOP

Continuity of Operations Plan

COTS

Commercial Off-the-Shelf

COVERS

Control of Veterans Records System

CPGI

Clinical Practice Guideline Index

CPEP

Compensation and Pension Examination Program

CSRS

Civil Service Retirement System

DMDC

Defense Manpower Data Center

DIC

Dependency and Indemnity Compensation

DOOR

Distribution of Operational Resources

EA

Enterprise Architecture

E-GOV

Electronic Government

EVM

Earned Value Management



EVR

Eligibility Verification Reports

EWL

Electronic Wait List

F&FE

Fiduciary and Field Examination

FASAB

Federal Accounting Standards Advisory Board

FASB

Financial Accounting Standards Board

FDC

Fully Developed Claims

FECA

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

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

HAC

Health Administration Center

HIPAA

Health Information Portability and Accountability Act

HRPP

Human Research Protection Program

IDES

Integrated Disability Evaluation System

IHS

Indian Health Service

IPERA

Improper Payments Elimination and Recovery Act

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

NAC

National Acquisition Center

NAGE

National Association of Government Employees

NCA

National Cemetery Administration

NDMS

National Disaster Medical System

NRP

National Response Plan



OAI
Organizational Assessment and Improvement

OBO
Office of Business Oversight

OEF/OIF/OND
Operation Enduring Freedom/Operation Iraqi Freedom/Operation New Dawn

OGC
Office of General Counsel

OIG
Office of Inspector General

OLCS
On Line Certification System

OWCP
Office of Workers' Compensation Program

PAID
Personnel and Accounting Integrated Data

PAR
Performance and Accountability Report

PMAS
Project Management Accountability System

PMC
Pension Maintenance Center

PMP
Project Management Plan

PP&E
Property, Plant & Equipment

PPA
Prompt Payment Act

PTSD
Post-Traumatic Stress Disorder

QA
Quality Assurance

RPO
Regional Processing Office

RVSR
Rating Veterans Service Representative

SAH
Specially Adapted Housing

SAM
Strategic Asset Management

SCI
Spinal Cord Injury

SCIP
Strategic Capital Investment Plan

SFFAS
Statement of Federal Financial Accounting Standards

SGLI
Servicemembers' Group Life Insurance

SMC
Strategic Management Council

SPAWAR
Space and Naval Warfare Systems Center

SSA
Social Security Administration

STAR
Systematic Technical Accuracy Review

TBI
Traumatic Brain Injury

TOP
Treasury Offset Program

VAMC
VA Medical Center

VARO
VA Regional Office

VBA
Veterans Benefits Administration

VBMS
Veterans Benefits Management System

VCAA
Veterans Claims Assistance Act

VETSNET
Veterans Services Network



VGLI

Veteran's Group Life Insurance

VLER

Virtual Lifetime Electronic Record

VHA

Veterans Health Administration

VistA

Veterans Information System and
Technology Architecture

VRM

Veterans Relationship Management

VR&E

Vocational Rehabilitation and Employment

VSSC

VHA Support Service Center



KEY REPORT OFFICIALS

W. TODD GRAMS

Executive In Charge, Office of Management, CFO

DAVE ZLOWE

Director, Office of Performance Management, Performance Improvement Officer

GEORGE J. OPFER

Inspector General

EDWARD J. MURRAY

Deputy Assistant Secretary for Finance, Deputy CFO

DANIEL A. TUCKER

Deputy Assistant Secretary for Budget

BELINDA J. FINN

Assistant Inspector General for Audits and Evaluations

KATHERINE PALMER

Associate Deputy Assistant Secretary for Financial Policy

SUE SCHWENDIMAN

Director, Financial Audits Division, Office of Inspector General

STEVE MACQUEEN

Director, Management & Financial Reports Service

MELANIE GRIFFIN

Management Analysis Officer, Office of Performance Management

CHERYL PECKENPAUGH

Management Analysis Officer, Office of Performance Management

W. PAUL KEARNS

CFO, Veterans Health Administration

JAMIE MANKER

CFO, Veterans Benefits Administration

RONALD E. WALTERS

Deputy Under Secretary for Finance and Planning and CFO, National Cemetery Administration

GREGG BUCKLEY

Veterans Health Administration, Director, Strategic Planning Service

WILLIAM KANE

Veterans Benefits Administration, Director, Performance Analysis and Integrity

PAIGE LOWTHER

National Cemetery Administration, Director, Policy and Planning Service



The Performance and Accountability Report is published by the Department of Veterans Affairs, Office of Management, Office of Performance Management (048), 810 Vermont Avenue, NW, Washington, DC 20420-1000.

An electronic version of this report is available on the [Web](http://www.va.gov/budget/report) at www.va.gov/budget/report

Questions about this report should be directed to VA's Office of Performance Management at 202-461-6608.