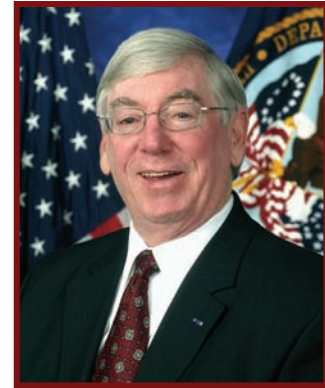




November 15, 2007

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

I am pleased to submit the *Department of Veterans Affairs (VA) FY 2007 Performance and Accountability Report*. The report documents the Department's progress towards meeting its performance goals, which are aimed at providing America's veterans with the best in benefits and health care services.



In 2007 with nearly \$86 billion in obligations and approximately 230,000 employees, VA recorded numerous accomplishments that helped improve the quality of life for America's veterans and their families. Our major accomplishments are summarized below by major business line.

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

The number of unique patients using VA's health care system has risen dramatically in recent years, increasing from 3.8 million in 2000 to 5.6 million in 2007. Our commitment to delivering timely, high-quality health care to America's veterans remains a top priority. In 2007 VA achieved the following key results in the health care area:

- **Patient Satisfaction**: With an inpatient satisfaction score of 84 out of 100 and an outpatient satisfaction score of 82 out of 100 on the American Customer Satisfaction Index, VA remains a leader in customer satisfaction. VA's scores are not only higher than last year, but the inpatient score is 5 points higher and the outpatient score is 4 points higher than the corresponding private sector scores.
- **Vision Care**: VA reorganized its vision rehabilitation services to provide care tailored to each veteran's needs with treatment provided at the site best prepared to address the need.
- **Medical Devices and Technology**: VA was recognized as a leader in prosthetics and amputee care by ensuring that new devices and technology have practical applications for patients. VA's innovative program involves not only improving technology and teaching amputees to walk or use artificial arms and hands, but also providing long-term care to improve functioning months or years after amputation.
- **Traumatic Brain Injury (TBI)**: VA led the way in care for TBI with the latest innovations for the newest generation of combat veterans returning from Iraq and Afghanistan. Accomplishments included the following:
  - Developed a mandatory TBI training course for all VA health care professionals.
  - Instituted a program to screen all patients who served in the combat theaters of Iraq or Afghanistan for TBI.
- **Suicide Prevention**: VA began operation of a national suicide prevention hotline. The hotline puts veterans in touch with trained, caring professionals who can help them cope with emotional crises. The hotline is available 365 days a year, 24 hours a day. To help support the hotline, VA hired suicide prevention counselors at each of its 153 facilities, further strengthening one of the Nation's largest mental health programs.
- **HealthierUS Veterans**: Enhanced the HealthierUS Veterans program, which is an initiative developed by VA and the Department of Health and Human Services to improve the health of veterans, their families, and others by providing education about obesity and diabetes prevention.



- **Vet Centers:** VA opened 23 more Vet Centers and announced plans to have a total of 232 by the end of 2008. As more newly returning combat veterans are turning to VA for health care, the Department continues to enhance services to provide veterans with world-class care. VA established 100 new patient advocate positions to help severely injured veterans and their families navigate the Department's systems for health care and financial benefits, and thereby provide for a smooth transition to VA health care facilities, while also cutting through red tape for other benefits.
- **Medical Research:** VA sustained its long track record of success in conducting research projects that lead to clinically useful interventions to improve the health and quality of life for veterans as well as the general population. Recent examples of VA research results that have direct application to improved clinical care include the use of a neuromotor prosthesis to help replace or restore lost movement in paralyzed patients; continued development of an artificial retina for those who have lost vision due to retinal damage; use of an inexpensive generic drug (prazosin) to improve sleep and reduce trauma nightmares for veterans with post-traumatic stress disorder; and advancements in identifying a new therapy to prevent or slow the progression of Alzheimer's disease.
- **Infection Prevention:** Clinicians at VA's Pittsburgh Health Care System dramatically reduced the number of cases of infection from methicillin-resistant *Staphylococcus aureus* (MRSA) at the Pittsburgh facility. MRSA is a dangerous infection that is difficult to eradicate and can cause pneumonia or infect wounds and the bloodstream. Based on the clinicians' success, VA has launched a national effort to eradicate staph infections in VA hospitals.
- **Genomic Research:** The Department created a blue ribbon Genomic Research Advisory Committee to use VA's expansive medical data holdings to advance the science of predictive medicine.
- **Nursing Academy:** VA created a new multi-campus Nursing Academy through partnerships with nursing schools throughout the country to help address a shortage of nurses within VA and nationwide.

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

VA is providing compensation and pension benefits and services to over 3.7 million veterans and beneficiaries. In 2007 VA processed nearly 805,000 claims for disability benefits and added almost 235,000 new beneficiaries to the compensation and pension rolls. As shown below, despite greater workload, VA achieved a number of significant positive performance results in the benefits delivery area:

- Adjusted compensation benefits to more than 57,000 veterans entitled to Combat Related Special Compensation or Concurrent Retired and Disability Pay to restore retired pay previously waived to receive compensation.
- VA's Benefits Delivery at Discharge (BDD) program is operated in close cooperation with DoD to assist separating disabled servicemembers in filing claims for benefits at or near their time of discharge in order to expedite the processing of their claims. Through July 2007, VA received more than 33,800 original compensation claims through BDD. In addition to those who file claims, many other servicemembers are assisted through the BDD program.
- Increased to 91 percent the national accuracy rate for authorization work for pension claims, compared to 88 percent in 2006.
- Continued to process insurance disbursements in an average of 1.7 workdays – significantly better than the industry average of 5.7 workdays.
- Provided education benefits to approximately 540,000 students; 25 percent of these students received VA education benefits for the first time. The number of students receiving education benefits each year continues to climb, with claims increasing 13 percent over the 2006 level to approximately 1.7 million in 2007.



### **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 2007 VA maintained more than 2.8 million gravesites at 158 properties, including 125 national cemeteries and 33 other cemeterial installations. To this end, the Department accomplished the following:

- Through the addition of two new cemeteries in Sacramento Valley California and South Florida, VA increased to 83.4 percent the proportion of veterans served by a burial option within a reasonable distance (75 miles) of their residence -- up from 80.2 percent in 2006.
  - Achieved a 94 percent threshold of the proportion of graves in national cemeteries marked within 60 days of interment, a remarkable improvement compared to the 49 percent level of 2002.
  - Achieved a 97 percent threshold of respondents rating national cemetery appearance as "excellent."
- VA also continued to make progress towards completion of six new national cemeteries scheduled to open in 2009, representing one of the Department's largest expansions since the Civil War era.

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

As our troops continue the fight against terrorism and strive to bring freedom and democracy to the people of Afghanistan and Iraq, we are reminded once again of the incredible sacrifices our men and women in uniform make in defense of freedom, not only in Iraq and Afghanistan, but throughout the world. In 2007 VA implemented various initiatives, shown below, to help ensure the successful transition of our returning military men and women to civilian life:

- Prioritized claims processing for veterans of the Global War on Terror, finalizing claims received in an average of 110 days.
- Hired 100 new outreach coordinators to provide services to returning OIF/OEF veterans. The new coordinators are located in Vet Centers throughout the country, especially new military processing stations.
- Created an Advisory Committee on OIF/OEF Veterans and Families to advise the Secretary on ways to improve programs servicing these veterans.
- Identified San Antonio, Texas, as the location of a fifth polytrauma center to assist severely injured OIF/OEF veterans.

### **President's Task Force on Returning Global War on Terror Heroes**

On March 6, 2007, President Bush established the interagency Task Force on Returning Global War on Terror (GWOT) Heroes to improve the delivery of federal services and benefits to GWOT servicemembers and veterans. The Task Force submitted its report to the President on April 19, 2007. The Task Force report includes 25 recommendations that focus on enhancing the delivery of services and benefits to GWOT servicemembers and veterans within existing authority and resource levels. A Governmentwide action plan contains implementation strategies and target dates for each recommendation.

### **Organization Restructuring: *Better Services Delivery***

To meet the changing needs of America's veterans, VA adopts new ways of working and makes organizational changes to improve our ability to serve veterans. In this context, we:

- Completed the centralization of all information technology projects and staffing under the control of the Chief Information Officer.
- Created the Office of Operations, Security, and Preparedness to manage VA's security and disaster responses.
- Created the Office of Construction and Facilities Management to manage and provide oversight of VA's construction programs.



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

VA is extremely proud to have obtained an unqualified audit opinion on our financial statements for the ninth consecutive year. VA remains committed to aggressively pursuing improvements in our business processes and remediating our material weaknesses. We have made significant strides in improving our financial systems and operations. VA continued to enhance its automated financial reporting capabilities, as well as implement the Financial Reporting Data Warehouse and Financial and Logistics Integrated Technology Enterprise (FLITE) systems initiatives. In addition, financial operational improvements were realized through our efforts to provide more definitive and consistent financial policies and guidance as well as to assess and improve financial and business processes and related internal controls. Initiatives such as these improve our efforts toward our goal of “getting to green” on the President’s Management Agenda. Proper stewardship and accountability over the resources entrusted to us by the American people to care for our Nation’s veterans and their families demands nothing less.

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

The financial and performance data presented in this report are complete and reliable. Throughout the year, our senior managers assess the efficiency and effectiveness of their organizations by analyzing financial and program performance data. Management relies on these data to identify control deficiencies and material inadequacies in the financial and program performance areas and to identify corrective tasks needed to resolve them. My signed Statement of Qualified Assurance on internal controls may be found on page 94 in the section entitled Management Controls, Systems, and Compliance with Laws and Regulations.

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

While much work remains to be done, VA made substantial progress in 2007 to safeguard sensitive information. VA centralized information technology management under the Office of Information and Technology. Progress was made towards standardizing the Department’s information protection policies, processes, and procedures to provide a consistent approach to information security program management and to improve the effectiveness of VA’s remediation of security vulnerabilities.

VA continued to strengthen its controls over sensitive information through its Data Security and Strengthening of Control Program, which involves completion of hundreds of specific actions related to the protection of information and information technology assets. As part of this program, VA encrypted over 25,000 laptops, distributed over 8,000 encrypted thumb drives to approved employees, and purchased and will complete deployment in 2008 of Rights Management Software to handle e-mail encryption as well as file and document encryption.

Our progress has been steady and our work continues to make a positive impact on the Nation’s veterans. VA’s workload continues to grow as evidenced by the delivery of medical treatment to more than a million patients a week, a 40 percent increase in disability claims, and more interments in national cemeteries. Yet, VA is up to the task. VA will keep its commitment to America’s veterans; they deserve our compassion, respect, and support.

A handwritten signature in black ink, reading "Gordon H. Mansfield", is positioned above a horizontal line.

Gordon H. Mansfield  
Acting Secretary of Veterans Affairs

## Purpose of the Highlights: *What it Contains*



Based on the full Performance and Accountability Report (PAR), the Highlights communicates the Department's most important performance results, financial statements, and other information in an easy-to-read format.

The PAR, together with its Highlights companion, contains performance targets and results achieved during FY 2007. It is VA's report card and communicates to the American people how well VA has done, the tangible public benefits we have produced, the impact VA has had in improving veterans' quality of life, and the forward-looking strategies we are employing to achieve and maintain excellence.

## VA's Mission: *What we are Here to Do*



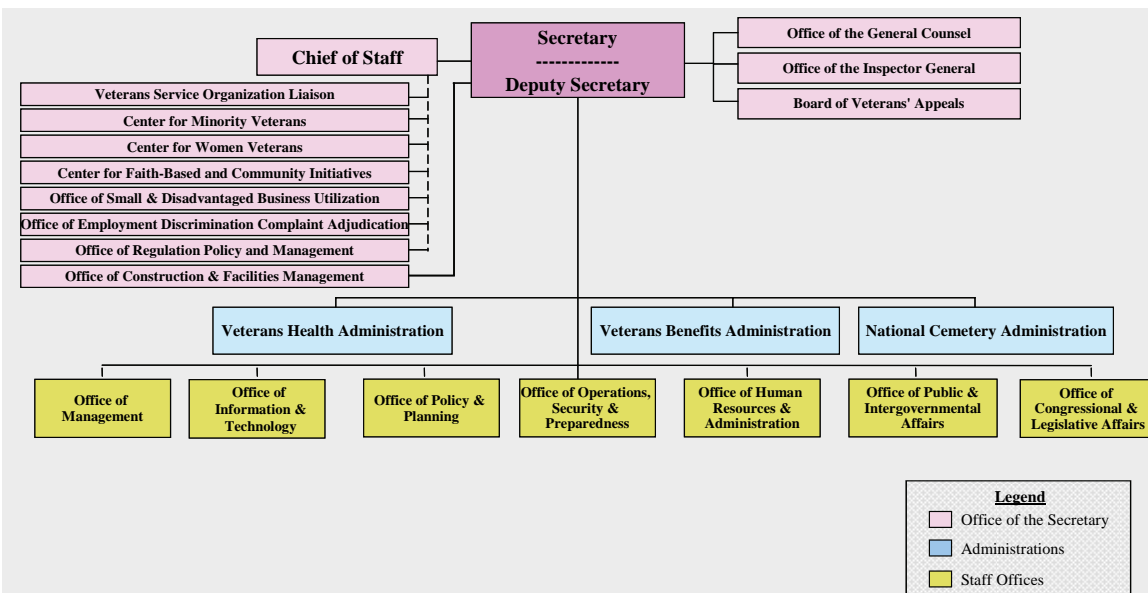
To fulfill President Lincoln's promise – "To care for him who shall have borne the battle, and for his widow, and his orphan" – by serving and honoring the men and women who are America's veterans.

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

## Our Organization: *How we are Structured*



VA is structured around the Office of the Secretary that develops policy and oversees special programs for veterans, three Administrations that operate VA's primary programs, and staff offices that support all organizations.





## ***FY 2007 Performance and Accountability Report Highlights***

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#### **Notes**

<sup>Note 1</sup> In this report, with the exception of table and chart titles, references to years (e.g., 2005, 2006) are fiscal years unless stated otherwise.

<sup>Note 2</sup> For additional copies of the PAR or PAR Highlights, please call the VA Budget Office at 202-461-6630.

Electronic versions of the PAR and PAR Highlights are available on the World Wide Web at

[www.va.gov/budget/report](http://www.va.gov/budget/report)



## Our Programs: *What We Do*

### **Veterans Health Administration Providing Medical Care**

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

### **Conducting Vet-Centered Medical Research**

VA advances medical research and development in ways that support veterans' needs by pursuing medical research in areas that most directly address the diseases and conditions that affect veterans.

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

### **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.

### **Providing Pension Benefits**

The Pension benefits are monthly payments, specified by law, provided to veterans with nonservice-connected disabilities who served in a time of war. The veteran 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.

### **Providing Educational Opportunities**

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

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

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

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

### **Promoting Homeownership**

Through loan guaranties, VA's Loan Guaranty program helps eligible veterans, active duty personnel, surviving spouses, and selected reservists to purchase homes. We also assist veterans in retaining their homes through foreclosure avoidance services. In addition, VA offers grants to veterans who have specific



service-connected disabilities for the purpose of constructing an adapted dwelling, or modifying an existing one, to meet the veteran's needs.

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

#### **Providing Insurance Service**

The Insurance program provides servicemembers and their families with universally available life insurance (available to all servicemembers and their families without underwriting), as well as traumatic injury protection insurance for servicemembers. It also provides for the conversion to a renewable term insurance policy after a servicemember's separation from service. In this context, the program continues to provide life insurance coverage to 1.3 million WWII and Korean War-era veterans.

In addition, the program provides life insurance to veterans who have lost their ability to purchase commercial insurance at standard (healthy) rates due to lost or impaired insurability resulting from military service. Insurance coverage is made available in reasonable amounts and at premium rates largely comparable to those offered by commercial companies. The program ensures a competitive, secure rate of return on investments held on behalf of the insured.

#### **National Cemetery Administration**

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

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

##### **Staff Offices**

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





## Our Programs: *Who We Serve*

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

Program	Year-to-Year Comparison	
	FY 2006 Participants <sup>(1)</sup>	FY 2007 Participants <sup>(1)</sup>
<b>Medical Care</b>		
Unique Patients	5,495,400	<b>5,600,300</b>
<b>Compensation</b>		
Veterans	2,725,800	<b>2,839,700</b>
Survivors/Children	325,900	<b>329,700</b>
<b>Pension</b>		
Veterans	329,900	<b>322,900</b>
Survivors	200,600	<b>194,600</b>
<b>Education</b>		
Veterans/ Servicemembers	332,200	<b>345,000</b>
Reservists	90,000	<b>101,700</b>
Survivors/ Dependents	75,500	<b>77,300</b>
<b>Vocational Rehabilitation<sup>(2)</sup></b>		
Program Participants	89,100	<b>90,600</b>
<b>Housing</b>		
Loans Guaranteed	142,700	<b>133,300</b>
<b>Insurance</b>		
Veterans	1,777,000	<b>1,695,000</b>
Servicemembers/ Reservists	2,392,000	<b>2,354,000</b>
Spouses/ Dependents	3,099,000	<b>3,075,000</b>
<b>Burial</b>		
Interments	96,800	<b>100,200</b>
Graves Maintained	2,774,100	<b>2,842,700</b>
Headstones/Markers (Processed)	336,300	<b>359,500</b>
Presidential Memorial Certificates	405,500	<b>423,100</b>

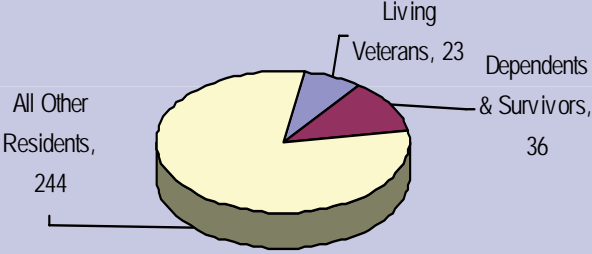
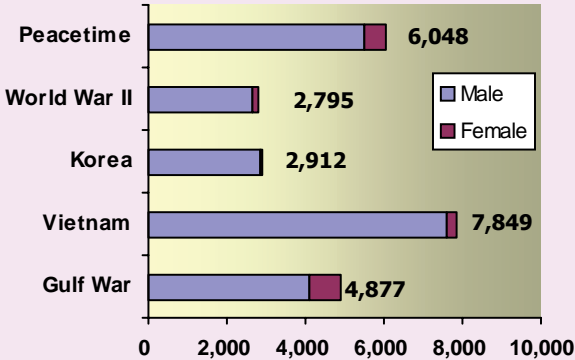
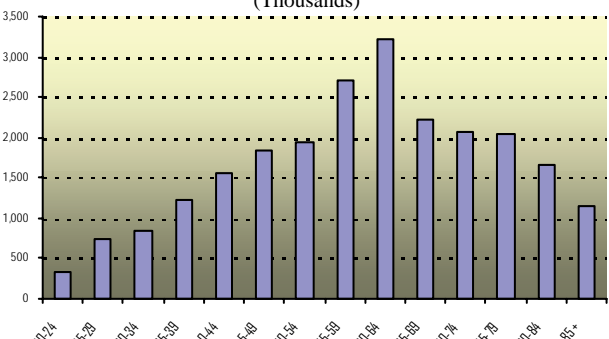
<sup>(1)</sup> Figures are rounded to nearest hundred.

<sup>(2)</sup> FY 2007 figure represents 12-month rolling data through September 2007.



## America's Veterans: A Demographic Profile

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

Data	Analysis																														
<p><b>Veteran Population Compared to Total U.S. Population</b> (Millions)</p>  <table border="1"> <caption>Veteran Population Compared to Total U.S. Population (Millions)</caption> <thead> <tr> <th>Category</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>All Other Residents</td> <td>244</td> </tr> <tr> <td>Living Veterans</td> <td>23</td> </tr> <tr> <td>Dependents &amp; Survivors</td> <td>36</td> </tr> </tbody> </table>	Category	Value	All Other Residents	244	Living Veterans	23	Dependents & Survivors	36	<ul style="list-style-type: none"> <li>• Currently there are about 23.5 million living U.S. veterans, 7 percent of whom are women. The percentage of women veterans is expected to increase over time given the increased role of women in the Armed Forces.</li> <li>• There are an estimated 36 million dependents (spouses and dependent children) of living veterans and survivors of deceased veterans in the U.S.</li> <li>• Together, veterans, dependents, and survivors make up about 20 percent of America's population.</li> </ul>																						
Category	Value																														
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<p><b>Veteran Population by Period of Service*</b> (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>6,048</td> </tr> <tr> <td>World War II</td> <td>2,795</td> </tr> <tr> <td>Korea</td> <td>2,912</td> </tr> <tr> <td>Vietnam</td> <td>7,849</td> </tr> <tr> <td>Gulf War</td> <td>4,877</td> </tr> </tbody> </table>	Period	Total	Peacetime	6,048	World War II	2,795	Korea	2,912	Vietnam	7,849	Gulf War	4,877	<ul style="list-style-type: none"> <li>• More than 17 million (74 percent) of America's veterans served during at least one wartime period.</li> <li>• The nearly 8 million Vietnam Era veterans account for the largest segment of the veteran population.</li> <li>• About 71 percent of all women veterans served during the post-Vietnam Era compared to 32 percent of men.</li> <li>• The number of women veterans enrolled in VA's health care system is 420,045 as of June 30, 2007 – up from 398,621 as of last September.</li> </ul>																		
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<p><b>Age Distribution of the Veteran Population By 5-Year Age Groups</b> (Thousands)</p>  <table border="1"> <caption>Age Distribution of the Veteran Population (Thousands)</caption> <thead> <tr> <th>Age Group</th> <th>Number (Thousands)</th> </tr> </thead> <tbody> <tr><td>20-24</td><td>~300</td></tr> <tr><td>25-29</td><td>~700</td></tr> <tr><td>30-34</td><td>~800</td></tr> <tr><td>35-39</td><td>~1200</td></tr> <tr><td>40-44</td><td>~1500</td></tr> <tr><td>45-49</td><td>~1800</td></tr> <tr><td>50-54</td><td>~1900</td></tr> <tr><td>55-59</td><td>~2600</td></tr> <tr><td>60-64</td><td>~3200</td></tr> <tr><td>65-69</td><td>~2200</td></tr> <tr><td>70-74</td><td>~2000</td></tr> <tr><td>75-79</td><td>~2000</td></tr> <tr><td>80-84</td><td>~1600</td></tr> <tr><td>85+</td><td>~1100</td></tr> </tbody> </table>	Age Group	Number (Thousands)	20-24	~300	25-29	~700	30-34	~800	35-39	~1200	40-44	~1500	45-49	~1800	50-54	~1900	55-59	~2600	60-64	~3200	65-69	~2200	70-74	~2000	75-79	~2000	80-84	~1600	85+	~1100	<ul style="list-style-type: none"> <li>• As of September 2007, the median age of all living veterans was 60 years.</li> <li>• Men's median age was 61; women's 47.</li> <li>• The number of veterans 85 and older totaled about 1,146,000, compared to 164,000 in 1990.</li> <li>• Between 2007 and 2014, veterans 85 and older enrolled in VA's health care system are expected to increase from 481,000 to 760,000, or 58 percent.</li> </ul>
Age Group	Number (Thousands)																														
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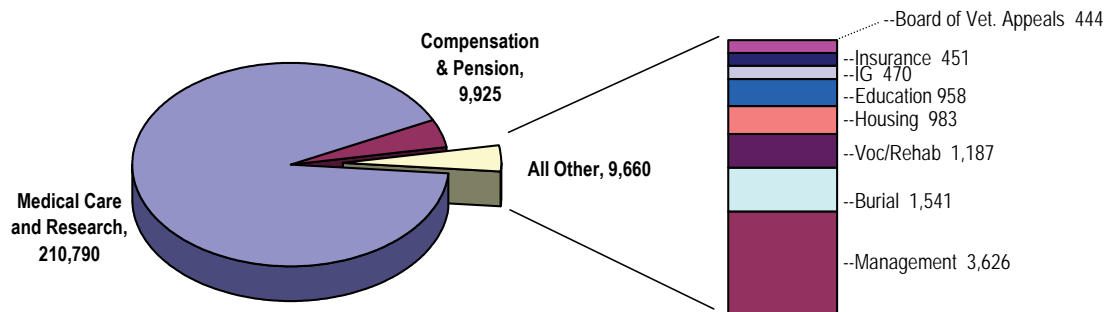
\*Notes: 1) There are too few living World War I veterans to estimate their number with an acceptable level of reliability. 2) The sum of period of service will exceed number of all veterans because veterans who served in multiple periods are shown in each period.



## Resources: *Our People*

As of September 30, 2007, the Department employed approximately 230,000 staff nationwide. The charts below show the distribution of full-time equivalent employees by program area.

**Number of Full-Time Equivalent Employees**  
as of September 30, 2007

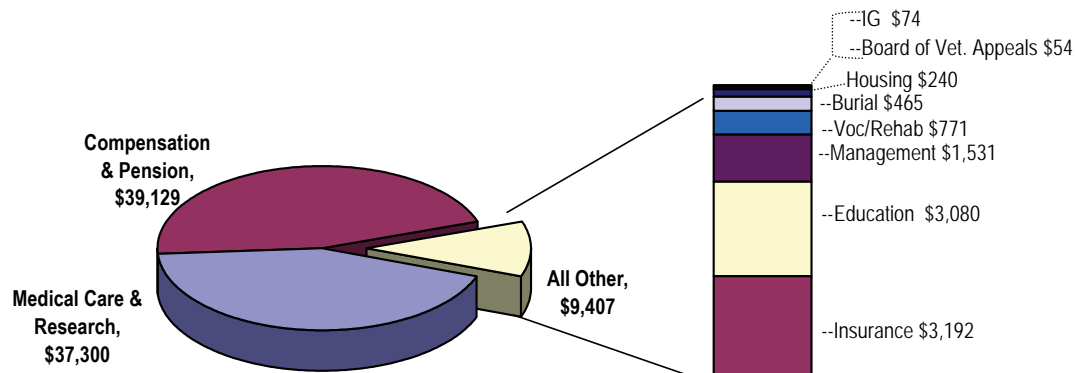


As shown above, more than 210,000 employees support VA's health care system, one of the largest in the world. Of the remaining employees, approximately 13,500 are involved with providing compensation and pension as well as other benefits to veterans and their families. More than 1,500 provide burial and memorial services for veterans and their eligible spouses and children, and about 3,600 employees, located primarily in the Washington, DC area, provide policy, administrative, and management support to the programs.

## Resources: *Budgetary*

In 2007 VA obligated nearly \$86 billion. Approximately 90 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 following charts show how VA spent the funds with which it was entrusted.

**FY 2007 Obligations**  
(\$ Millions)





## How We Measure Performance

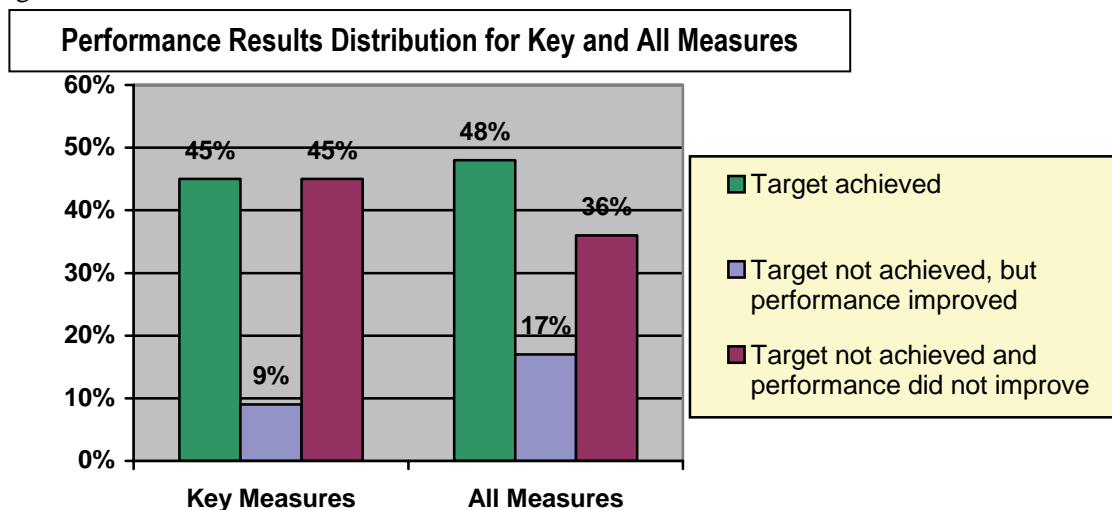
VA employs a **five-tiered performance management framework** to measure performance.

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

VA's strategic objectives are supported by 130 performance measures, 23 of which were identified by VA's senior leadership as **mission critical**. The Department's performance measures are a mix of program outcomes that measure the impact that VA programs have on the lives of veterans and their families, program outputs that measure activities undertaken to manage and administer these programs, and program efficiency that measures the cost of delivering an output or desired outcome.

## 2007 Performance -- A Department-Level Summary

**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 45 percent of its key measures and 48 percent of all measures. In addition, for key measures, nine percent of the targets were not achieved, but performance improved from 2006. Further details on key measures' results are on the following pages.





## Performance Scorecard

Strategic Goals	Key Performance Measures (page references in full PAR)	FY 2006 Recap		FY 2007 Recap					Measure Type
		Targets	Results	Targets	Results	Target Achieved?		Improved From FY 2006? Yes/No/Same	
						Yes	No		
Strategic Goal #1 RESTORATION AND IMPROVED QUALITY OF LIFE FOR DISABLED VETERANS	National accuracy rate for compensation core rating work (pp. 121, 204)	87%	88%	89%	88%*		No	Same	Outcome
	Compensation and pension rating-related actions — average days to process (pp. 119, 204)	185	177	160	183		No	No	Efficiency
	Rating-related compensation actions — average days pending (pp. 120, 204)	150	130	127	135		No	No	Output
	Vocational rehabilitation and employment rehabilitation rate (pp. 124, 206)	69%	73%	73%	73%	Yes		Same	Outcome
	Average days to process Dependency and Indemnity Compensation actions (pp. 127, 206)	120	136	125	132		No	Yes	Efficiency
Strategic Goal #2 SMOOTH TRANSITION TO CIVILIAN LIFE	Average days to complete education claims								
	- Original claims (pp. 134, 206)	27	40	35	32.4	Yes		Yes	Efficiency
	- Supplemental claims (pp. 134, 206)	13	40	15	13.2	Yes		Yes	Efficiency
Strategic Goal #3 HONORING, SERVING, AND MEMORIALIZING VETERANS	Percent of patients rating VA health care service as very good or excellent: - Inpatient - Outpatient (pp. 140, 208)	74% 73%	78% 78%	78% 78%	77%* 77%*		No No	No No	Outcome Outcome
	Percent of primary care appointments scheduled within 30 days of desired date (pp. 139, 208)	96%	96%	96%	97.2%*(a)	Yes		Yes	Outcome
	Percent of specialty care appointments scheduled within 30 days of desired date (pp. 139, 208)	93%	94%	95%	95%*(a)	Yes		Yes	Outcome
	Clinical Practice Guidelines Index II (pp. 138, 210)	77%	83%	84%	83%*		No	Same	Outcome
	Prevention Index III (pp. 138, 210)	88%	88%	88%	87%*		No	No	Outcome



## Performance Scorecard

Strategic Goals	Key Performance Measures (page references in full PAR)	FY 2006 Recap		FY 2007 Recap					
		Targets	Results	Targets	Results	Target Achieved?		Improved From FY 2006? Yes/No/Same	Measure Type
						Yes	No		
Strategic Goal #3 (continued)  HONORING, SERVING, AND MEMORIALIZING VETERANS	Annual percent increase of non-institutional, long-term care average daily census (using 2006 as the baseline) (pp. 141, 212)	Baseline (43,325)		26.3%	6.5%*		No	N/A	Output
	Non-rating pension actions — average days to process (pp. 145, 212)	66	92	96	104		No	No	Efficiency
	National accuracy rate for pension authorization work (pp. 146, 214)	88%	88%	89%	91%*	Yes		Yes	Outcome
	Average number of days to process Traumatic Injury Protection Insurance disbursements (pp. 149, 214)	N/A	3.8	5	3.0	Yes		Yes	Efficiency
	Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence (pp. 153, 214)	81.6%	80.2%	83.8%	83.4%		No	Yes	Outcome
	Percent of respondents who rate the quality of service provided by the national cemeteries as excellent (pp.153, 216)	96%	94%	97%	94%		No	Same	Outcome
	Percent of graves in national cemeteries marked within 60 days of interment (pp. 157, 216)	90%	95%	90%	94%	Yes		No	Efficiency
	Foreclosure avoidance through servicing (FATS) ratio (pp. 161, 216)	47.0%	54.0%	51.0%	57.0%	Yes		Yes	Outcome
Strategic Goal #4  CONTRIBUTING TO THE NATION'S WELL-BEING	Progress towards development of one new treatment for post-traumatic stress disorder (5 milestones over 4 years) (pp. 167, 218)	60%	47%	67%	67%*	Yes		Yes	Outcome
	Percent of respondents who rate national cemetery appearance as excellent (pp. 176, 218)	99%	97%	99%	97%		No	Same	Outcome

\* Indicates partial or estimated actual data.

(a) Office of Inspector General (OIG) reports dated July 2005 and September 2007 found reported outpatient waiting times to be unreliable because of data integrity concerns associated with VHA's scheduling system. The Under Secretary for Health non-concurred with this one OIG finding in the September 2007 report due to disagreements with the OIG's methodology. VHA has obtained the services of an expert consultant to perform a thorough analysis and assessment of its scheduling and wait times reporting system.



## Strategic Goal Summary

### STRATEGIC GOAL 1

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

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

#### **Public Benefit**

Providing for the specialized health care needs of veterans is an integral component of America's commitment to its veterans. Due to the prevalence of certain chronic and disabling conditions among veterans, VA has developed strong expertise in certain specialized services that are not uniformly available in the private sector. For example, VA has developed polytrauma centers that provide coordinated health and rehabilitation services to active duty servicemembers and veterans who have experienced severe injuries resulting in multiple traumas including spinal cord injuries, traumatic brain injuries, visual impairment, amputations, combat stress, and post-traumatic stress disorder.

In addition, through the use of Specially Adapted Housing (SAH) grants, VA is able to make adaptations to seriously disabled veterans' homes in order to help these veterans live more independent lives.

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

In addition to VA's comprehensive system of health care, VA provides compensation, vocational rehabilitation, life insurance, dependency and indemnity compensation, and dependents' and survivors' education services to veterans and their families.

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



## Making a Difference for the Veteran

### VA Increasing Access to Mental Health Care

Addressing a special mental health forum with the top clinicians and researchers from the Department of Veterans Affairs (VA), former Secretary of Veterans Affairs Jim Nicholson announced plans to begin locating some of the Department's mental health programs closer to places where primary care is provided.



Former Secretary Nicholson addresses VA clinicians and researchers at a special mental health forum held in Washington, DC.

"Given the reluctance of some veterans to talk about emotional problems, increasing our mental health presence in primary care settings will give veterans a familiar venue in which to receive care -- without actually going to an identified mental health clinic," he said.

Nicholson described VA as "a long-standing leader in mental health," with \$3 billion devoted this year to mental health services. The Department has the Nation's largest mental health program and is internationally recognized for research and treatment of post-traumatic stress disorder (PTSD).

"The wounds of war are not always the result of explosions and rocket fire," he added. "They can sometimes be unseen and cloaked in silence. If left untreated, they can be just as lethal. We let veterans know that mental health issues and other military-related readjustment problems are not their fault -- that we can help them -- and that they can get better."

Acknowledging that VA officials expect to see increasing numbers of newly returned combat veterans with PTSD and other mental health issues, Nicholson said mental health care is currently provided at each of VA's 153 medical centers and 882 outpatient clinics.

Nicholson also announced plans to begin a series of regional conferences about providing mental health care to veterans with "our partners at the state, local and community levels." Recent expansion of the Department's mental health services include:

- Greater availability of "telemental health" programs, which treated about 20,000 patients last year.
- Integrating mental health services into geriatric programs.
- Adding psychologists and social workers to the staffs of VA's polytrauma centers.
- Increasing the number of Vet Centers from 209 to 232 by the end of 2008, and establishing 100 new combat veteran patient advocates to run outreach programs for their former comrades.

"As the newest generation of combat veterans returns home, we want to ensure that we are providing them the very best in mental health care and treatment possible. They deserve nothing less," Nicholson said.





## Most Important Achievements and Current Challenges

### Most Important Achievements

**POLYTRAUMA CALL CENTER:** VA established an **OIF/OEF Polytrauma Call Center** to assist our most severely injured veterans and their families. The Center may potentially serve between 3,000 and 4,000 veterans per year.

**STATE BENEFITS SEAMLESS TRANSITION PROGRAM:** In February 2007, VA announced the expansion of a collaborative outreach program with states and territories to help **severely injured servicemembers** receive benefits from their states when they move from military hospitals to VA medical facilities in their communities.

**PHYSICAL EVALUATION BOARD (PEB):** VA and DoD are collaborating to ensure VA is notified of **severely ill or injured servicemembers** transitioning to VA care and civilian life.

**DEFICIENCY-FREE DECISION RATES:** The **accuracy of rating-related decisions** reviewed improved from **89 percent** in FY 2005 to **94 percent** in 2007. This improvement is attributed to the development and implementation of a uniform, centralized training curriculum. Additionally, the training manual was rewritten using Information Mapping, which presents information to readers in an easily understood accessible format.

**PRIORITY CLAIMS PROCESSING:** All claims from **veterans** of the **Global War on Terror** are receiving **priority handling, and their claims were processed in 110 days on average**. Veterans with serious injuries or illnesses are case-managed and processed expeditiously.

**MAINTAINED HIGH LEVELS OF CLAIMS ACCURACY:** The **accuracy** of rating-related **compensation claims** was maintained at **88 percent** through July 2007, while VA hired over 1,000 new staff in 2007. New employees often take years to fully master claims review; thus, given the magnitude of hiring, the maintenance of this level of performance was remarkable.

**VOCATIONAL REHABILITATION AND EMPLOYMENT PROGRAM IMPROVEMENTS:** Implemented **88** of the **100** recommendations made by the **Secretary's Vocational Rehabilitation and Employment Task Force**.

- One of the key recommendations resulted in development and implementation of the **Five-Track Employment Model** to increase the program's focus on employment. The model features job resource labs, the Vetsuccess.gov Web site, and deployment of more employment coordinators.

### Challenges

**VA'S ABILITY TO SUPPORT THOSE TRANSITIONING TO CIVILIAN LIFE:** DoD began transmitting names of servicemembers entering DoD's PEB process to VA in October 2005. A **list updated monthly** enables VBA to contact servicemembers to inform them of potential VA benefits and VHA to initiate the transfer of health care services to VA medical centers (VAMCs) prior to discharge from the military. VAMCs are contacting servicemembers by letter and telephone inviting them to enroll in VA for health care services.

**INCREASED WORKLOAD:** The **disability claims workload** continues to increase in terms of the **number** and **complexity** of claims as exhibited by claims with eight or more issues, claims with chronic progressive disabilities, the aging veteran population, and the effects of the Global War on Terror.

**RECENT COURT ACTIONS:** Recent court actions will negatively affect VA's efforts to process claims in a timely manner; the following is an example:

- **Nehmer v. U.S. Department of Veterans Affairs** ruling in the Northern District of California, which extended the reach of the Agent Orange Settlement Agreement to Chronic Lymphocytic Leukemia (CLL). Due to the unique rules and stringent time requirements imposed in the *Nehmer* settlement, these cases require significantly more development and management oversight than normal claims.

**COMPLIANCE WITH THE VETERANS CLAIMS ASSISTANCE ACT (VCAA):** Since VCAA's enactment in November 2000, the Court of Appeals for Veterans Claims has issued at least 17 precedential decisions imposing **stringent requirements** affecting the content and timing of notice.



## STRATEGIC GOAL 2

### *Smooth Transition to Civilian Life*

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

#### **Public Benefit**

In partnership with DoD, VA conducts outreach activities and transition assistance to separating servicemembers. This enables VA to more quickly identify veterans returning from a combat zone who have service-connected disabilities, as well as those returning without a disability.

These outreach activities include the following:

- During the last 4 years, VA coordinated 8,150 transfers of OIF/OEF servicemembers and veterans from a military treatment facility to a VA medical facility.
- Soldier Family Management Specialists (SFMS) within Assistance Centers at 25 VA medical centers play a critical role in helping severely injured soldiers and their families with issues as the soldiers transition from military service to the civilian community.

- In 2007 the Post Deployment Health Reassessment (PDHRA) initiative resulted in more than 26,000 referrals to VA medical centers and approximately 13,000 referrals to Vet Centers.

The PDHRA is a DoD post-deployment outreach and health screening initiative designed to identify early health-related concerns among servicemembers returning from deployment.

VA participated in 492 PDHRA On-Site and 209 Call Center events in addition to accepting referrals from the DoD 24/7 PDHRA Call Center.

VA's involvement in PDHRA is critical for early intervention with combat veterans having readjustment and physical and mental health concerns.



## Making a Difference for the Veteran

### VA Teams Up with States to Help Injured Veterans



Former Secretary Nicholson addresses the National Association of State Directors of Veterans Affairs on the expansion of a collaborative outreach program with states and territories.

To help severely injured servicemembers receive benefits from their states when they move from military hospitals to VA medical facilities in their communities, VA expanded a collaborative outreach program with states and territories.

After a 4-month pilot with the state of Florida, former Secretary of Veterans Affairs Jim Nicholson expanded the program to all states while addressing a conference of the National Association of State Directors of Veterans Affairs in Alexandria, Virginia. "This initiative is a promising extension of VA's own transition assistance for those leaving military service," said Nicholson. "It is also an opportunity to partner with the states to make long-term support possible for our most deserving veterans..."

Called "State Benefits Seamless Transition Program," the initiative involves VA staff located at 10 DoD medical facilities. VA staff will identify injured military members who will be transferred to VA facilities. VA will contact state veterans affairs offices on behalf of the veterans. The state offices, in turn, will contact the veterans to inform them about benefits available to them and dependent family members. Most states and territories offer a range of benefits to veterans.

"Connecting veterans with state benefits immediately upon their separation from military service is a challenge, and more so for those who have suffered serious injury," said John M. Garcia, president of the National Association of State Directors of Veterans Affairs (NASDVA). "The State Benefits Seamless Transition Program opens a good line of communication and coordination between the Department of Defense, the U.S. Department of Veterans Affairs, and the State Departments of Veterans' Affairs."

"I applaud VA for expanding nationwide this worthwhile pilot program for our severely injured servicemembers," said LeRoy Collins Jr., executive director of the Florida Department of Veterans' Affairs. "This new initiative will be of great value to state governments enhancing long-term support to their veterans and families."



## Most Important Achievements and Current Challenges

### Most Important Achievements

**MULTIFAMILY TRANSITIONAL HOUSING PILOT:** Catholic Charities' \$20 million St. Leo's Residence for Veterans multifamily transitional housing complex was completed consisting of **141 studio apartments for homeless veterans**, a VA outpatient clinic, resource center, and community park. Currently all 141 studio apartments are occupied by homeless veterans.

**RESTORED VISION FOR HOMELESS VETERANS:** A pilot program made it possible for more than **300 homeless veterans** to receive **eyeglasses** through donations from Faith Based and Community Organizations and foundations.

**VA STAFF AT MILITARY TREATMENT FACILITIES (MTFs):** VA staff is now present at 10 MTFs throughout the country to assist the **transition** of injured and ill servicemembers **from the military** to civilian life.

**POST DEPLOYMENT HEALTH REASSESSMENT (PDHRA):** VA is actively participating in DoD's PDHRA program at Reserve and Guard locations by **providing information** on VA care and benefits, **enrolling** interested Reservists and Guardsmen in the VA healthcare system, and **arranging appointments** for referred servicemembers.

**ARMY SPECIALISTS HELPING VA:** VA is hosting **Army Wounded Warrior Soldier Family Management Specialists** (SFMS) to work closely with VA's Polytrauma Rehabilitation Centers and the Network Polytrauma Centers.

**EDUCATION BENEFITS:** VA added more than **102,000 new students** to the education rolls and provided benefits to approximately **540,000 total students** in 2007.

**PAPERLESS BENEFITS AT DELIVERY (BDD) PROCESSING:** VA began **paperless processing** of BDD claims at the Winston-Salem Rating Activity Site in 2006 and expanded it to the Salt Lake City Rating Activity Site in 2007. Through August 2007, the two sites have processed over **2,300 BDD paperless claims**.

**OUTREACH:** VA benefits briefings to Reserve and Guard members have increased from **108** per month in 2006 to **150** per month in 2007, reaching approximately 7,559 members per month.

### Challenges

**RAMPING UP VA STAFF AT MILITARY TREATMENT FACILITIES:** VA will need to quickly expand the number of liaisons to accommodate and support the Army Warrior in Transition population (servicemembers awaiting transition to veteran status). To date, VA has been asked by the Army Medical Department to provide liaisons at seven additional sites (military installations) for a total of 14 Army sites. The projected OIF/OEF population to be served at each new site is approximately 300 servicemembers and veterans.

**OUTREACH TO RESERVE AND GUARD MEMBERS:** Providing VA benefits briefings to demobilizing Reserve and Guard members continues to be difficult. VA does not receive **timely notification** that a unit is demobilizing; the demobilizations are widely dispersed; and the **availability of units to attend benefits briefings** is limited.



## STRATEGIC GOAL 3

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

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

#### **Public Benefit**

VA continues to set the national standard of excellence in quality and patient safety for the health care industry. Interactive technology strategies are being implemented to provide care in the least restrictive environments to allow patients and families maximum participation in disease management and health maintenance.

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

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

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

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

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



## Making a Difference for the Veteran

### Chronic Pain Rehabilitation Program

Former Secretary of Veterans Affairs Jim Nicholson praised VA's acclaimed Chronic Pain Rehabilitation Program at the James A. Haley Veterans' Hospital in Tampa, Florida, as a shining example of VA's world-class health care.

"The program at the Tampa VA Medical Center is the largest and most comprehensive pain center in the VA system," Nicholson said. "We're meeting the challenges of treating wounded servicemembers returning from combat in Iraq and Afghanistan, while providing top-notch care to older veterans with chronic medical problems."



VA Tampa's interdisciplinary team received a national award designating their Chronic Pain Rehabilitation Program as a **Clinical Center of Excellence**.

Nicholson noted the Tampa pain program was one of six facilities -- **and the only VA facility** -- to receive the American Pain Society's first "Clinical Centers of Excellence in Pain Management Awards," honoring the Nation's outstanding pain care centers.

The Society recognized programs that help pain patients enhance overall functionality and quality of life through integrated care across medical disciplines. Patients in the VA pain program have, on average, a 50 percent reduction in pain during treatment. More than half of polytrauma patients leave the facility free of prescribed pain medications, while others have substantially reduced dosages.

The Tampa VA Medical Center hosts one of VA's major polytrauma centers that receive the most severely wounded veterans of combat in Iraq and Afghanistan. Pain management for these patients is particularly challenging because many have cognitive impairment and multiple complex injuries. Patients often arrive on high doses of narcotics, which can interfere with their rehabilitation.

In its recognizing the Tampa center, the American Pain Society highlighted programs that reach beyond drugs to other approaches such as cognitive behavioral and physical therapy to treat the whole person, not just the pain. According to the Society, the Tampa facility had demonstrated that integrated, multidisciplinary pain care yields the best medical, psychological, and social outcomes.

During the past 17 years, Tampa's Chronic Pain Rehabilitation Program has developed national models for managing chronic pain. The facility has devised a pain assessment questionnaire that is used by more than 800 clinicians and researchers in 36 countries.



## Most Important Achievements and Current Challenges

### Most Important Achievements

**OPENED TWO NEW CEMETERIES:** VA began interment operations at the new **Sacramento Valley** VA National Cemetery in October 2006 and at the new **South Florida** VA National Cemetery in April 2007. Combined, these two national cemeteries will provide a burial option to more than **700,000 veterans**.

**NEW NATIONAL CEMETERY SCHEDULING OFFICE:** In January 2007, the new National Cemetery Scheduling Office (NCSO) began operations. In its first year, the NCSO provided **centralized interment scheduling**, 7 days a week, for 27 existing national cemeteries in 9 Midwestern states and VA's two newly opened national cemeteries in Sacramento, California, and South Florida. Implemented as a pilot program in 2007, NCA plans to extend the NCSO to provide interment scheduling support to VA national cemeteries nationwide.

**GRAVE MARKING TIMELINESS:** **94 percent of graves** in national cemeteries were marked within 60 days of the date of interment. This is well above the performance goal of 90 percent, and a significant improvement over the 2002 baseline level of 49 percent.

**NATIONAL CEMETERY CUSTOMER SATISFACTION:** The 2007 survey found that **94 percent** of respondents rated the quality of service provided by national cemeteries as excellent. This is the **seventh consecutive year** that the quality of service provided by national cemeteries has been rated excellent by more than 90 percent of survey respondents.

**HIGH PATIENT SATISFACTION:** The **American Customer Satisfaction Index** survey, long recognized as a national indicator of customer evaluation of the quality of goods and services available to residents of the U.S., found that VA's inpatient hospital services achieved a score of 84 (5 percentage points higher than private sector hospitals) and outpatient services scored 82 (4 points higher than private sector scores). ACSI said that VA's results "should be considered a benchmark for other agencies." VA also rated highly (94 inpatient and 92 outpatient on a 100-point scale) in veteran loyalty, meaning that nearly all veterans that VA treats are willing to use VA health care facilities in the future and are likely to speak positively to others about their experiences.

**VA HOSPITALS' QUALITY EVALUATED:** All VA hospitals are accredited by The Joint Commission, which is the Nation's predominant standards-setting and accrediting body in health care. The Joint Commission, an independent, not-for-profit organization, evaluates and accredits nearly 15,000 health care organizations and programs in the U.S. In the most recent Joint Commission Quality Report, VA's performance measurement scores met or exceeded the national scores for Joint Commission-accredited hospitals in almost every category of care (pneumonia, heart failure, acute myocardial infarction, and Surgical Care Improvement Project).

**TRAUMATIC INJURY PROTECTION:** In 2007, the Traumatic Injury Protection program paid \$217.3 million to over 6,300 severely wounded servicemembers and veterans.

**HOUSING FORECLOSURE AVOIDANCE:** VA achieved an "**Efficiency-Foreclosure Avoidance Through Servicing (E-FATS)**" ratio of 6.8. This means VA avoided \$6.80 in potential claim payments for every dollar spent on Loan Administration personnel assisting veterans who had a VA-guaranteed loan in default.

**INCREASED CLAIMS ACCURACY:** The accuracy of nonrating-related (authorization) pension claims processed improved from **88 percent in 2006 to 91 percent through July 2007**. Separate and dedicated Systematic Technical Accuracy Review (STAR) is done on claims decisions at the three Pension Maintenance Centers (PMCs). The PMC accuracy review results are used for quality improvement, training, and performance assessment.

**TRANSITIONING TO PAPERLESS PENSION CLAIMS PROCESSING:** VA began the transition to front-end paperless processing by completing over 2,150 claims electronically. VA transitioned to **100 percent** paperless repository for historical pension documents resulting in faster claims review.



### Challenges

**HEADSTONE AND MARKER PROCESSING TIMELINESS:** In 2007 VA processed **38 percent of applications for headstones and markers** for the graves of veterans who were not buried in national cemeteries within 20 days of the date of receipt. VA has established a long-range performance goal to process 90 percent of these applications within 20 days of receipt. To improve performance in this area, NCA is revising staffing plans and working with the VA Office of Information and Technology to investigate possible enhancements to the current technology for scanning and processing applications.

**HIRING SPECIALTY STAFF:** VHA continues to have **challenges in recruiting** specialty staff especially in geographically remote areas. For example, orthopedists, urologists, and psychiatrists are difficult to recruit in remote areas such as Maine and Wyoming.

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





## STRATEGIC GOAL 4

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

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

#### Public Benefit

VA advances medical research and development programs to support veterans' needs and contribute to the Nation's medical and scientific knowledge base as a public good. Initiatives in research include developing strategies to reduce the number of veterans with diabetes, expanding research addressing obesity issues of veterans, and increasing VA involvement in the research and practice of genomic medicine – the science of using information about gene sequence and expression to assess the risk of future disease, to diagnose existing disease, and to choose treatments best matched to the needs of each individual.

One notable VA-led study, *Clinical Outcomes Utilizing Revascularization and Aggressive Drug Evaluation*, the results of which were published in 2007, is expected to have a significant impact on U.S. clinical practice, as well as veterans. The U.S.-Canadian study, led by VA's Cooperative Studies Program (CSP), found that balloon angioplasty plus stenting did little to improve outcomes for 2,287 patients with stable coronary artery disease who also received optimal drug therapy and underwent lifestyle changes. The study, called COURAGE, involved patients at 15 VA medical centers and 35 other U.S. and Canadian hospitals.

A PTSD Genetics Working/Planning Group is being established to explore and define the basis to conduct research related to the genetics of PTSD through development of new and expansion of currently available cohorts (e.g., ongoing CSP clinical trials). By careful clinical characterization and genetic analyses, the VA PTSD cohort should be a longitudinally available resource with continued possibilities for research studies. The studies include

determining genetic variants that contribute to PTSD risk, as well as treatment response and outcomes. The first meeting was held in September 2007.

Through relationships with 107 of the 126 U.S. medical schools, VA trained some 31,000 medical residents and fellows and 17,000 medical students in the past year. In addition, as a partner in 5,000 associated health programs across the country, VA trained nearly 44,000 additional medical personnel in over 40 separate disciplines. The quality of health care provided to veterans and to Americans in general is enhanced as a result of these partnerships.

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

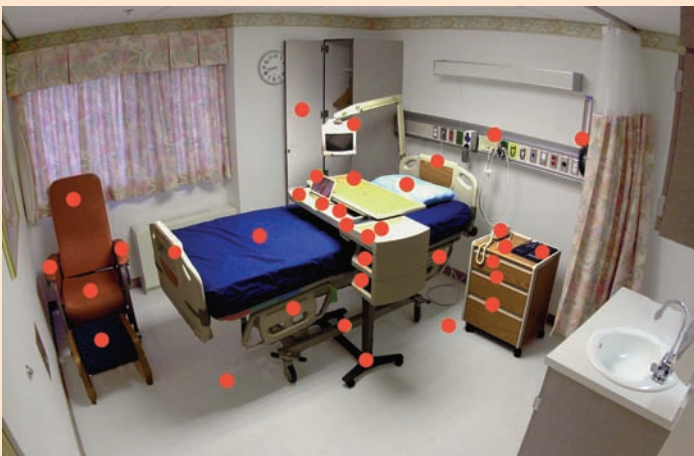
VA's Office of Operations, Security, and Preparedness (OSP) became operational in 2007. OSP coordinates the Department's emergency management, preparedness, security, and law enforcement activities to ensure the Department can continue to perform VA's Mission Essential Functions under all circumstances across the spectrum of threats. Both VA's Central Office and Martinsburg Readiness Operation Centers are well equipped, through access to the Homeland Security Information Network and the Homeland Security Data Network, to create a Common Operating Picture that will better enable VA to prepare for, mitigate, respond to, and recover from any man-made or natural event.



## Making a Difference for the Veteran

### VA Expands Successful Infection Control Program Nationwide

Building on the success of a pilot program at VA's Pittsburgh Health Care System that reduced a worrisome staph infection by 50 percent, VA has tough new screening requirements in place in all of its hospitals.



"Hot Spots" or common areas that harbor bacteria were identified, and VA medical center employees take precautions to make sure these hot spots are disinfected often.

In addition to emphasizing its commitment to hospital hygiene and flagging affected patients for special precautions, VA facilities monitor all incoming patients on key units for methicillin-resistant *Staphylococcus aureus* (MRSA).

"VA demonstrated that dramatic reductions in MRSA-related infections are possible," said Acting Secretary of Veterans Affairs Gordon Mansfield. "VA's completion of our national deployment of these serious prevention measures reinforces VA's stature as one of the safest health care environments nationally."

MRSA is primarily spread through direct physical contact with a person or object carrying the bacteria. Typically, it resides on the skin or in the nose. According to the

Centers for Disease Control and Prevention, MRSA is one of the most rapidly growing infections associated with health care facilities, and it is estimated there may be more than 94,000 MRSA cases a year in the United States associated with 18,650 deaths annually.

The four primary strategies VA now uses to eliminate MRSA include obtaining nasal specimens from all patients when they are admitted, transferred, or discharged; isolating all patients who test positive for MRSA; emphasizing the importance of thorough hand washing for everyone; and cultural transformation to make infection control a primary goal.

"MRSA is a dangerous infection, difficult to eradicate, that can cause pneumonia, wound or bloodstream infections," said Dr. Michael J. Kussman, VA's Under Secretary for Health. "Our ability to reduce the number of cases of MRSA infection enhances our ability to provide quality health care for veterans."



## Most Important Achievements and Current Challenges

### Most Important Achievements

#### **POST-TRAUMATIC STRESS DISORDER (PTSD) RESEARCH:**

- Veterans with PTSD commonly experience nightmares and sleep disturbances, which can seriously impair their mood, daytime functioning, relationships, and overall quality of life. In initial studies, VA research scientists have found that prazosin, an inexpensive generic drug already used by millions of Americans for high blood pressure and prostate problems, improves sleep and reduces trauma nightmares for veterans with PTSD. Plans are being developed for a definitive clinical trial to confirm the drug's effectiveness.
- In the largest, women-only clinical trial on PTSD, VA researchers and colleagues found that prolonged-exposure--a type of cognitive behavioral therapy--was effective in reducing PTSD symptoms and that such reductions remained stable over time. Women who received prolonged-exposure therapy--in which therapists helped them recall their trauma memories under safe, controlled conditions--had greater reductions of PTSD symptoms than women who received only emotional support and counseling focused on current problems.

**HIV/AIDS RESEARCH:** VA research scientists previously showed that people with a below-average number of copies of a particular immune-response gene called CCL3L1 have a **greater likelihood of acquiring HIV** and, once infected, of progressing to full-blown **AIDS**. Further VA research now shows that a person's genetic makeup could be a more accurate predictor of disease progression than currently used laboratory markers. The researchers also demonstrated that the combination of laboratory and genetic markers captures a broader spectrum of AIDS risk than either set of markers alone.

**EMERGENCY MANAGEMENT:** During the aftermath of Hurricane Katrina, the VA Health Revenue Center (HRC) activated an **emergency call center** to assist displaced employees, provide advisory assistance to displaced veterans seeking medical care, and assist veteran patients in obtaining and refilling medications provided by VA physicians and providers. The HRC has been designated through formal Memorandum of Understanding at the Departmental level as the VA National Disaster Contact Center (NDCC). The designation of the HRC as the VA NDCC ensures that VA has the necessary communications resource for veterans and employees should VA face similar challenges in the future.

**CUSTOMER SATISFACTION SURVEY:** **98 percent** of respondents to VA's **2007 Survey of Satisfaction with National Cemeteries** indicated that they would recommend the national cemetery to veteran families in their time of need. This is the seventh consecutive year that 97 percent or more have indicated a high level of trust that VA's national cemeteries continue to honor veterans and their service to our Nation.

### Challenges

**MAINTAINING CEMETERY APPEARANCE:** National cemeteries must meet the standards our Nation expects of its national shrines. To meet these standards and fulfill the National Shrine Commitment, VA needs to make improvements in the appearance of burial grounds and historic structures as well as to conduct regular maintenance and repair projects on more than **600 buildings** and over **16,000 acres of land** contained within 158 cemeterial installations.

**BALANCE BETWEEN RESEARCH AND PROVIDING CARE:** Many VA researchers are clinicians. Because the veteran population has been increasing, these dedicated individuals are finding it **difficult to maintain a balance** between time spent on clinical care and research activities. Therefore, both VA's patient care and VA's research efforts might ultimately suffer if those individuals wish to spend more time on research and leave VA.



## The President's Management Agenda

The President's Management Agenda (PMA), which was announced in 2001, is an aggressive strategy for improving the management of the federal government. It focuses on key areas of management weakness across the government. VA is working closely with OMB to address weaknesses identified in each of the areas. OMB issues reports quarterly and uses a "stoplight" scorecard to show progress made by each federal agency. The following table summarizes VA's progress and status as of September 30, 2007.

Please refer to pages 61-76 of the full PAR for more details.

VA's Status and Progress on the President's Management Agenda			
As of September 30, 2007			
Initiative	Status	Progress	Status Change from September 30, 2006
Human Capital (g-wide)			↔
Competitive Sourcing (g-wide)			↔
Financial Performance (g-wide)			↔
E-Government (g-wide)			↔
Performance Improvement (g-wide)			↑
Real Property			↔
VA/DoD Coordination			↔
Research and Development	-- not rated --		
Improper Payments			↓
Faith-Based and Community Initiative			↑
Credit Management			↔
Health Information			n/a (not rated in September 2006)



## Program Assessment Rating Tool (PART)

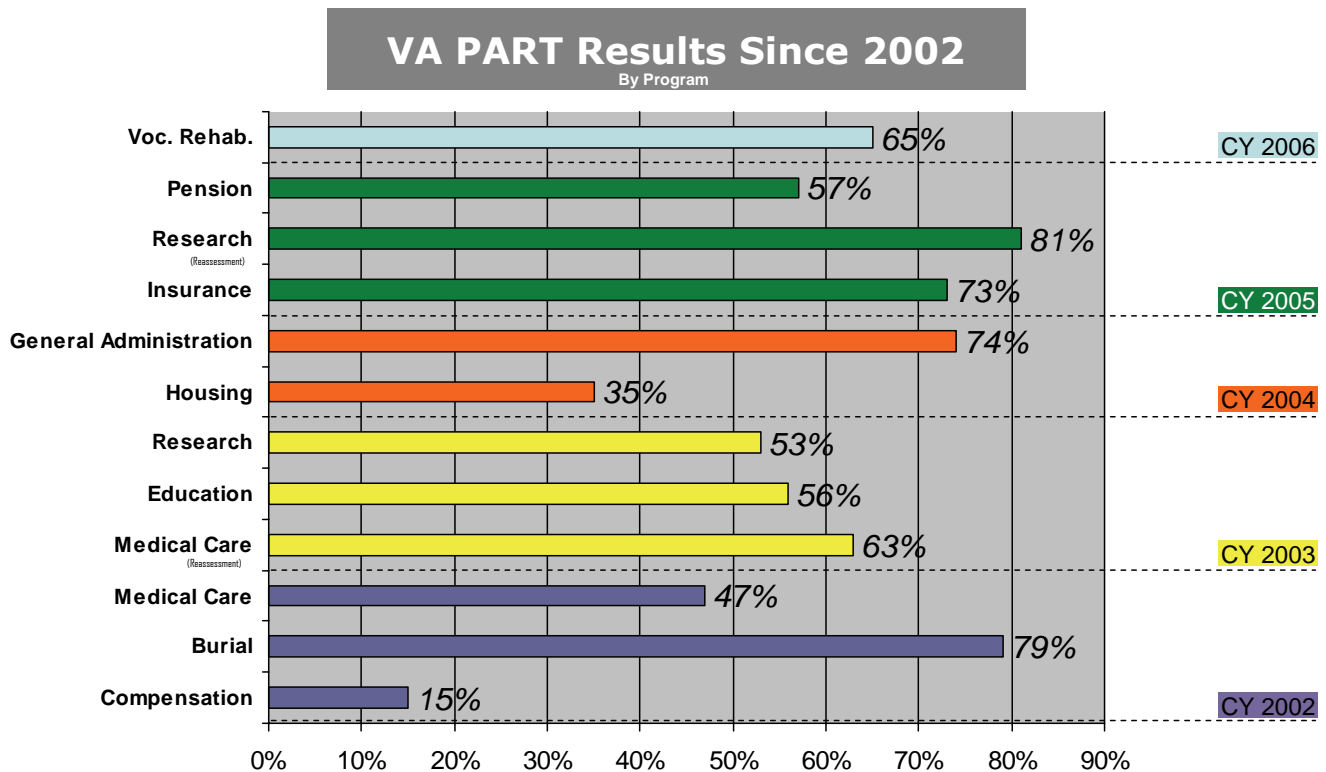
Starting in 2002, OMB began to evaluate all federal programs using a detailed questionnaire-driven methodology called the Program Assessment Rating Tool (PART). The PART contains 25 questions pertaining to a program's design and purpose, strategic planning capability, quality of performance measurements, financial oversight, and reporting of accurate and consistent performance data.

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

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

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

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



Please refer to pages 77-85 of the full PAR for more details.



## 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 an update of the most serious management challenges facing VA. Please refer to pages 250-287 of the full PAR for more details.

We reviewed OIG's report and provided responses, which are integrated within the OIG's report. Our responses included the following for each challenge area:

- *Key actions taken* in 2007 in response to the challenges identified by the OIG
- *Key actions planned* for 2008
- *Anticipated impacts* of the key actions
- *Estimated resolution timeframe*

VA is committed to addressing its major management challenges. Using OIG's perspective as a catalyst, we will take whatever steps are necessary to help improve services to our Nation's veterans. We welcome and appreciate OIG's perspective on how the Department can improve its operations to better serve America's veterans.

The table below shows the strategic goal to which each challenge is most closely related, as well as its estimated resolution timeframe.

Challenge		Estimated Resolution Timeframe (Fiscal Year)
No.	Description	
<b>Strategic Goal 3: Honoring, Serving, and Memorializing Veterans</b>		
<b>OIG 1</b>	<b>Health Care Delivery</b>	
1A	Quality of Care	2008 and beyond
1B	Electronic Medical Records	2008 and beyond
1C	New and Significantly-Increased Health Problems Associated with OIF/OEF	2008 and beyond
1D	Research	2008 and beyond
<b>Strategic Goal 1: Restoration and Improved Quality of Life for Disabled Veterans</b>		
<b>OIG 2</b>	<b>Benefits Processing</b>	
2A	Pending Claims and Estimated Receipts	2008
2B	Appeals	2009
2C	Accuracy and Variance	2008
<b>Enabling Goal: Applying Sound Business Principles</b>		
<b>OIG 3</b>	<b>Financial Management</b>	
3A	Lack of an Integrated Financial Management System	2012
3B	Operational Oversight	2009
<b>OIG 4</b>	<b>Procurement Practices</b>	
4A	Procurement Failures	2009
4B	Lack of Corporate Knowledge	2009
<b>OIG 5</b>	<b>Information Management</b>	
5A	Confusion of Rules and Guidance	2009
5B	Material Weakness in IT Security Controls	2010
5C	VA Information Security Program Reviews	2010
	<b>Appendix</b>	



## Letter from the Chief Financial Officer

The Department of Veterans Affairs (VA) completed another successful year by receiving an unqualified audit opinion for the 9<sup>th</sup> consecutive year. We are extremely proud of this accomplishment.

Throughout 2007, VA made progress in remediating our three audit material weaknesses – *Financial Management System Functionality* (previously identified as *Lack of an Integrated Financial Management System*), *Information Technology Security Controls*, and *Financial Management Oversight* (previously identified as *Operational Oversight*).

To address the material weakness, *Financial Management System Functionality*, VA continues its efforts to develop the Financial & Logistics Integrated Technology Enterprise (FLITE) program to integrate many disparate systems, standardize financial and logistics functional processes, and modernize the information technology environment. In 2007, VA completed the prerequisite planning for the FLITE program. VA is also continuing to implement a Financial Reporting Data Warehouse. This warehouse will improve the quality, timeliness and accuracy of feeder system data interfaced to VA's core Financial Management System (FMS) and simplify reconciliations. During 2007, VA completed mapping for all nine major feeder system interfaces and two of the interfaces, PAID and Loan Service and Claims, were implemented in the warehouse as scheduled.

In addition, the Hyperion Financial Management reporting system, initiated in 2006, was used to produce VA's 2007 quarterly and consolidated financial statements using a standardized and repeatable process. The system was expanded in 2007 to provide for the automated generation of footnotes.

Our success in improving the preparation of VA's financial statements and progress with the



Financial Reporting Data Warehouse resulted in VA's President's Management Agenda scorecard on Financial Performance moving to "yellow" for progress.

To further address the material weakness in *Information Technology Security Controls*, VA developed the "Data Security – Assessment and Strengthening of Controls Program," an overarching and cross-cutting remediation plan designed to correct deficiencies and eliminate vulnerabilities in information security. This program will enable completion of hundreds of tasks to remediate long-standing security weaknesses. Following the publication in 2006 of VA Directive 6500, "Information Security Program," corresponding VA Handbook 6500 was published in 2007 and provides the foundation for a comprehensive VA information security program.

During 2007, additional focus was placed on the *Financial Management Oversight* material weakness. Additional and clarifying financial policies and procedures were provided to VA's fiscal community, particularly in the area of internal control. During 2008, VA will address the 2007 audit report findings.

Each of these three weaknesses involves corrective action plans over multiple years and VA continues to work diligently and proactively



to address these weaknesses. VA will develop a corrective action plan in 2008 to address the new material weakness, *Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System – VBA*.

We also continued efforts to ensure VA's compliance with OMB Circular A-123, Appendix A, Internal Controls over Financial Reporting. VA completed actions identified for year two of a 3-year plan, and no material weaknesses were identified. Remediation actions were implemented during 2007 to address findings identified in year one and two. VA also continued to meet existing and new requirements under OMB Circular A-123, including travel card requirements under Appendix B, and new Improper Payments Information Act (IPIA) requirements under Appendix C.

VA successfully completed risk assessments, statistical sampling, and all requirements for programs under IPIA. VA achieved all audit recovery targets for improper payments and met three out of five reduction targets. VA also received approval from OMB to remove VA's Insurance program from IPIA reporting requirements until FY 2009. In addition, because the Vocational Rehabilitation & Employment program does not meet the 2.5 percent or \$10 million threshold in annual erroneous payments, VA requested that this program be removed from future annual reporting. This year, VA achieved a "green" score for progress on the President's Management Agenda scorecard on Eliminating Improper Payments.

VA continued to advance Presidential e-Gov initiatives and aggressively worked with the General Services Administration and Electronic Data Systems, the e-Gov travel prime contractor, to implement an electronic travel solution for VA. VA will complete Departmentwide implementation of FedTraveler on schedule in December 2007. In the e-Payroll area, VA successfully migrated 1,250 employees to the

Defense Finance and Accounting Service for payroll servicing in September 2006, and an additional 259 employees migrated in October 2007. The remaining VA population will migrate in FY 2008 – 2009.

VA's Franchise Fund, which received permanent status in 2006, is expected to receive its 10<sup>th</sup> successive unqualified audit opinion on its 2007 consolidated financial statements.

We are proud that in 2007, medical care collections continued to improve, totaling nearly \$2.2 billion. VA plans to continue to increase these collections, reaching \$2.3 billion in 2008.

VA also developed a Departmental managerial cost accounting (MCA) system to enable managers to review and analyze cost data at the detail and programmatic levels. We expect all MCA processes within VA's Administrations to be operational during FY 2008.

We are proud of our many accomplishments, but realize a lot of work remains. We continually strive to improve our financial stewardship and have set new goals to improve our performance. We will continue to promote sound business practices and improve accountability while fulfilling our mission of service to our Nation's veterans.

A handwritten signature in black ink, appearing to read "R. Henke", is positioned above the typed name.

Robert J. Henke  
November 15, 2007





## Financial Highlights

Pursuant to requirements of 31 U.S.C. 3515(b), VA's principal financial statements have been prepared to report the financial position and results of operations of the Department. Deloitte & Touche LLP, performed the audit of the statements under the direction of the Office of Inspector General. The statements have been prepared from the books and records of the Department in accordance with generally accepted accounting principles for federal entities and the formats prescribed by the Office of Management and Budget.

VA received an unqualified opinion on the Department's financial statements for 2007 and 2006 from Deloitte & Touche LLP. As a result of its audit work, Deloitte & Touche LLP reported four material weaknesses, three of which are repeat material weaknesses. In addition, the auditors reported 13 Significant Deficiencies, three of which are not included in the material weaknesses.

VA programs operated at a net cost of \$51.1 billion in 2007 compared with \$101.5 billion in 2006. Again this year, the change in actuarial liability for future years' veterans' compensation is primarily responsible for the significant variation in net cost from year to year. The actuarial liability decreased by \$26.1 billion during 2007 and increased by \$31.2 billion during 2006. The decrease in actuarial liability for future years' veterans' compensation in 2007 was influenced by changes in COLA estimates as a result of economic projections included in the 2008 Mid-Session Budget review and the actual December 2007 COLA. Excluding the change in this actuarial liability from the net cost would result in an adjusted net cost for VA's programs of \$76.2 billion and \$69.3 billion for 2007 and 2006, respectively. Two VA programs, Medical Services and Compensation, accounted for the bulk of the increase in the adjusted net cost, \$2.9 billion and \$3.0 billion, respectively.

Assets and liabilities reported in VA's balance sheets do not show significant change with the exception of Fund Balance with Treasury, Public Accounts Payable, and Federal Employee and Veterans Benefits Liability. The majority of change in the Federal Employee and Veterans Benefits Liability, \$26.1 billion, is driven by the actuarial estimate previously discussed. It should be noted that the future cash flows to liquidate the actuarial estimate liability are not supported by identifiable assets as they are anticipated to be funded from the future general revenues of the U.S. government. The Fund Balance with Treasury increased by \$6.1 billion due to an increase in appropriations received in FY 2007 over the FY 2006 amounts and the timing of the monthly compensation and pension benefits payments.

Medical care collections continue to improve. In 2007 collections totaled nearly \$2.2 billion, which builds on the \$2 billion collected in 2006.

In the area of debt management, VA referred \$422 million (99%) of eligible debt to Treasury for offset under the Treasury Offset Program (TOP). Under the cross-servicing program, VA referred \$127 million (98%) of eligible debt for collection.

During 2007 the Department aggressively used the Governmentwide commercial purchase card program. Over 4.2 million transactions were processed, representing \$2.6 billion in purchases. As a result of VA's daily electronic billing and payment process, VA earned over \$42 million in refunds, compared to \$37 million during 2006. These refunds are returned to VA entities for use in veterans programs.

Throughout 2007 VA continued to make operational enhancements, which resulted in improvements in interest paid, discounts earned, and audit recoveries. Interest improvements occurred largely because the Department



centralized VHA-certified payments at the Financial Services Center (FSC) in Austin, Texas. Interest paid per million dollars disbursed improved more than 15 percent from \$99 per million in 2006 to \$84 per million in 2007, and VA earned 92 percent of its available discounts.

VA continues to work diligently to address the *IT Security Controls* and the *Financial Management System Functionality* material weaknesses. Additional focus was placed in 2007 on the *Financial Management Oversight* material weakness due to the expansion of this significant deficiency to other fiscal areas in VA (expanded beyond simply VHA as described in 2006). VA financial management made improvements throughout the year in providing additional and clarifying financial policies and procedures to VA’s fiscal community, particularly in the area of internal controls. VA developed and implemented detailed remediation action plans to address the resolution of these material weaknesses.

VHA, VBA and NCA continue to be actively engaged in addressing financial management issues in all activities that have direct or indirect impact on financial records.

VBA is continuing its effort to centralize and/or consolidate finance functions. In January 2007, VBA consolidated the Committee on Waivers and Compromises (COWC) function to the Pension Maintenance Centers for Compensation, Vocational Rehabilitation and Employment, and employee debts. A joint VHA/VBA team is working on a plan to transfer finance functions related to automobile adaptive equipment to VHA. A pilot test will begin in the first quarter of FY 2008.

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



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

### Federal Managers' Financial Integrity Act

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

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

### Management Assurances

Department managers continue to take responsibility for establishing and maintaining effective internal controls over financial integrity and financial reporting, including safeguarding assets and complying with applicable laws and regulations. During 2007, the Former Secretary of Veterans Affairs maintained his leadership role in stressing that strong internal controls will enhance the Department's stewardship of taxpayers' assets and programs.

Management conducted its assessment of the effectiveness of internal controls over operations and compliance with applicable laws and regulations in accordance with the Federal

Managers' Financial Integrity Act (FMFIA) and OMB Circular A-123, Management's Responsibility for Internal Control. After reviewing the results of the assessments outlined in the Statements of Written Assurance provided by the Under Secretaries, Assistant Secretaries, and other Key Officials, the Acting Secretary of Veterans Affairs provided a statement of qualified assurance. Four material weaknesses: "IT Security Controls," "Financial Management System Functionality" (previously identified as "Lack of an Integrated Financial Management System"), "Financial Management Oversight" (previously identified as "Operational Oversight"), and "Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System - VBA," were identified as material weaknesses under FMFIA.

In addition, the Secretary provided a qualified assurance statement reflecting the status of internal controls over financial reporting for 7 of 11 key business processes as of June 30, 2007. VA conducted a limited scope assessment as of June 30, 2007, on the effectiveness of internal controls over financial reporting for six key business processes: Revenue Management; Property, Plant & Equipment; Budgetary Resources; Procurement Management; Risk Management; and Benefits Management (partial). Information Technology Management was also assessed, as it relates to these six processes. Assessment of internal controls over financial reporting for Funds Management and Financial Reporting was completed in 2006. Based on the results of VA's limited scope assessment, no material weaknesses were identified. VA can provide a qualified statement of assurance that internal controls over financial reporting were operating effectively.



## Condensed Consolidated Financial Statements

DEPARTMENT OF VETERANS AFFAIRS				
CONDENSED CONSOLIDATED BALANCE SHEETS* (dollars in millions)				
As of September 30,	2007		2006	
<b>ASSETS</b>				
Fund Balance with Treasury	\$	22,213	\$	16,129
Investments and Other Assets - Intragovernmental		12,548		13,033
Accounts and Loans Receivable, net - Public		4,187		3,500
Property and Equipment, net		12,176		11,638
Other Assets		293		310
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>51,417</b>	<b>\$</b>	<b>44,610</b>
<b>LIABILITIES</b>				
Intragovernmental Liabilities	\$	3,307	\$	3,067
Federal Employee and Veterans Benefits Liability		1,129,527		1,155,612
Insurance Liabilities		11,217		11,633
Other Liabilities		15,975		11,645
<b>TOTAL LIABILITIES</b>		<b>1,160,026</b>		<b>1,181,957</b>
<b>NET POSITION</b>		<b>(1,108,609)</b>		<b>(1,137,347)</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$</b>	<b>51,417</b>	<b>\$</b>	<b>44,610</b>

CONDENSED CONSOLIDATED STATEMENTS OF NET COST* (dollars in millions)				
for the Years Ended September 30,	2007		2006	
<b>NET PROGRAM COSTS</b>				
Medical Care	\$	32,013	\$	29,103
Medical Education		1,267		1,101
Medical Research		843		813
Compensation		34,897		31,879
Pension		3,902		3,752
Education		2,348		2,304
Vocational Rehabilitation and Employment		722		709
Loan Guaranty		(200)		(823)
Insurance		94		104
Burial		355		376
<b>NET PROGRAM COSTS BEFORE CHANGES IN VETERANS BENEFITS ACTUARIAL LIABILITIES</b>		<b>76,241</b>		<b>69,318</b>
<b>COMPENSATION AND BURIAL</b>		<b>(26,100)</b>		<b>31,200</b>
<b>NET NON-PROGRAM COSTS</b>		<b>953</b>		<b>944</b>
<b>NET COST OF OPERATIONS</b>	<b>\$</b>	<b>51,094</b>	<b>\$</b>	<b>101,462</b>

\*For a full set of financial statements and footnotes, see Part III of the FY 2007 PAR at [www.va.gov/budget/report](http://www.va.gov/budget/report)



*Part III - VA's Financial Position and Management Controls*

DEPARTMENT OF VETERANS AFFAIRS

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION\*  
(dollars in millions)

For the Years Ended September 30,

	FY 2007	FY 2006
<b>Cumulative Results of Operations</b>		
Beginning Balance	\$ (1,138,621)	\$ (1,109,718)
Financing Sources, primarily Appropriations Used	78,999	72,559
Net Cost of Operations	51,094	101,462
<b>Net Change</b>	<b>27,905</b>	<b>(28,903)</b>
Ending Balance – Cumulative Results	\$ (1,110,716)	\$ (1,138,621)
<b>Unexpended Appropriations</b>		
Beginning Balance	\$ 1,274	\$ 2,306
Appropriations Received	79,817	71,747
Appropriations Used and Other Changes	(78,984)	(72,779)
<b>Total Unexpended Appropriations</b>	<b>2,107</b>	<b>1,274</b>
<b>Total Net Position</b>	<b>\$ (1,108,609)</b>	<b>\$ (1,137,347)</b>

\* For a full set of financial statements and footnotes, see Part III of the FY 2007 PAR at [www.va.gov/budget/report](http://www.va.gov/budget/report)



DEPARTMENT OF VETERANS AFFAIRS		
CONDENSED COMBINED STATEMENTS OF BUDGETARY RESOURCES* (dollars in millions)	Budgetary	Non-Budgetary Credit Program
<b>for the Year Ended September 30, 2007</b>		
<b>Budgetary Resources</b>		
Unobligated Balance at the Beginning of the Period	\$ 16,958	\$ 3,560
Net Increase in Budget Authority	87,603	1,591
<b>Total Budgetary Resources</b>	<b>\$ 104,561</b>	<b>\$ 5,151</b>
<b>Status of Budgetary Resources</b>		
Obligations Incurred	\$ 86,249	\$ 2,201
Unobligated Balance Available	15,702	-
Unobligated Balance Not Yet Available	2,610	2,950
<b>Total Status of Budgetary Resources</b>	<b>\$ 104,561</b>	<b>\$ 5,151</b>
<b>Obligated Balance, Net End of Period</b>	<b>\$ 12,911</b>	<b>\$ 87</b>
<b>Net Outlays</b>	<b>\$ 73,870</b>	<b>\$ (331)</b>
<b>for the Year Ended September 30, 2006</b>		
<b>Budgetary Resources</b>		
Unobligated Balance at the Beginning of the Period	\$ 16,135	\$ 5,707
Net Increase in Budget Authority	80,771	581
<b>Total Budgetary Resources</b>	<b>\$ 96,906</b>	<b>\$ 6,288</b>
<b>Status of Budgetary Resources</b>		
Obligations Incurred	\$ 79,948	\$ 2,728
Unobligated Balance Available	13,966	-
Unobligated Balance Not Yet Available	2,992	3,560
<b>Total Status of Budgetary Resources</b>	<b>\$ 92,906</b>	<b>\$ 6,288</b>
<b>Obligated Balance, Net End of Period</b>	<b>\$ 8,109</b>	<b>\$ 127</b>
<b>Net Outlays</b>	<b>\$ 70,510</b>	<b>\$ (483)</b>

\* For a full set of financial statements and footnotes, see Part III of the FY 2007 PAR at [www.va.gov/budget/report](http://www.va.gov/budget/report)



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