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.

Gordon H. Mansfield
Acting Secretary of Veterans Affairs

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FY 2007 Performance and Accountability Report

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Notes

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

Note 2 For additional copies of this report, please call VA's Office of Budget at 202-461-6630. An electronic version is available on the World Wide Web at www.va.gov/budget/report

Performance Scorecard

Strategic Goals		Key Performance Measures (page references)	FY 2006 Recap		FY 2007 Recap					
			Targets	Results	Targets	Results	Target Achieved? Yes	Target Achieved? No	Improved From FY 2006? Yes/No/Same	Measure Type
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)	FY 2006 Recap Targets	FY 2006 Recap Results	FY 2007 Recap Targets	FY 2007 Recap Results	Target Achieved? Yes	Target Achieved? No	Improved From FY 2006? Yes/No/Same	Measure Type
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.

Department Overview

Our Mission: *What we are Here to Do*

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

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

VA fulfills these words by providing world-class benefits and services to the millions of men and women who have served this country with honor in the military. President Lincoln's words guide the efforts of approximately 230,000 VA employees who are committed to providing the best medical care, benefits, social support, and lasting memorials to veterans and their dependents in recognition of veterans' service to this Nation.

Our Programs: *What We Do*

Veterans Health Administration

Providing Medical Care

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

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

[1] Figures are rounded to nearest hundred.
[2] 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
Veteran Population Compared to Total U.S. Population (Millions)	• 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. • There are an estimated 36 million dependents (spouses and dependent children) of living veterans and survivors of deceased veterans in the U.S. • Together, veterans, dependents, and survivors make up about 20 percent of America's population.
Veteran Population by Period of Service* (Thousands)	• More than 17 million (74 percent) of America's veterans served during at least one wartime period. • The nearly 8 million Vietnam Era veterans account for the largest segment of the veteran population. • About 71 percent of all women veterans served during the post-Vietnam Era compared to 32 percent of men. • 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.
Age Distribution of the Veteran Population By 5-Year Age Groups (Thousands)	• As of September 2007, the median age of all living veterans was 60 years. • Men's median age was 61; women's 47. • The number of veterans 85 and older totaled about 1,146,000, compared to 164,000 in 1990. • 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.

*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.

Data

Analysis

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

Resources: *Our People*

As of September 30, 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)

Our Organization

Department of Veterans Affairs

Leadership and Governance

VA senior leadership makes policy decisions through internal governing bodies including those cited below.

Governance	Major FY 2007 Actions
Strategic Management Council	
Membership The Strategic Management Council (SMC) is chaired by the Deputy Secretary and includes VA's seven Assistant Secretaries; the Deputy Under Secretaries for Health, Benefits, and Memorial Affairs; the Deputy General Counsel; Chair for the Board of Veterans' Appeals; Chief of Staff; Counselor to the Secretary; and the Senior Advisor to the Deputy Secretary. **Purpose** The SMC serves as a collaborative and deliberative body that provides oversight and guidance on key strategic and operational issues that confront VA decision-makers.	• Approved VA's IT Governance Plan in support of the realigned Office of Information and Technology. The Governance Plan included the establishment of three boards: Information Technology Leadership Board; Business Needs and Investment Board; and Planning, Architecture, Technology and Services. • Reviewed and provided policy direction on a Department-wide effort to (1) identify criteria at the Department level for use in evaluating future medical facilities proposals for joint ventures and (2) develop a communications strategy for use during negotiations. The SMC reviewed and approved the products of a VA working group, including a draft VA Handbook, a communications strategy, and a new process for review and approval of future joint venture proposals between VA, DoD, academic affiliates, or other suitable public or private entities. • Reviewed and provided policy direction on distribution and next steps for research reports including *Employment of Recently Separated Servicemembers* and the results of the *Analysis of Differences in VA Disability Compensation*. • Reviewed VA's Regional Data Processing/National Data Program Migration Strategy and Telecommunication plan. • Reviewed the status of VA's labor agreements and pending negotiations.
Monthly Performance Reviews (MPRs)	
Membership MPRs are chaired by the Deputy Secretary and are attended by principals from every VA organization. **Purpose** MPRs focus on financial and program performance. In this context, the leadership discusses and makes decisions on mission-critical issues within the context of performance, budget, and workload targets and associated results. Necessary corrective actions are identified and implemented to help ensure program goals and objectives are accomplished.	• Each VA administration and staff office reported on progress in meeting established monthly and/or fiscal-year-to-date financial and performance goals. In this context, for 2007, more analytical depth was required and provided as follows: o Created "special focus area" modules where program offices report on critical areas requiring the Deputy Secretary's near-term attention. o Provided a more specific "budget object class" breakout of expense reporting allowing for more substantive discussions of VA expenditure patterns and potential transfer or reprogramming needs. o Added detailed reporting on staff turnover in potential critical shortage areas and on IT project management and funding status.

Performance Overview

Purpose of This Report

VA's FY 2007 Performance and Accountability Report (PAR) describes VA's accomplishments and progress during FY 2007 toward fulfilling its mission. The report is designed to enable Department management, our stakeholders, and our employees to assess VA's program and financial performance as compared to its goals and to use this information to make necessary improvements.

How We Measure Performance

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

Term	*Definition*
Strategic Goals	The Department's long-term outcomes as detailed in its Strategic Plan and articulated through four strategic goals and one enabling goal.
Strategic Objectives	Broad operational focus areas designed to achieve strategic goals. The Department has 21 strategic objectives.
Performance Measures	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.
Performance Targets	Associated with specific performance measures, these are quantifiable expressions of desired performance/success levels to be achieved during a given fiscal year.
Strategic Targets	Also associated with specific performance measures, these are quantifiable expressions of optimum success levels to be achieved; they are "stretch goals" that VA strives for in the long-term.

VA's 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.

Improvements to the FY 2007 Report

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

. Improvement	Benefit to VA's Stakeholders
Cost Per Measure Data	Consistent with the President's Management Agenda, the Department is furthering its integration of performance and budget information. As part of this effort, this year's PAR includes information on the cost of achieving performance targets for six measures. This is in addition to cost estimates provided by strategic goal and objective. We will expand our presentation of the cost to achieve individual performance goals in future reports.
Major Management Challenges	This year's report improves how major management challenges are presented. For each challenge, in an easy-to-read tabular format, there is an estimated resolution date, a summary of actions taken, the next steps planned, and anticipated impacts of actions. Together these elements provide a comprehensive analysis of the challenges facing the Department and what VA is doing to address them.
Performance Trends With Targets	For key and other important measures, in addition to the past five years' results (where available), we have added performance targets to provide the reader with a fuller context of progress. These data are accompanied by short narratives describing how management uses performance data to make operational program improvements and information on how performance results impact the veteran.

2007 Performance -- *A Department-Level Summary*

Key Measures -- *Continuity and Type*: Key measures are those that measure mission-critical activities. As of FY 2007, 19 of VA's 23 key measures have been in place for at least 4 years. This provides the Department's leadership with the ability to track significant performance trends over time and to make strategic adjustments when necessary. In addition, as shown in the chart below, VA has maintained a focus on the use of outcome and efficiency measures to assess mission-critical performance.

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 performance by goal and objective are provided on the following pages.

Cost to Achieve Performance Goals – *For 4 Selected Measures*

Last year, for the first time in the Performance and Accountability Report, the Department provided estimated cost information for three measures. As in the past, VA is also providing an estimate of costs devoted to achieve strategic goals and objectives. However, as a continuing part of the Department's overall effort to better identify resources required to achieve a certain level of performance, this year we show estimated costs to achieve a level of performance for four measures.

Measure	Fiscal Year 2007		
	Performance		Estimated Cost (Obligations) ($ in Millions)
	Target	Result	
Progress Towards Development of one new Treatment for Post-Traumatic Stress Disorder (pct. of milestones achieved)	**67%**	**67%**	**$2.7**[1]
Performance Impact	PTSD is an anxiety disorder that can develop after a person has been exposed to a terrifying event or ordeal in which physical harm occurred or was threatened. PTSD related to combat exposure is a major concern in the health of the veteran population. In cases where veterans do not respond to initial treatment, symptoms (including nightmares, disturbing memories during the day, sleep problems, and aggressive behavior) may persist for years. Therefore, effective relief of symptoms is needed.		
How VA Uses Performance Data	Results of PTSD studies are rapidly translated into clinical practice. The findings are published in a journal and discussed at conferences with VA, DoD, and university attendees.		
Annual Percent Increase of Non-Institutional, Long-Term Care as Expressed by the Average Daily Census (using 2006 as the baseline)	**26.3%**	**6.5%**	**$449.4**
Performance Impact	Increasing the number of veterans receiving Home and Community-Based Care (HCBC) services provides veterans with an opportunity to improve the quality of their lives. HCBC promotes independent physical, mental, and social functioning of veterans in the least restrictive settings.		
How VA Uses Performance Data	VA uses the data to project the need for services, evaluate existing services, and promote access to required services. In addition, the data are used to establish VISN (i.e., field office) targets and evaluate VISN performance in meeting assigned workload levels in the HCBC area.		

[1] The total obligations cover the costs of the researchers, equipment, and other expenses associated with performing the PTSD studies. There are additional costs including those for clinicians and other medical care employees' salaries that by law must come from the patient care appropriation and are not included.

Measure	Fiscal Year 2007		
	Performance		Estimated Cost (Obligations) ($ in Millions)
	Target	Result	
Rating Related Compensation Actions – Average Days Pending	**127**	**135**	**$815.6**
Performance Impact	On average, compensation claims that require a rating decision are pending 5 more days in 2007 than in 2006. An increase in the average age of the pending claims inventory indicates veterans are waiting longer for decisions on their claims.		
How VA Uses Performance Data	VA uses the results data to manage the compensation and pension programs and to implement performance improvement strategies. For example, as performance is monitored during the year, if performance declines are manifested in certain field offices, management takes corrective actions such as providing additional training and realigning workload or staffing levels. To improve the average days to process, VA is adding more resources. VA hired over 1,000 new staff in 2007, and further staff increases are expected in 2008. In addition, death pension claims and disability pension claims will be consolidated to the three Pension Maintenance Centers (PMCs)—this increases the number of resources dedicated to disability claims processing.		
Percent of Veterans Served by a Burial Option	**83.8%**	**83.4%**	**$149.3**
Performance Impact	By the end of 2007, more than 19 million veterans and their families had reasonable access to a burial option. One of VA's primary objectives is to ensure that the burial needs of veterans and eligible family members are met. Having reasonable access is integral to realizing this objective.		
How VA Uses Performance Data	VA analyzes census data to determine areas of the country that have the greatest unmet need for service by a burial option. This information is used in planning for new national cemeteries and for gravesite expansion projects to extend the service lives of existing national cemeteries, as well as in prioritizing funding requests for state veterans' cemetery grants.		

Performance Summaries by Strategic Goal

STRATEGIC GOAL 1

Restoration and Improved Quality of Life for Disabled Veterans

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

Public Benefit

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

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

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

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

Data Table	2004	2005	2006	2007
Targets Achieved	14	10	11	6
Total Targets	28	24	25	19

Note: For 2005 and 2006, additional final results are now available. Thus, numbers and percentages have been adjusted from those appearing in the FY 2006 PAR.

Positive 2007 Outcomes

Accurate Claims Processing: The national accuracy rate for processing veterans' claims for disability compensation benefits was maintained at 88 percent, helping to ensure that veterans receive the proper level of monetary benefits for injuries or illnesses they sustained while on active military service.

Vocational Rehabilitation and Employment: The proportion of service-connected disabled veterans who successfully completed the vocational rehabilitation and employment program was maintained at 73 percent. This program provides disabled veterans with the skills and opportunities to obtain employment or gain independence in daily living.

FY 2007 Performance Summary Table – *Selected Measures*

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

Strategic Goal 1 Restoration and Improved Quality of Life for Disabled Veterans			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
		$62,329	**72.8%**
Strategic Objective 1.1 – Specialized Health Care Services MAXIMIZE THE PHYSICAL, MENTAL, AND SOCIAL FUNCTIONING OF VETERANS WITH DISABILITIES AND BE A LEADER IN PROVIDING SPECIALIZED HEALTH CARE SERVICES.			
• **Achieve 98.0 percent** of Specially Adapted Housing grant recipients who indicate that grant-funded housing adaptations increased their independence	• **TBD percent** Final data are expected in 10/2008.	$25,733	30.1%

4-Year History		
Year	Targets	Results
FY 2006	N/A	Avail. Nov. 2007
FY 2005	N/A	N/A
FY 2004	N/A	N/A
FY 2003	N/A	N/A

Strategic Objective 1.2 – Decisions on Disability Compensation Claims PROVIDE TIMELY AND ACCURATE DECISIONS ON DISABILITY COMPENSATION CLAIMS TO IMPROVE THE ECONOMIC STATUS AND QUALITY OF LIFE OF SERVICE-DISABLED VETERANS.			
• **Complete in 160 days** compensation and pension rating-related actions, on average	• **183 days**	$35,390	41.3%

4-Year History		
Year	Targets	Results
FY 2006	185	177
FY 2005	145	167
FY 2004	145	166
FY 2003	165	182

Strategic Goal 1
Restoration and Improved Quality of Life for Disabled Veterans

Targets	Results	Obligations ($ in Millions)	% of Total VA Resources
• **Reduce to 127 days** rating-related compensation actions pending, on average	• **135 days**		

4-Year History		
Year	Targets	Results
FY 2006	150	130
FY 2005	119	122
FY 2004	N/A	120
FY 2003	N/A	114

• **Achieve an 89 percent** national accuracy rate for compensation core rating work	• **88 percent** Actual data through 07/2007. Final data are expected in 01/2008.		

4-Year History		
Year	Targets	Results
FY 2006	87%	88%
FY 2005	88%	84%
FY 2004	N/A	87%
FY 2003	N/A	86%

Strategic Objective 1.3 – Suitable Employment and Special Support

PROVIDE ELIGIBLE SERVICE-CONNECTED DISABLED VETERANS WITH THE OPPORTUNITY TO BECOME EMPLOYABLE AND OBTAIN AND MAINTAIN EMPLOYMENT, WHILE DELIVERING SPECIAL SUPPORT TO VETERANS WITH SERIOUS EMPLOYMENT HANDICAPS.

• **Achieve a 73 percent rehabilitation rate** of all veteran participants who exit the vocational rehabilitation program and find and maintain suitable employment	• **73 percent**	$773	0.9%

4-Year History		
Year	Targets	Results
FY 2006	69%	73%
FY 2005	66%	63%
FY 2004	67%	62%
FY 2003	65%	59%

Strategic Goal 1 Restoration and Improved Quality of Life for Disabled Veterans			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
Strategic Objective 1.4 – Improved Standard of Living for Eligible Survivors IMPROVE THE STANDARD OF LIVING AND INCOME STATUS OF ELIGIBLE SURVIVORS OF SERVICE-DISABLED VETERANS THROUGH COMPENSATION, EDUCATION, AND INSURANCE BENEFITS.			
• **Complete in 125 days** dependency and indemnity compensation (DIC) actions, on average	• **132 days**	$434	0.5%

4-Year History		
Year	Targets	Results
FY 2006	120	136
FY 2005	120	124
FY 2004	126	125
FY 2003	N/A	153

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."

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

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

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

Data Table	2004	2005	2006	2007
Targets Achieved	5	5	4	6
Total Targets	13	9	11	8

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

Positive 2007 Outcomes

Caring for Severely-Injured or Ill Veterans of the Global War on Terror: VA assigns a case manager to make sure that ill or severely-injured OIF/OEF veterans receive the proper care when they are transferred from a military treatment facility to the VA health care system. This year, 90 percent of these veterans were contacted by their VA case manager within 7 calendar days of the veteran being notified that he/she was going to be transferred to the VA health care system. The case managers serve as patient advocates to ensure the needs of these veterans and their families are fully addressed.

Timely Processing of Education Claims: For those veterans filing for education benefits for the first time, processing time fell to 32.4 days, while processing time fell to just 13.2 days for those filing a claim to continue their program of education or training. The education program is a vital component of VA's ongoing effort to ease veterans' transition from active military duty to civilian life. This program provides financial assistance to veterans to assist them in achieving their educational or vocational goals.

FY 2006 Performance Summary Table – *Selected Measures*

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

Strategic Goal 2 Smooth Transition to Civilian Life			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
		$4,310	**5.0%**

Strategic Objective 2.1 – Reentry into Civilian Life EASE THE REENTRY OF NEW VETERANS INTO CIVILIAN LIFE BY INCREASING AWARENESS OF, ACCESS TO, AND USE OF VA HEALTH CARE, BENEFITS, AND SERVICES.			
• VA case managers contact **90 percent** of severely injured OIF/OEF servicemembers/veterans within 7 calendar days of notification of transfer to the VA system as an inpatient or outpatient	• **90 percent** Actual data through 08/2007. Final data are expected in 11/2007.	$1,533	1.8%

4-Year History		
Year	Targets	Results
FY 2006	*-Baseline-*	
FY 2005	N/A	N/A
FY 2004	N/A	N/A
FY 2003	N/A	N/A

• Ensure **48 percent** of all original claims filed within the first year of release from active duty are filed at a BDD site prior to a service-member's discharge	• **TBD percent** (1) Final data are expected in 11/2007. (2) 2006 result has been recalculated.	

4-Year History		
Year	Targets	Results
FY 2006	53%	46%
FY 2005	N/A	55%
FY 2004	N/A	N/A
FY 2003	N/A	N/A

Strategic Goal 2
Smooth Transition to Civilian Life

Targets	Results	Obligations ($ in Millions)	% of Total VA Resources
Strategic Objective 2.2 – Decisions on Education Claims ENHANCE THE ABILITY OF VETERANS AND SERVICEMEMBERS TO ACHIEVE EDUCATIONAL AND CAREER GOALS BY PROVIDING TIMELY AND ACCURATE DECISIONS ON EDUCATION CLAIMS AND CONTINUING PAYMENTS AT APPROPRIATE LEVELS.			
• **Complete in 35 days** original education claims, on average	• **32.4 days**	$2,777	3.2%

4-Year History		
Year	Targets	Results
FY 2006	27	40
FY 2005	25	33
FY 2004	24	26
FY 2003	29	23

• **Complete in 15 days** supplemental education claims, on average	• **13.2 days**

4-Year History		
Year	Targets	Results
FY 2006	13	20
FY 2005	13	19
FY 2004	12	13
FY 2003	15	12

• **Achieve a 96 percent** payment accuracy rate (Education claims)	• **95 percent** 2006 result is corrected.

4-Year History		
Year	Targets	Results
FY 2006	95%	94%
FY 2005	95%	96%
FY 2004	94%	94%
FY 2003	95%	94%

STRATEGIC GOAL 3

Honoring, Serving, and Memorializing Veterans

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

Public Benefit

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.

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

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

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

Strategic Goal 3
4-YEAR PERFORMANCE TREND
- Percent of Targets Achieved -

Data Table	2004	2005	2006	2007
Targets Achieved	33	21	30	16
Total Targets	50	37	48	37

Note: For 2005, additional final results are now available. Thus, numbers and percentages have been adjusted from those appearing in the FY 2006 PAR.

Positive 2007 Outcomes

Patient Satisfaction with VA Health Care: Again in 2006 (the most recent data available), patient satisfaction with VA's health care system was higher than the private sector. Based on results from the most recent American Customer Satisfaction Index survey, inpatients at VA medical centers recorded a satisfaction level of 84 out of a possible 100 points, up 1 point from last year and 5 points higher than the private sector. VA's rating of 82 for outpatient care was 2 points higher than last year and 4 points above the private sector.

Access to Medical Care: VA continued to provide excellent access to the Department's health care system. The share of primary care appointments scheduled within 30 days of the veteran's desired date increased to 97.2 percent, while for specialty care appointments the figure increased to 95 percent.

Housing Assistance: VA increased to 57.0 percent the proportion of veterans who otherwise could have lost their homes through foreclosure had it not been for VA's direct involvement in assisting them with steps to retain ownership of their homes or at least significantly reducing their financial hardship by helping them sell their homes.

Access to a Burial Option: VA increased to 83.4 percent the proportion of veterans who have reasonable access to a burial option in either a national or state veterans' cemetery. Last year four new national cemeteries began interment operations, providing service to about 1.5 million veterans in the areas of Detroit, Michigan; Atlanta, Georgia; Sacramento, California; and south Florida.

FY 2007 Performance Summary Table – *Selected Measures*

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

Strategic Goal 3 Honoring, Serving, and Memorializing Veterans			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
		$14,454	**16.9%**

Strategic Objective 3.1 – Delivering Health Care PROVIDE HIGH-QUALITY, RELIABLE, ACCESSIBLE, TIMELY, AND EFFICIENT HEALTH CARE THAT MAXIMIZES THE HEALTH AND FUNCTIONAL STATUS OF ENROLLED VETERANS, WITH SPECIAL FOCUS ON VETERANS WITH SERVICE-CONNECTED CONDITIONS, THOSE UNABLE TO DEFRAY THE COSTS, AND THOSE STATUTORILY ELIGIBLE FOR CARE.			
• **Achieve a score of 84 percent** on the Clinical Practice Guidelines Index II	• **83 percent** Actual data through 05/2007. Final data are expected in 11/2007.	$8,478	9.9%

4-Year History		
Year	Targets	Results
FY 2006	77%	83%
FY 2005	N/A	N/A
FY 2004	N/A	N/A
FY 2003	N/A	N/A

• **Achieve a score of 88 percent** on the Prevention Index III	• **87 percent** Actual data through 05/2007. Final data are expected in 11/2007.		

4-Year History		
Year	Targets	Results
FY 2006	88%	88%
FY 2005	N/A	N/A
FY 2004	N/A	N/A
FY 2003	N/A	N/A

Strategic Goal 3
Honoring, Serving, and Memorializing Veterans

Targets	Results	Obligations ($ in Millions)	% of Total VA Resources
• **Achieve 96 percent** of primary care appointments scheduled within 30 days of desired date	• **97.2% percent** Actual data through 08/2007. Final data are expected in 11/2007.		

4-Year History		
Year	Targets	Results
FY 2006	96%	96%
FY 2005	94%	96%
FY 2004	93%	94%
FY 2003	87%	93%

Targets	Results	Obligations ($ in Millions)	% of Total VA Resources
• **Achieve 95 percent** of specialty care appointments scheduled within 30 days of desired date	• **95 percent** Actual data through 08/2007. Final data are expected in 11/2007.		

4-Year History		
Year	Targets	Results
FY 2006	93%	94%
FY 2005	93%	93%
FY 2004	90%	93%
FY 2003	80%	89%

Targets	Results	Obligations ($ in Millions)	% of Total VA Resources
• **Achieve a score of 78 percent** of patients rating VA health care service as "very good" or "excellent" for inpatients	• **77 percent** Actual data through 05/2007. Final data are expected in 11/2007.		

4-Year History		
Year	Targets	Results
FY 2006	74%	78%
FY 2005	74%	77%
FY 2004	70%	74%
FY 2003	70%	74%

Strategic Goal 3
Honoring, Serving, and Memorializing Veterans

Targets	Results	Obligations ($ in Millions)	% of Total VA Resources
• **Achieve a score of 78 percent** of patients rating VA health care service as "very good" or "excellent" for outpatients	• **77 percent** Actual data through 05/2007. Final data are expected in 11/2007.		

4-Year History		
Year	Targets	Results
FY 2006	73%	78%
FY 2005	73%	77%
FY 2004	72%	72%
FY 2003	71%	73%

Targets	Results	Obligations	% of Total VA Resources
• **Achieve a 26.3 percent** annual increase of non-institutional, long-term care average daily census using 2006 as the baseline (Baseline = 43,325)	• **6.5 percent** Actual data through 06/2007. Final data are expected in 11/2007.		

4-Year History		
Year	Targets	Results
FY 2006	*-Baseline-*	
FY 2005	N/A	N/A
FY 2004	N/A	N/A
FY 2003	N/A	N/A

Strategic Goal 3
Honoring, Serving, and Memorializing Veterans

Targets	Results	Obligations ($ in Millions)	% of Total VA Resources
Strategic Objective 3.2 – Decisions on Pension Claims PROVIDE ELIGIBLE VETERANS AND THEIR SURVIVORS A LEVEL OF INCOME THAT RAISES THEIR STANDARD OF LIVING AND SENSE OF DIGNITY BY PROCESSING PENSION CLAIMS IN A TIMELY AND ACCURATE MANNER.			
• **Complete in 160 days** compensation and pension rating-related actions, on average	• **183 days**	$3,831	4.5%

4-Year History		
Year	Targets	Results
FY 2006	185	177
FY 2005	145	167
FY 2004	145	166
FY 2003	165	182

• **Complete in 96 days** non-rating pension actions, on average	• **104 days**		

4-Year History		
Year	Targets	Results
FY 2006	66	92
FY 2005	73	68
FY 2004	N/A	58
FY 2003	N/A	67

• **Achieve an 89 percent** national accuracy rate for pension authorization work	• **91 percent** Actual data through 07/2007. Final data are expected in 01/2008.		

4-Year History		
Year	Targets	Results
FY 2006	88%	88%
FY 2005	84%	86%
FY 2004	N/A	84%
FY 2003	N/A	81%

Strategic Goal 3
Honoring, Serving, and Memorializing Veterans

Targets	Results	Obligations ($ in Millions)	% of Total VA Resources
Strategic Objective 3.3 – Providing Insurance Service MAINTAIN A HIGH LEVEL OF SERVICE TO INSURANCE POLICYHOLDERS AND THEIR BENEFICIARIES TO ENHANCE THE FINANCIAL SECURITY OF VETERANS' FAMILIES.			
• **Complete in 5 days** TSGLI disbursements, on average	• **3.0 days**	$1,684	2.0%

4-Year History		
Year	Targets	Results
FY 2006	N/A	3.8
FY 2005	N/A	N/A
FY 2004	N/A	N/A
FY 2003	N/A	N/A

Targets	Results	Obligations	% of Total VA Resources
• **Achieve a 95 percent** rate of high satisfaction from veterans for insurance services delivered	• **96 percent**		

4-Year History		
Year	Targets	Results
FY 2006	95%	96%
FY 2005	95%	96%
FY 2004	95%	96%
FY 2003	95%	95%

Targets	Results	Obligations	% of Total VA Resources
Strategic Objective 3.4 – Meeting Burial Needs ENSURE THAT THE BURIAL NEEDS OF VETERANS AND ELIGIBLE FAMILY MEMBERS ARE MET.			
• **Ensure 83.8 percent** of veterans are served by a burial option within a reasonable distance (75 miles) of their residence	• **83.4 percent**	$215	0.3%

4-Year History		
Year	Targets	Results
FY 2006	81.6%	80.2%
FY 2005	78.3%	77.1%
FY 2004	75.3%	75.3%
FY 2003	74.4%	75.2%

Strategic Goal 3
Honoring, Serving, and Memorializing Veterans

Targets	Results	Obligations ($ in Millions)	% of Total VA Resources
• **Achieve 97 percent** of survey respondents rating the quality of service provided by the national cemeteries as excellent	• **94 percent**		

4-Year History		
Year	Targets	Results
FY 2006	96%	94%
FY 2005	95%	94%
FY 2004	95%	94%
FY 2003	95%	94%

Strategic Objective 3.5 – Symbolic Expressions of Remembrance

PROVIDE VETERANS AND THEIR FAMILIES WITH TIMELY AND ACCURATE SYMBOLIC EXPRESSIONS OF REMEMBRANCE.

Targets	Results	Obligations	% of Total VA Resources
• **Ensure 90 percent** of graves in national cemeteries are marked within 60 days of interment	• **94 percent**	$6	<0.1%

4-Year History		
Year	Targets	Results
FY 2006	90%	95%
FY 2005	88%	94%
FY 2004	78%	87%
FY 2003	70%	72%

Strategic Objective 3.6 – Home Purchase and Retention

IMPROVE THE ABILITY OF VETERANS TO PURCHASE AND RETAIN A HOME BY MEETING OR EXCEEDING LENDING INDUSTRY STANDARDS FOR QUALITY, TIMELINESS, AND FORECLOSURE AVOIDANCE.

Targets	Results	Obligations	% of Total VA Resources
• **Achieve a 51.0 percent** foreclosure avoidance through servicing ratio	• **57.0 percent**	$240	0.3%

4-Year History		
Year	Targets	Results
FY 2006	47.0%	54.0%
FY 2005	47.0%	48.0%
FY 2004	47.0%	44.0%
FY 2003	44.0%	45.0%

STRATEGIC GOAL 4

Contributing to the Nation's Well-Being

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

Public Benefit

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

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

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

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

Data Table	2004	2005	2006	2007
Targets Achieved	5	7	5	3
Total Targets	8	10	12	11

Positive 2007 Outcomes

Medical Research: VA continued its long track of success in conducting research projects that lead to clinically useful interventions that improve the health and quality of life for veterans and the general population. Among other advancements, we made notable progress in developing a new treatment to assist veterans suffering from PTSD.

Honoring our Fallen Heroes: As a direct indicator of our commitment to maintaining national cemeteries as shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made, 97 percent of those surveyed rated the appearance of national cemeteries as excellent and 98 percent said they would recommend the national cemetery system to other veterans' families during their time of need.

FY 2007 Performance Summary Table – *Selected Measures*

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

Strategic Goal 4 Contributing to the Nation's Well-Being			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
		$1,503	**1.8%**

Strategic Objective 4.1 – Emergency Preparedness IMPROVE THE NATION'S PREPAREDNESS FOR RESPONSE TO WAR, TERRORISM, NATIONAL EMERGENCIES, AND NATURAL DISASTERS BY DEVELOPING PLANS AND TAKING ACTIONS TO ENSURE CONTINUED SERVICE TO VETERANS, AS WELL AS TO SUPPORT NATIONAL, STATE, AND LOCAL EMERGENCY MANAGEMENT AND HOMELAND SECURITY EFFORTS.			
• **Achieve 100 percent** of Under Secretaries, Assistant Secretaries, and other key officials who self-certify that their teams are "ready to deploy" to their continuity of operations (COOP) site	• **90 Percent**	$23	<0.1%

4-Year History		
Year	Targets	Results
FY 2006	100%	85%
FY 2005	N/A	85%
FY 2004	N/A	N/A
FY 2003	N/A	N/A

Strategic Goal 4
Contributing to the Nation's Well-Being

Targets	Results	Obligations ($ in Millions)	% of Total VA Resources
Strategic Objective 4.2 – Medical Research and Development ADVANCE VA MEDICAL RESEARCH AND DEVELOP PROGRAMS THAT ADDRESS VETERANS' NEEDS – WITH AN EMPHASIS ON SERVICE-CONNECTED INJURIES AND ILLNESSES – AND CONTRIBUTE TO THE NATION'S KNOWLEDGE OF DISEASE AND DISABILITY.			
• **Achieve 67 percent** progress towards development of one new treatment for post-traumatic stress disorder (PTSD)	• **67 percent** Actual data through 08/2007. Final data are expected in 11/2007.	$379	0.4%

4-Year History		
Year	Targets	Results
FY 2006	60%	47%
FY 2005	N/A	40%
FY 2004	N/A	33%
FY 2003	N/A	N/A

Strategic Objective 4.3 – Academic Partnerships ENHANCE THE QUALITY OF CARE TO VETERANS AND PROVIDE HIGH-QUALITY EDUCATIONAL EXPERIENCES FOR HEALTH PROFESSION TRAINEES, CREATED INTERNALLY IN VA AND VIA PARTNERSHIPS WITH THE ACADEMIC COMMUNITY.			
• **Attain a score of 86** on a scale of 0-100 on the assessment by medical residents and other trainees of their clinical training experience at VA	• **86**	$996	1.2%

4-Year History		
Year	Targets	Results
FY 2006	85	85
FY 2005	85	84
FY 2004	82	84
FY 2003	82	83

Strategic Goal 4
Contributing to the Nation's Well-Being

Targets	Results (Current and 4-Year History)	Obligations ($ in Millions)	% of Total VA Resources
Strategic Objective 4.4 – Socioeconomic Well-Being of Veterans ENHANCE THE SOCIOECONOMIC WELL-BEING OF VETERANS, AND THEREBY THE NATION AND LOCAL COMMUNITIES, THROUGH VETERANS BENEFITS; ASSISTANCE PROGRAMS FOR SMALL, DISADVANTAGED, AND VETERAN-OWNED BUSINESSES; AND OTHER COMMUNITY INITIATIVES.			
• **Attain 3.00 percent** as the statutory minimum goal for awarding contracts to service-disabled veteran-owned small businesses expressed as a percent of total VA procurement dollars	• **5.59 percent** Actual data through 08/2007. Final data are expected in 06/2008.	$2	<0.1%

4-Year History		
Year	Targets	Results
FY 2006	3.00%	3.58%
FY 2005	3.00%	2.15%
FY 2004	3.00%	1.25%
FY 2003	3.00%	0.49%

Objective 4.5 – Maintaining National Cemeteries as Shrines ENSURE THAT NATIONAL CEMETERIES ARE MAINTAINED AS SHRINES DEDICATED TO PRESERVING OUR NATION'S HISTORY, NURTURING PATRIOTISM, AND HONORING THE SERVICE AND SACRIFICE VETERANS HAVE MADE.			
• **Achieve 99 percent** of survey respondents rating the appearance of the national cemeteries as excellent	• **97 percent**	$103	0.1%

4-Year History		
Year	Targets	Results
FY 2006	99%	97%
FY 2005	98%	98%
FY 2004	98%	98%
FY 2003	98%	97%

ENABLING GOAL

Applying Sound Business Principles

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

Public Benefit

VA's enabling goal is different from the four strategic goals. The enabling goal and its corresponding objectives represent crosscutting support activities such as information technology management, supply management, human capital planning, and budgeting. These activities enable all organizational units of VA to carry out the Department's mission. The following are a few examples of how VA is applying sound business principles to save time and money:

- Advanced Clinic Access (ACA) is a set of principles and tools for identifying and managing supply and demand to reduce waits and delays. The aim of ACA is to improve access and timeliness of services by redesigning systems to eliminate delays and enhance process flow, while maintaining and/or improving quality, outcomes, and satisfaction. VA promotes ACA principles to improve efficiencies of in-house administrative and clinical capacity, as well as to reduce fee and contract care.
- Conducting efficiency reviews of VA supply chain processes to maximize standardization of supplies, equipment, and services, and to standardize policy and guidance for pharmacy, prosthetics, and fee basis management.
- Advancing VA/DoD collaboration through various process and systems such as Joint Clinical Practice Guidelines, Joint Electronic Health Records, Interoperability Plan, Graduate Medical Education, and joint procurement of medical equipment and supplies.
- Implementing VA's Information Security program designed to protect the confidentiality, integrity, and availability of veterans' private information as well as provide assurance that cost-effective security controls are in place to protect automated information systems from financial fraud, waste, and abuse.
- Implementing VA's E-Gov (Electronic Government) initiatives, which are focused on using information technology to improve service to veterans. A major objective is to have Web-based information in one place readily available for veterans to reduce the time required to identify services and benefits for which they may qualify.
- Transferring all of VA's employee personnel records contained in the Official Personnel Folder to an electronic format. This accomplishment will eliminate the need for paper records and enable the electronic transfer of employee information among federal agencies. It will also improve access and increase the security of VA's personnel records.
- Creating a secure Intranet Web portal to house employee-specific information regarding background investigations in-process or completed. The Electronic Questionnaire for Investigations Processing (e-QIP) will speed up processing and lower rejection rates. This system will allow for a net savings of both time and money.
- Through an aggressive real property management program, VA manages its vast holding of diverse capital assets through performance monitoring and analysis. VA seeks to reduce underutilized and vacant space, improve facility condition, decrease operating costs, and reduce non-mission dependent assets. A key element of VA's real property program is its 5-year Capital Plan, which is updated each year.

Making a Difference for the Veteran

DoD and VA Establish a New Medical Data Exchange Capability

Electronic Medical Record used in Bidirectional Health Information Exchange

The Department of Defense (DoD) and the Department of Veterans Affairs opened data connections that allow doctors in either department to view patient records created by their colleagues at the other agency. Military Health System officials hailed the new interface as a sign of tremendous progress in the campaign to share data between the departments, which have many patients in common.

"With the latest development in the Bidirectional Health Information Exchange (BHIE) program, doctors can now click a button on their computer screens -- whether they are using DoD's Armed Forces Health Longitudinal Technology Application or VA's Veterans Health Information Systems and Technology Architecture –- and see medication and allergy profiles as well as laboratory, radiology, and pathology reports," said Charles Hume, deputy chief information officer at the Military Health System.

BHIE was available at some hospitals previously, but now all 135 military hospitals and 155 VA medical centers have access to it. Response time for queries is measured in seconds. "It's essentially instantaneous," Hume said.

Although doctors at both agencies use the same process to access records, the two systems handle queries differently. The Military Health System's Clinical Data Repository holds all servicemembers' records, and VA's queries go directly to the database. VA is building a Health Data Repository, but in the meantime, DoD queries are sent to VA hospitals nationwide.

Until now, doctors had to log onto a separate system to view the records rather than accessing them with the same software they use for their own clinical records.

In the future, BHIE will go beyond allowing doctors to view the records to facilitating the exchange of data across system boundaries. The program to build the more robust interface is called the Clinical Data Repository/Health Data Repository (CHDR).

Seven DoD and VA hospitals are already using CHDR to automatically check for potentially harmful drug interactions whenever a doctor writes an electronic prescription.

Hume said that by the end of the year, the feature that checks for adverse drug interactions should be installed at all 290 DoD and VA hospitals. Hume said that he knows of no other system that performs checks so widely when a prescription is written.

Source: Federal Computer Weekly, "*DOD and VA open a new medical data spigot,*" by Nancy Ferris, published on August 3, 2007.

FY 2007 Performance Summary Table – *Selected Measures*

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

Enabling Goal Applying Sound Business Principles			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
		$3,026	**3.5%**

Enabling Objective E-1 – Development and Retention of a Competent Workforce RECRUIT, DEVELOP, AND RETAIN A COMPETENT, COMMITTED, AND DIVERSE WORKFORCE THAT PROVIDES HIGH-QUALITY SERVICE TO VETERANS AND THEIR FAMILIES.			
• **Attain 32.0 percent** of VA employees who are veterans	• **31.0 percent**	$121	0.1%

4-Year History		
Year	Targets	Results
FY 2006	30.0%	30.6%
FY 2005	28.0%	28.0%
FY 2004	26.0%	26.0%
FY 2003	N/A	24.0%

Enabling Objective E-2 – Outreach and Communications IMPROVE COMMUNICATION WITH VETERANS, EMPLOYEES, AND STAKEHOLDERS ABOUT VA'S MISSION, GOALS, AND CURRENT PERFORMANCE, AS WELL AS BENEFITS AND SERVICES THAT THE DEPARTMENT PROVIDES.			
• **Submit 45 percent** of title 38 reports to Congress by the due date	• **40 percent**	$51	<0.1%

4-Year History		
Year	Targets	Results
FY 2006	35% by due date	13% by due date
FY 2005	100% by due date	21% by due date
FY 2004	80% w/i 15 days of due date	54% w/i 15 days of due date
FY 2003	N/A	70% w/i 30 days of due date

Enabling Goal Applying Sound Business Principles			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
• **Submit 35 percent** of responses to pre- and post-hearing questions within the required timeframe	• **27 percent**		

4-Year History		
Year	Targets	Results
FY 2006	35%	15%
FY 2005	N/A	21%
FY 2004	N/A	N/A
FY 2003	N/A	N/A

Enabling Objective E-3 – Reliable and Secure Information Technology			
IMPLEMENT A ONE-VA INFORMATION TECHNOLOGY FRAMEWORK THAT ENABLES THE CONSOLIDATION OF IT SOLUTIONS AND THE CREATION OF CROSS-CUTTING COMMON SERVICES TO SUPPORT THE INTEGRATION OF INFORMATION ACROSS BUSINESS LINES AND PROVIDES SECURE, CONSISTENT, RELIABLE, AND ACCURATE INFORMATION TO ALL INTERESTED PARTIES.			
• **Receive no more than 8 distinct data exchanges** from DoD's Defense Manpower Data Center(*) (*) Explanation: The gradual reduction in data exchanges between VA and DoD systems will eliminate data inconsistencies between the two agencies. This is critical, particularly in areas such as separation data and medical records.	• **11 distinct data exchanges**	$399	0.5%

4-Year History		
Year	Targets	Results
FY 2006	20	20
FY 2005	N/A	N/A
FY 2004	N/A	N/A
FY 2003	N/A	N/A

Enabling Goal
Applying Sound Business Principles

Targets	Results	Obligations ($ in Millions)	% of Total VA Resources
• **Send no more than 1 distinct data exchange** to DoD's Defense Manpower Data Center(*) (*) Explanation: The gradual reduction in data exchanges between VA and DoD systems will eliminate data inconsistencies between the two agencies. This is critical, particularly in areas such as separation data and medical records.	• **6 Distinct Data Exchanges**		

4-Year History		
Year	Targets	Results
FY 2006	10	8
FY 2005	N/A	N/A
FY 2004	N/A	N/A
FY 2003	N/A	N/A

Enabling Objective E-4 – Sound Business Principles

IMPROVE THE OVERALL GOVERNANCE AND PERFORMANCE OF VA BY APPLYING SOUND BUSINESS PRINCIPLES; ENSURING ACCOUNTABILITY; EMPLOYING RESOURCES EFFECTIVELY THROUGH ENHANCED CAPITAL ASSET MANAGEMENT, ACQUISITION PRACTICES, AND COMPETITIVE SOURCING; AND LINKING STRATEGIC PLANNING TO BUDGETING AND PERFORMANCE.

• **Achieve $170 million** of joint VA/DoD procurement contracts for high-cost medical equipment and supplies	• **$180 million** (1) 2006 result is corrected. (2) Beginning in 2007, medical supplies were added to this measure.	$2,455	2.9%

4-Year History		
Year	Targets	Results
FY 2006	$150 million	$152 million
FY 2005	*-Baseline-*	
FY 2004	N/A	N/A
FY 2003	N/A	N/A

Enabling Goal
Applying Sound Business Principles

Targets	Results	Obligations ($ in Millions)	% of Total VA Resources
• **Fully utilize 95 percent** of space as compared to overall space (owned and direct-leased)	• **112 percent** (1) Actual data through 08/2007. Final data are expected in 11/2007. (2) 2006 result is corrected.		

4-Year History		
Year	Targets	Results
FY 2006	95%	104%
FY 2005	95%	98%
FY 2004	Baseline	80%
FY 2003	N/A	N/A

Targets	Results	Obligations	% of Total VA Resources
• **Achieve a 6 percent cumulative decrease** in "facility traditional" energy consumption per gross square foot from 2003 baseline	• **TBD percent** (1) Final data are expected in 01/2008. (2) Both the 2007 target and the strategic target changed per Executive Order 13423 issued in January 2007. (3) 2006 result is corrected.		

4-Year History		
Year	Targets	Results
FY 2006	2%	4.4%
FY 2005	N/A	N/A
FY 2004	N/A	N/A
FY 2003	*-Baseline-*	

Most Important Achievements and Current Challenges

By Strategic Goal

The Department's most important FY 2007 achievements as well as its current challenges are summarized as follows by strategic goal.

Strategic Goal #1
Restoration and Improved Quality of Life for Disabled Veterans

Most Important Achievements

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

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

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.

Strategic Goal #3, *continued*
Honoring, Serving, and Memorializing Veterans

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

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.

Strategic Goal #4, *continued*
Contributing to the Nation's Well-Being

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 balanc**e 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.

Enabling Goal
Applying Sound Business Principles

Most Important Achievements

GREEN BUILDINGS ACTION PLAN: VA developed a **Green Buildings Action Plan** and set up an internal council to coordinate Department-wide efforts to meet the sustainable/green building requirements of Executive Order 13423. These requirements will reduce the energy intensity and environmental impacts of new VA construction -- benefiting constituents, local communities, and the Nation.

ENERGY MANAGERS HIRED: VA hired 35 energy managers, each of whom is responsible for one or more VA facilities around the country. The energy managers are focusing on optimizing the **energy** and **water** efficiency of these facilities to control energy costs and meet federal energy mandates.

ENERGY ASSESSMENTS: VA completed **64 facility energy assessments**, identifying energy and water conservation opportunities to reduce both consumption and cost.

AGGRESSIVE ASSET DISPOSAL: In 2006 VA **disposed of 77 buildings** – 6 via sales, 19 through demolition, and 52 by Enhanced Use Leasing. In 2007, VA disposed of 43 buildings.

STREAMLINED BILLING PROCESSES: VA established **payer agreements** with insurance carriers including national payers to ensure that VA receives the same reimbursement for the same service in the same geographic area as non-governmental providers.

VETERAN ENROLLMENT MADE EASIER: Veterans can now **apply for health benefits online** and maintain and update their personal information (for example, address, contact, and other information).

IMPROVING VA'S IT PROJECT MANAGEMENT WORKFORCE: VA increased the number of **Level III** certified IT project managers from **360** in 2006 to **390** in 2007. This will result in increased confidence in the skills and knowledge of individuals managing VA projects, which should enhance project execution.

ESTABLISHED EARNED VALUE MANAGEMENT SYSTEM (EVMS): VA's newly established EVMS is compliant with the American National Standards Institute/Electronic Industries Alliance Standards. **VA uses EVM standards** and measures and established baselines with cost, schedule, and performance goals **for 90 percent of its major IT development projects.** EVM provides increased confidence in the accuracy of project status reports, which will allow early identification of problems in individual projects during execution.

Enabling Goal, *continued*
Applying Sound Business Principles

Challenges

FULLY IMPLEMENTING EXECUTIVE ORDER (EO) 13423: This EO requires **integration of energy, environmental, and vehicle fleet management**, as well as the designation of a single senior agency official accountable for EO implementation and agency performance against the EO mandates. During FY 2007, VA began this integration by expanding the energy program and policy office to include fleet and environment. Much remains to be done to continue integrating these areas for maximum organizational efficiency.

OPTIMIZING PROMISED EFFICIENCIES OF ELECTRONIC THIRD PARTY BILLING: The Health Insurance Portability and Accountability Act of 1996 (HIPAA) mandated electronic health care billing and payment technologies to streamline and reduce the costs of health care billing and payment activities. To maximize the benefit of these technologies, VA, in addition to implementing extensive enhancements to VA's VistA billing system and making business process changes nationwide, is very often dependent upon third party health plans to make changes to their systems, which can often be complex and time-consuming.

For example, few health plans business models included electronically accepting secondary health care claims directly from the health care provider, yet HIPAA provides for this. Therefore, for the large portion of VA's claims portfolio that involves Medicare secondary claims, VA (which does not bill Medicare) is working with the individual health plans requesting that they modify their systems according to HIPAA provisions to enable this business line to flow electronically. These types of one-on-one collaboration with third party health plans are also needed to enable related insurance eligibility and payment data transactions. Other unique-to-VA business issues include changes to health plan systems to accommodate payments to VA for drugs repackaged by VA (an economical practice for VA and for veterans), and for 90-day prescription fills dispensed by VA rather than the more customary health plan mail-out pharmacies (also a practice that benefits veterans and allows for significant economies for VA).

IMPROVE DATA SECURITY AND ACCOUNTABILITY: VA needs to **complete certification and accreditation for over 600 Department information systems**. In addition, VA is working to remediate the longstanding information technology security controls material weakness.

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.

The tables on the following pages recap for each PMA initiative VA's progress during FY 2007 to address issues that OMB identified as needing attention.

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)*	G	G	⇔
Competitive Sourcing *(g-wide)*	R	R	⇔
Financial Performance *(g-wide)*	R	Y	⇔
E-Government *(g-wide)*	R	R	⇔
Performance Improvement *(g-wide)*	Y	G	⇧
Real Property	G	G	⇔
VA/DoD Coordination	Y	G	⇔
Research and Development	-- not rated --		
Improper Payments	Y	G	⇩
Faith-Based and Community Initiative	G	G	⇧
Credit Management	R	Y	⇔
Health Information	R	G	n/a (not rated in September 2006)

HUMAN CAPITAL	
FY 2007 Open Items	**FY 2007 Actions**
• **Performance appraisal plans adhere to merit system principles, etc.** - Test of beta site is completed and expanded	• VA created numerous performance plan groups within occupations. Each group of plans cascades responsibilities from managers to each subordinate level of employee within each beta (pilot) site. • VA created improved linkage between performance plans and merit systems principles within the Senior Executive Service (SES). Additionally, VA added information security as a performance element for the SES ranks.
• **Implement an accountability system** - Provide an annual report on operational status of HR programs	• VA's Office of Oversight and Effectiveness conducted 22 reviews of HR operations to include 20 facilities, 1 Delegated Examining Unit, and 1 business center. These site visits audited HR offices to ensure compliance with Federal and VA regulations and policies for the management of VA's workforce. These audits are also used to discover and disseminate best practices to VA's HR community. • VA created the OHRM 2006 Annual Report which provides information on the results of the on-line self-evaluation survey as well as on-site reviews of VA HR offices. • VA submitted its Human Capital Accountability Report to OPM.
• **Identify Skill Gaps**	• VA continued its effort to transform HR specialists from transactional specialists to consulting professionals. These HR consultants will be increasingly used as experts who provide recommendations and advice to supervisors and managers on a variety of workforce-related issues. • VA continued to close skill gaps in future leadership positions by launching the development portion of the 2007 Senior Executive Service Candidate Development Program class scheduled to graduate in 2009. VA will graduate an additional class in 2010.
• **Develop hiring timelines**	• VA implemented recommendations from OPM's 2006 "hiring makeover" review of VA's hiring process to include the development of an automated tracking system. • VA created an automated database using SQL to capture information for providing hiring data for non-SES positions and has more than satisfied the hiring timelines for non-SES Title 5 positions.

HUMAN CAPITAL, *continued*	
FY 2007 Open Items	**FY 2007 Actions**
• **Organizational Restructuring**	• VA restructured the Office of Information and Technology. This initiative, involving over 5,000 employees, required the reclassification of all GS-2210 positions, communication to stakeholders, and reassignment of the IT workforce. • VA created the Office of Construction and Facilities Management as a separate entity from the Veterans Health Administration in order to improve how VA manages construction projects.
• **Succession Planning**	• VA formed an agency-wide workgroup and developed an action plan based on results of OPM's 2006 Federal Human Capital Survey that indicated low levels of employee satisfaction in certain areas. Two improvement opportunities were identified: 1) employee/supervisor discussions regarding employee performance and 2) support of employee development by supervisors/team leaders. The action plan focuses on training programs for new supervisors as well as the formation of a One-VA team to explore Department-wide use of Individual Development Plans and Personal Development Plans.
COMPETITIVE SOURCING	
• **Secure an approved competition plan** • **Begin standard competitions** **Begin standard and streamlined competitions** • **Streamlined competitions completed in 90 days or less** • **Announced standard & streamlined competitions cancelled** • **Savings**	• VA's General Counsel (GC) issued an opinion on April 28, 2003, ruling that Section 8110 of Title 38 U.S.C. prohibits VA from conducting cost comparisons on VHA positions unless Congress provides specific funding for the competitions. VA's entire OMB-approved competitive sourcing plan involved VHA positions. All competitive sourcing addressed in VA's OMB-approved plan was halted as a result of the ruling. • If VA receives legislative relief in the future, VA will expand management analysis/business process reengineering (MA/BPR) studies to include competitive sourcing studies. o VA has not completed any standard competitions in the last four quarters due to the prohibition of Title 38. However, VA will complete 80 percent of MA/BPR studies within 12 months ending July 1, 2008. • VA is working on alternative plans and approaches that may allow the Department to successfully address competitive sourcing goals despite the existing prohibition to conduct studies.
Other VA-specific activities being undertaken to support this PMA item	• VA began a process to integrate MA/BPR with workforce planning as an alternative to meeting the PMA goals for competitive sourcing. VA expects to realize up to 85 percent of the potential cost savings from competitive sourcing, or over $700 million cumulatively from 2008-2013. • VA launched two pilot studies that include benchmarking against the best in class in order to improve effectiveness and efficiency, as well as reduce costs.

FINANCIAL PERFORMANCE	
FY 2007 Open Action Items	**FY 2007 Actions and Progress**
• Clean audit opinion	• VA received an unqualified opinion on its FY 2007 Consolidated Financial Statements from the auditors, continuing the success first achieved in 1999.
• Meets reporting deadlines	• VA continues to meet all of its required annual and quarterly reporting deadlines.
• **Achieve compliance with FFMIA**	• IT Security Controls and the Financial Management Oversight weaknesses are estimated for completion in 2009, while the Financial Management System Functionality weakness is estimated for completion in 2012. • Actions taken in 2007 toward resolving the Financial Management System Functionality material weakness include the following: o Full implementation and enhancement of the automated financial management reporting system used to produce VA's quarterly and annual financial statements. o Continued implementation of the Financial Reporting Data Warehouse to capture and enhance pertinent data and produce high-level financial reports. VA's data warehouse initiative captures details from interfacing systems and the corresponding core Financial Management System (FMS) transactions from selected interfacing systems throughout the Department. This initiative simplifies reconciliation between the interface and FMS ensuring a clear audit trail exists for financial transactions that interface with the core financial system and ensures all interfacing systems to the data warehouse are A-127 compliant. VA implemented two interfaces--Personnel and Accounting Integrated Data (PAID) and Loan Guarantee--Loan Service & Claims into the warehouse in 2007. o Continued development of Financial & Logistics Integrated Technology Enterprise (FLITE), including two primary components – logistics and asset management and a financial management system.
• **Use financial information to drive results in key areas**	• Monthly Performance Reviews, chaired by the Deputy Secretary, focus on financial and program performance. Based on performance results, each VA administration and staff office depicts its progress in meeting fiscal year-to-date goals. Department leadership addresses and makes decisions on mission-critical issues.

FINANCIAL PERFORMANCE, *continued*	
FY 2007 Open Action Items	**FY 2007 Actions and Progress**
• **Eliminate material non—compliance with laws or regulations**	• VA's compliance with this requirement is contingent upon remediating the existing audit-related material weaknesses identified for completion in the 2009-2012 timeframe. • VA embarked on a 3-year Financial Policy Improvement Initiative to assist in remediating two material weaknesses – Financial Management System Functionality and Financial Management Oversight – to ensure financial policies and procedures are standardized, accurate, clear, and readily available Department-wide.
• **Eliminate auditor-reported material weaknesses**	• VA continued remediation efforts on its three auditor-reported material weaknesses, each involving corrective actions over several years.
E-GOV	
• **Create Enterprise Architecture (EA) systems** - Has 3 in completion or in use	• VA's EA V4.2 was delivered in February 2007 and was awarded a Capability Maturity Model score of 4.3 out of 5.0. This is the third highest EA maturity score awarded by OMB. Scoring 4.3 out of 5.0 is a very high score to achieve, meaning that VA's Enterprise Architecture is one of the very best in the federal government. • For the third consecutive year, VA received an overall EA assessment rating of "green" for 2007.
• **Develop acceptable business cases for major systems** - Acceptable business cases developed for more than 50% of major systems	• VA submitted all required business case materials to OMB.
• **Develop and adhere to Cost/Schedule/ Performance for major IT systems** - Overruns/shortfalls for less than 30% of projects - Installation of an Earned Value Management System (EVMS) that shows overruns/shortfalls less than 10% of projects	• VA established an American National Standards Institute (ANSI)/Electronic Industries Alliance Standards-compliant EVMS. • VA established baselines for 90 percent of its programs and 82 percent for Earned Value Management (EVM) reporting. VA will begin officially tracking cost and schedule variance once the ANSI Standard compliant EVMS is implemented on all major programs. These actions will result in better understanding of true project health and compliance with the OMB mandate.

E-GOV, *continued*	
FY 2007 Open Action Items	**FY 2007 Actions and Progress**
• **Implement E-Gov** **-** Fully Implemented	• VA continues to meet interim milestones and target completion dates that support E-Gov and Lines of Business alignment and implementation plans. The Implementation Milestone Plan is scheduled to be completed in September 2009. In FY 2007, VA accomplished the following: o Executed all necessary agreements and funding transfers to support the E-Gov and Lines of Business alignment and implementation plans. o Completed an inter-agency agreement with OPM that details the approach for use and full implementation of security awareness and reporting services. o Posted 100 percent of competitive discretionary grants on Grants.gov; each grant synopsis has a matching application package posted. o Migrated to E-Rulemaking's public comment solution and phased out/terminated its "VARegulations.gov" e-mail public comment system option. This was done in accordance with the developed Implementation Milestone Plan from OMB for E-rulemaking.
PERFORMANCE IMPROVEMENT INITIATIVE	
• **Show cost of achieving performance goals** - Marginal cost reported - Full cost reported - Use marginal cost analysis to inform resource allocations	• Using a subset of measures, VA is preparing reports that will demonstrate its ability to estimate the cost of achieving different levels of performance. Reports will be submitted to OMB in December 2008.

REAL PROPERTY	
FY 2007 Open Action Items	**FY 2007 Actions and Progress**
• **Continued implementation of CAMS enhancements, which include data store/data warehousing and Business Intelligence capabilities**	VA accomplished the following: • Modified Business Intelligence (BI) Database design and Data Dictionary to accommodate data type and size changes. • Began development of a BI Project Plan to include a Technical Architecture, Development Environment, and a draft Data Dictionary.
• **Monitored/Analyzed/ Reported VA Real Property Portfolio Performance, including mission, utilization, condition, costs**	VA accomplished the following: • Evaluated our 3rd quarter real property portfolio performance and presented results to VA leadership in July 2007. • Began evaluation of fourth quarter/end-of-year real property portfolio performance and presented results to VA leadership in October.
• **Implemented an enhanced data validation plan**	• VA developed a data validation methodology that includes the following components and/or test protocols: Frequency, Methods, Error Tolerance, and Reporting Reliability.
• **CARES**	• The Capital Asset Realignment for Enhanced Services (CARES) program is VA's effort to produce a logical national plan for modernizing health care facilities. • The CARES Stage 1 and Stage 2 studies produced the optimal approach to provide current and projected veterans with equal or better healthcare than is currently provided, in terms of access, quality, and cost effectiveness, while maximizing any potential reuse/redevelopment of all or portions of the current site/real property. • CARES studies were completed on all VHA sites except for 18 identified for follow-up analysis and studies. • As a result of the capital investment process for CARES, VA funded 30 of 36 major construction projects from FY 2004-2007. Of these 36 projects, North Chicago is physically complete. • Two additional projects (Gulfport and New Orleans) received funding under emergency appropriations due to Hurricane Katrina. • The total cost of the 38 projects is $4.7 billion; $2.7 billion has been appropriated for CARES major construction requirements.
• **Continued Stage II CARES Re-use Health Care Property, Capital Plan and Re-use Studies for unneeded property**	• VA completed CARES Stage 2 studies on Lexington, Kentucky; Canandaigua, New York; West Los Angeles, California; Livermore, California; and Montrose/Castle Point, New York. • The Preliminary Stage 2 Study for Boston, Massachusetts is completed. • After completion of a Stage 1 study, VA decided not to conduct a Stage 2 study, but to move forward on the health care decisions for Perry Point, Maryland; St. Albans, New York; and White City, Oregon.

REAL PROPERTY, *continued*	
FY 2007 Open Action Items	**FY 2007 Actions and Progress**
• **Developed short- and long-term plans to consolidate, share, re-use or dispose of not mission dependent and underutilized or vacant space at the building and station level**	• VA developed action plans in response to outlying performance of assets against federal Tier 1 metrics (utilization, condition, cost, and mission dependency). • VA developed disposal plans for underutilized or vacant space covering 2007 through 2009 time period.
• **Identified Federal Asset Sales (FAS) Real Property Disposal Metrics – Buildings & Residential**	• VA submitted FAS inventory reports to the General Services Administration (GSA). o Third quarter results for residential sales: 5,862 assets were available for sale (disposal), and 1,664 were sold with an estimated value of $125 million. o Fourth quarter results for residential sales: 4,716 assets were available for sale, and 1,559 were sold with an estimated value of $119 million.

VA/DoD Collaboration	
FY 2007 Open Items	**FY 2007 Actions and Progress**
• **Real-Time Bi-Directional Electronic Patient Medical Records** -DoD and VA exchange health information for shared patients by one of two methods: Bidirectional Health Information Exchange or Clinical Health Data Repository. Bi-directional exchange of data elements will be implemented at 85 percent of DoD facilities, which will be viewable by all VA medical facilities by (Q4 FY 2008)	VA took the following actions within the context of this open item: • Expanded bi-directional, real-time view of outpatient pharmacy, allergy, radiology, and laboratory results on shared patients between 15 medical centers, 19 hospitals, over 190 outlying clinics, and all VA facilities. • Expanded electronic lab order entry and results retrieval from six to nine sites. • Continued sharing bi-directional, real-time data on over 2.3 million correlated patients for outpatient pharmacy, allergy, radiology, and laboratory results. • Began sharing inpatient discharge summaries from nine DoD sites with all VA sites. • Completed testing at four sites for the anatomic pathology and microbiology functions and implemented these functions at the Audie L. Murphy VA Medical Center in San Antonio. • Began monthly electronic transfer of Post Deployment Health Reassessment (PDHRA) forms for separated servicemembers and Reserve/National Guard members who have been deployed and are now deactivated. • Began weekly electronic transfer of PDHRA forms for individuals to be referred to VA. • Implemented bi-directional, computable, outpatient pharmacy and medication allergy data at seven DoD/VA sites. • Began exchanging standardized pharmacy and allergy data supporting the ability to conduct drug-to-drug and drug-to-allergy order checking for shared patients using data from both DoD and VA. • Began electronically transferring radiology images for the severely wounded, injured, and ill servicemembers transferring from Walter Reed Army Medical Center, National Naval Medical Center Bethesda, and Brooke Army Medical Center to the VA Polytrauma Centers in Tampa, Minneapolis, Richmond, and Palo Alto. • Began sending scanned medical records for the severely wounded, injured, and ill servicemembers transferring from Walter Reed Army Medical Center to VA facilities.

VA/DoD Collaboration, *continued*	
FY 2007 Open Items	**FY 2007 Actions and Progress**
• **VA/DoD Military Personnel Data Sharing** -VA and DoD will complete the replacement and decommission of all feasible legacy exchanges for personnel data from DoD to VA and from VA to DoD in favor of a single bi-directional solution by (Q1 FY 2009)	VA took the following actions within the context of this open item: • Deployed a Web-based version of the Defense Personnel Records Imaging Retrieval System to allow secure VA access to the official military personnel file. • Implemented the education eligibility data enhancement to the VA/DoD Data Sharing Schema. • From an initial 2005 baseline, VA has reduced the number of distinct personnel data exchanges as follows: o From **31 to 11** from DoD to VA o From **11 to 6** from VA to DoD
• **Establish pilot sharing sites (National Defense Authorization Act)** - DoD and VA provide the Joint Executive Council and OMB with a final report by December 2007 on the pilots that includes recommendations to improve sharing after projects end in September 2007	• VA will provide the Joint Executive Council and OMB with a final report by December 2007 on the pilot sharing sites that includes recommendations to improve sharing projects. The pilots ended in September 2007.
• **Separation Process/Exam** - DoD and VA use a cooperative separation exam at 131 Benefits Delivery at Discharge (BDD) sites. By September 2008, 61 percent of all claims filed within first year of release will be filed at a BDD site prior to discharge.	• VA completed 131 Memoranda of Understanding corresponding to each of the BDD sites. This formalizes the use of a single VA/DoD examination for all servicemembers filing at BDD sites. [BDD provides servicemembers transitioning from the military greater access to VA benefits information, and will improve the timeliness of filing disability compensation claims.]
• **Develop a Graduate Medical Education (GME) Pilot Program** - Establish processes to reduce the administrative processing of shared VA - military trainees by developing and beginning implementation of the Seamless Transition for Trainees pilot program by July 2007	• VA identified existing "communities of practice" that can be used to support the local non-GME shared training effort. • VA obtained approval for the Seamless Transition for Trainees pilot program to reduce administrative processing of shared VA-military GME trainees.

VA/DoD COLLABORATION, *continued*	
FY 2007 Open Items	**FY 2007 Actions and Progress**
• **Increase non-GME Training and Education Sharing** **-** Develop a plan to increase shared training utilizing distance learning modalities (satellite broadcasts, Web-based and distributed learning technologies) and facilitate joint training at the local level. The goal is to increase the amount of initial episodes of shared training events by October 2007.	• VA completed research and a final report on selected learning architectures to support shared training ventures. • VA began the development of a plan to align learning architectures in use to support the shared training ventures.
• **Joint Purchasing of non-drug medical supplies and equipment** **-** Implement systematic joint procurement processes for high-cost medical equipment/ supplies and provide one year of documentation. Synchronize medical product information and establish a joint VA/DoD Federal Supply Schedule electronic medical catalogue that will allow both VA and DoD customers to perform product and price comparisons. All action items are scheduled to be completed by October 2007.	VA took the following actions within the context of this open item: • DoD and VA identified the six supply items/areas considered to have good potential for joint contracting, including surgical instruments, hearing aids, hearing aid batteries, optical fabrication, physiological monitors, and the outdated pharmaceutical returns program. • Completed prototype of joint medical catalog. • Expanded the use of DoD/VA Product Data Bank to over 30 facilities, which allows the Departments to look up supply items and equivalents across federal sources with current product data and lowest authorized federal price.

ELIMINATING IMPROPER PAYMENTS	
FY 2007 Open Items	**FY 2007 Actions and Progress**
• **Evidence that improper payment reduction targets are being met by Q4 FY 2007**	• VA established a corrective action plan with OMB-approved reduction targets for all risk-susceptible programs. • VA met the improper payment reduction targets for: Compensation, Pension, and Vocational Rehabilitation & Employment. VA did not meet the reduction targets in the Education and Loan Guaranty programs. o Beginning in 2006, VA's Education program was expanded to include an increased benefit for reservists. Processing procedures for claims filed under this new program are more complex, resulting in an increased number of payment errors. Therefore, the Education program's actual improper payment reduction target was not met. o 2007 was the first year of reporting for Loan Guaranty's Property Management program. Error rates and associated late payments caused an increase in interest penalties. • VA consolidated the processing of all pension maintenance workload to the Pension Maintenance Centers in order to improve the quality and timeliness of pension processing, as well as to focus on training in these areas. The consolidation will also reduce the size of erroneous pension payments through greater claims processing efficiencies and reduced cycle time.

FAITH-BASED AND COMMUNITY INITIATIVES	
FY 2007 Open Items	**FY 2007 Actions and Progress**
• **Pilot Programs -implemented and expands use of pilots**	VA focused on three initiatives within the context of this open item: • VetSuccess Pilot* o Developed an automated tracking system for data collection on referrals, service delivery, and performance measures of Faith-Based and Community Organizations (FBCO). o Expanded the Faith-Based and Community Initiatives (FBCI) project to an additional four stations (total of eight in FY 2007) to increase the pool of program participants. o Developed and implemented an expanded outreach plan. • Loan Guarantee Program for Multifamily Transitional Housing Pilot o Implemented the St. Leo's transitional housing project for homeless veterans at Catholic Charities and filled the 141 residences. o Implemented a new project that resulted in the expansion of the pilot: Veterans Village of San Diego transitional housing for homeless veterans. • Restore Vision for Homeless Veterans Pilot o Developed and implemented a plan to expand the number of pilot sites. o Added 6 new sites to the current 5 sites, for a total of 11 sites. o Established partnerships with local commercial eyeglass providers at each site.
• **Outcome-based evaluations** - Provide regular progress reports, interim data; incorporated into broader program of evaluations	• Quarterly evaluation reports for all pilots were submitted to the White House Office of Faith-Based and Community Initiatives. • All program pilots provided regular progress reports, and two submitted one-year outcome-based evaluation reports. The Loan Guarantee Program for Multifamily Transitional Housing Pilot evaluation was initiated in February 2007. It is being managed by the VA Northeast Program Evaluation Center.

*__Note__: VetSuccess seeks to increase the participation of Faith-Based and Non Profit Organizations in the delivery of specialized rehabilitation services designed to assist service-connected disabled veterans transitioning into employment. If the veteran is not employable, then the services help him or her achieve maximum independence in activities of daily living.

IMPROVED CREDIT MANAGEMENT	
FY 2007 Open Items	**FY 2007 Actions and Progress**
• **Establish or verify sound lending policies and procedures** -effective transaction approval processes -effective loan portfolio management -effective loss recovery processes	• VA began a risk indicator/oversight-monitoring initiative during FY 2007. • Loss Recovery Initiative: VA provided OMB with information on the loss recovery process. In FY 2008, VA will provide OMB with a white paper on the state of the program's loss-recovery policies and procedures as well as its notable effectiveness. The paper will highlight loss-recovery policies/procedures as they relate to losses attributable to underwriting decisions and losses attributable to borrower default and foreclosure.
• **Establish or verify sound collateral valuation process** -implemented policies and procedures	• VA obtained stakeholder concurrence on the Appraisal Management System's Statement of Objectives and completed internal requirements of the procurement process. This system will provide VA with an enhanced ability to monitor appraiser performance and collateral valuation.
• **Maintain effective management information reporting** -identified and substantiated risk indicators -implemented reporting	• VA updated the status of implementation of the VA Loan Electronic Reporting Interface (VALERI) project. The updates included information on the project schedule for testing, installation, and system customization.
• **Control costs** -established current cost estimates -established benchmarks and goals -reaches goals	• VA updated the Unit Costing/Management Cost Accounting Implementation Plan. The project is on track to begin producing cost reports for management in early FY 2008.
• **Comply with Debt Collection Improvement Act (DCIA)**	• Existing law prohibits VA from collecting debts on VA-guaranteed loans, except in instances of fraud, misrepresentation, or bad faith by such individual in obtaining the loan or in connection with the loan default. • In September 2007, VA met with the Department of Treasury to discuss this prohibition as well as collections in the vendee loan portion of the program. VA will report to OMB on the results of the discussions with Treasury in early FY 2008.
• **Customer Satisfaction** -Meets or exceeds industry standards	• VA administered customer satisfaction surveys in FY 2007. VA is currently working with a contractor to compile and analyze the survey results and develop report formats.

HEALTH IT INFORMATION

The Department of Veterans Affairs (VA) in partnership with the Department of Health and Human Services (HHS) is committed to provide more transparent and high-quality health care through the implementation of Executive Order (EO) 13410. EO 13410 mandates that Federal health care entities create health care environments that are high quality, transparent, and where health information is interoperable.

FY 2007 Open Items	FY 2007 Actions and Progress
• **Support National Health IT Goal:** - Health Data Standards	• VA continued to expand the ongoing development of an interoperable electronic health record by partnering with the Department of Defense (DoD). • VA contributed to the development of technical standards called for in EO 13410 by dedicating significant resources and subject matter expertise as follows: o Conducted preliminary review of Health Information Technology Standards Panel (HITSP) standards delivered to American Health Information Community (AHIC) October 2006 as "ready for implementation testing" o Conducted final review of HITSP standards delivered to AHIC as "ready for implementation" o Conducted "Analysis and Architecture Design Standards Adoption" as they apply to new VA system acquisitions or major upgrades that facilitate external health information exchanges
• **Support National Health IT Goal:** - Certification	• VA conducted an analysis of the business justification for Certification of the VA's Electronic Health Record.

HEALTH IT INFORMATION, *continued*	
FY 2007 Open Items	**FY 2007 Actions and Progress**
• **Support National Health IT Goal:** - Health Data Standards	VA began a process to evaluate the quality of care provided to veterans within the primary care setting by adopting a set of standards from the Ambulatory Care Quality Alliance (AQA) and coordinating testing of those measures with DoD and Indian Health Services (IHS). These efforts serve to standardize the method of measurement of care across federal agencies and will assist consumers in comparing quality. In this effort, VA began testing specialty care components of primary care from the AQA, the American Medical Association, and the National Committee for Quality Assurance. These measures are more detailed comparison criteria and will allow consumers an even more precise comparison and sense of transparency among those federal agencies providing health care. ***Actions Taken to Evaluate Quality:*** o Formed a workgroup involving VA, DoD, and IHS to review current data collection efforts, measurement methodology, and determine the ability to standardize measurement, abstraction, and report identified measures. o Obtained signed letters of commitment for collaboration and identified workgroup members from each agency. o Formed an internal VA Measures Subcommittee to select first subset of AQA measures to be used. o Formed an internal Communications Subcommittee to explore issues of importance to VA patients and providers relative to reporting of provider level quality data. o Completed survey of VA facilities on current quality measures and measurement methodology at the provider level. o Completed crosswalk of VHA measures to AQA and the Hospital Quality Alliance (HQA) measures. o Selected four Veterans Integrated Service Networks (VISNs) to pilot test a subset of AQA measures. Identified for testing at least four measures in at least one facility in each of the four VISNs. o Began alpha test of the first subset of AQA measures. o Coordinated, to the extent feasible, alpha testing with DoD and IHS. o Designed pilot test of ambulatory care physician specialty measures with AQA, the American Medical Association (AMA) and the National Committee for Quality Assurance (NCQA). o Began alpha test of physician specialty measures developed by AQA/AMA/NCQA.

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:

On the following pages are tables sorted by strategic goal that show for each program, OMB's **improvement initiatives** and VA's 2007 **actions** in response to the initiatives.

(Reassessment)

Improvement Initiatives	FY 2007 Actions
Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans	
Disability Compensation Program (Reviewed in CY 2002 and Received a Rating of "**Results Not Demonstrated**")	
Develop capability to begin reporting on five new performance measures.	• Five new long-term (outcome) measures were added to the 2005 budget submission, and a new cost-efficiency measure were added to the 2007 budget submission. • Results are being reported for two of the outcome measures (Percent of compensation recipients who were kept informed of the full range of available benefits and Percent of DIC recipients above the poverty level). • Results are also being reported for the cost efficiency measure (Productivity Index). • Reporting capability for the three remaining outcome measures (Percent of veterans in receipt of compensation whose total income exceeds that of like circumstanced veterans; Percent of compensation recipients who perceive that VA compensation redresses the effect of service-connected disability in diminishing the quality of life; and Percent of DIC recipients who are satisfied that VA recognized their sacrifice) is dependent upon a program outcome study that will be scheduled after the Veterans' Disability Benefits Commission issues its report in October 2007.
Develop analyses of how results information from new measures is used and how this information impacts program performance.	• Results for the two outcome measures indicated that VA has improved its customer service and service delivery as follows: o The percent of compensation recipients who were kept informed of the full range of available benefits increased from 43 percent in 2004 to 44 percent in 2005. No customer satisfaction survey was conducted for 2006. o Additionally, all DIC recipients are above the U.S. poverty threshold levels. • The cost efficiency measure (Productivity Index) has been in place for only one year. 2006 baseline results show a productivity index of 90 percent; results data need to be gathered for an additional year to accurately determine performance in this area.
Evaluate recommendations from the Veterans' Disability Benefits Commission.	• The Veterans' Disability Benefits Commission began work in May 2005 and issued its report in October 2007. VA will study the Commission's recommendations and begin taking appropriate actions in 2008.
Improve management of total disability benefit based on individual unemployability.	• VA has reinstated annual certification of employment and other evidence controls (VA Forms 21-4140, 21-8940, and 21-4192) used in determining individual unemployability (IU). • VA is advising all new IU beneficiaries of potential eligibility to Vocational Rehabilitation and Employment Services through separate mailings from both the Vocational Rehabilitation program and the Compensation and Pension program. • VA is reviewing the potential benefits of using a New Hires database maintained by HHS to verify employment status.
Develop a measure related to rating consistency.	• VA developed and validated a methodology to measure rating consistency, increased the Quality Review Staff workforce devoted to measure consistency, and began collecting consistency data in June 2007 through comparative statistical analysis of grant rates and evaluations across all regional offices.

Improvement Initiatives	FY 2007 Actions
Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans	
Vocational Rehabilitation and Employment Program (Reviewed in CY 2006 and Received a Rating of "**Adequate**")	
Collect data on both established and newly developed measures to evaluate performance and use these results to improve program performance.	• VA is continuing to collect data on established measures and is working with the Department of Labor to develop a method of collecting/verifying income from one national source rather than from each state.
Work with the Department of Labor and Department of Defense to assess results of collaboration and use these results to enhance future efforts to coordinate services for veterans with disabilities.	• VA is working with the Department of Labor Veterans' Employment and Training Service (VETS) to provide rehabilitation planning and employment services to veterans with disabilities. Three joint work groups are working to improve the quality of employment services and suitable job placements for veterans with disabilities. The work groups are as follows: Performance Measures for Assessment of Partnership Program results; Curriculum Design; and Joint Data Collection, Analysis, and Reports.
Cooperate with GAO on an evaluation of the program to assess the effectiveness of recent program changes, including the implementation of the Five Tracks to Employment model.	• GAO is currently conducting and VA is participating in an evaluation of the VR&E program, which will include an evaluation of the implementation of the Five Tracks to Employment model.

Improvement Initiatives	FY 2007 Actions
Strategic Goal #2: Smooth Transition to Civilian Life	
Education Program (Reviewed in CY 2003 and Received a Rating of "**Results Not Demonstrated**")	
Determine the optimum level of monthly benefits required to accomplish the military recruitment and retention goals.	• DoD surveys indicate education benefits are a valuable tool in meeting recruitment and retention goals. DoD recruitment levels were met in FY 2006, and DoD is on track to meet FY 2007 goals. o VA received DoD annual survey data in August 2007, affirming that education benefits still rank high as a reason individuals enlist. • VA requested that DoD provide its annual survey data from research companies so that VA can determine if the current monthly benefits aid in military recruitment and retention goals.
Create an outcome measure on veterans' readjustment to civilian life due to the benefit received in this program.	• VA plans to award a contract for a customer satisfaction survey to determine customers' perception of how the GI bill assisted their readjustment in 2008. • VA plans to award a contract to determine the percentage of servicemembers and veterans who were enrolled in school and obtained a degree or certificate. The contract will be issued in 2009 with results available in the same year.
Reinstate a cost-effectiveness measure such as the 'Administrative Cost per Trainee' measure.	• VA has designed a model to assess the cost effectiveness of the program. Although preliminary tests lead us to believe this could be a useful tool to measure efficiency based on the cost per trainee measure, we currently are unable to determine if the model will generate data that could predict changes in performance due to resource adjustments. o We require two years of actual data to establish targets and are concluding year one of the data gathering.

Improvement Initiatives	FY 2007 Actions
Strategic Goal #3: Honoring, Serving, and Memorializing Veterans	
Housing Program (Reviewed in CY 2004 and Received a Rating of "**Results Not Demonstrated**")	
Develop analyses of how results information from new measures is used and how this information impacts program performance.	• Analysis of these new measures is underway to determine if/how they will impact program performance.
Develop the capability to begin reporting on the new long-term performance measures focused on outcomes that meaningfully reflect the purpose of the program.	• VA has begun work on a customer satisfaction survey project, which will yield data for the new Specially Adapted Housing measure and the lender and veteran satisfaction measures. • VA has settled on the data source (Census Current Population Survey) to be used in calculating the program's new Veteran Homeownership measure. VA is currently compiling data to use in establishing a reporting baseline.
Develop the capability to report on mortgage delinquencies at a point earlier than the current requirement of '105 days delinquent.'	• In order to intervene at an earlier point in the delinquency cycle and consequently have the ability to assist veterans in avoiding foreclosure, VA undertook a business process review. • The redesigned VA business environment will be a Web-based, rules-driven application that electronically connects servicers and VA. o This application will expedite VA's ability to intervene on veterans' behalf when necessary, and will allow VA to monitor and ensure appropriate servicers' performance as they service VA loans.
Medical Care Program (Reviewed in CY 2003 and Received a Rating of "**Adequate**")	
Accelerate the collaborative activities with DoD and other Federal agencies, e.g., interoperable computerized patient health data, improved data on insurance coverage, and enrollment and eligibility information.	• VA and DoD now are able to support one and two-way exchanges of electronic health data for legacy systems. • Since January 2006, DoD has been providing "combat pay" data for OIF/OEF and other veterans. These data are being shared via a Defense Manpower Data Center (DMDC) interface. In the near future, DMDC plans to provide data for reserves via this interface.

Improvement Initiatives	FY 2007 Actions
Strategic Goal #3: Honoring, Serving, and Memorializing Veterans, *continued*	
Medical Care Program *(continued)* (Reviewed in CY 2003 and Received a Rating of "**Adequate**")	
Develop performance based budgets and clearer resource requests.	• As a Performance Improvement Initiative PMA scorecard deliverable, VA will demonstrate, using a subset of measures in three programs, the ability to estimate the cost of achieving different levels of performance. This is an important step towards aligning budget requests with performance.
Continue the enrollment policy for non-enrolled priority level 8 veterans (higher income, non-disabled)**, and implement additional programmatic and cost-sharing policies aimed at focusing resources on core veteran populations.**	• Enrollment policy continues while VA focuses resources on the core veteran population. The 2008 budget proposed a tiered enrollment fee based on income and increasing prescription co-pay ($8 to $15 for P7 & P8s). The 2008 budget also proposed to eliminate the 3rd-party offset to 1st-party debt. OIF/OEF veterans have P6 status for 2 years after discharge from active duty. • Veterans with service-connected disabilities continue to have priority when seeking medical care for a service-connected disability, as prescribed in VA policy manuals.
Insurance Program (Reviewed in CY 2005 and Received a Rating of "**Moderately Effective**")	
Develop first steps in aligning budget requests to performance.	• VA is developing methodologies for estimating the marginal costs of changing performance targets for measures in other VA programs. VA plans to expand this effort to other programs including the Insurance program.
Conduct an independent evaluation of the conversion privilege from SGLI to VGLI.	• The ability to convert from SGLI to VGLI is a very important feature of the SGLI program, especially for the disabled servicemembers leaving service who may have difficulty obtaining life insurance from the private sector because of their service-connected disabilities. • An independent evaluation, scheduled to begin in FY 2008, will help VA do the following: o Identify the proper strategic target for this measure o Assess outreach material sent to servicemembers at discharge o Assess the special outreach efforts undertaken to inform servicemembers of this benefit.
Validate the results from our customer satisfaction survey using the American Customer Satisfaction Index (ACSI).	• VA will use the ACSI to validate overall customer satisfaction and provide recommendations for improvement. Work is scheduled to begin in FY 2009.

Improvement Initiatives	FY 2007 Actions
Strategic Goal #3: Honoring, Serving, and Memorializing Veterans, *continued*	
Pension Program (Reviewed in CY 2005 and Received a Rating of "**Adequate**")	
The program will collect and use data to implement three new performance measures regarding access, income, and dignity.	• Two new performance measures (Percent of VA beneficiaries receiving financial assistance for medical expenses and Percent of pension recipients who believe that the processing of their claim reflects the courtesy, compassion, and respect due to a veteran) were added to the 2007 budget submission for the purposes of measuring income and dignity, joining the access-related measure (Percent of pension recipients who were informed of the full range of available benefits), which has been in place for a number of years. • Dignity and access are measured by responses to the customer satisfaction survey regarding processing of the claim. • In response to GAO Report 05-47 and feedback received during the Pension PART process, VA developed a Productivity Index measure. Results for this measure were included in the FY 2008 budget submission.
The program will provide initial steps in linking performance to budget.	• VA is developing methodologies for estimating the marginal costs of changing performance targets for measures in other VA programs. VA plans to expand this effort to other programs including the Pension program.
The program will use information derived from new performance measures to identify and make program improvements.	• VA will use this information to identify and make necessary program improvements.
The program will continue to develop more ambitious strategic targets.	• Ambitious strategic targets are included in VA's Strategic Plan, which was published in October 2006. • VA's Pension program is taking the following steps to achieve these ambitious targets: o Increasing staffing levels at the Pension Maintenance Centers (PMCs) to begin moving original pension claims to the PMCs. o Adding a timeliness measure to the Director's performance standards. o Continuing the emphasis on results and performance through the Veterans Benefits Administration's Office of Field Operations.

Improvement Initiatives	FY 2007 Actions
Strategic Goal #4: Contributing to the Nation's Well-Being	
Burial Program (Reviewed in CY 2002 and Received a Rating of "**Moderately Effective**")	
Continuing to strengthen methods to link performance, budget, and accountability.	• As a Performance Improvement initiative PMA scorecard deliverable, VA will demonstrate, using a subset of measures in three programs, its ability to estimate the cost of achieving different levels of performance. This is an important step towards aligning budget requests with performance.
Use performance data to increase managers' performance.	• VA established an Organizational Assessment and Improvement (OAI) program. OAI enhances program accountability through a one-NCA scorecard, provided to management at all levels, that combines cemetery self-assessments with independent validation of performance results reporting. • Through FY 2007, NCA has completed 35 site visits assessing 59 cemeteries as part of this initiative. NCA schedules 12 visits per year as part of this continuous improvement program.
Use data results from three new performance measures to drive improvements in program operations (National Shrine Commitment).	• VA collected baseline data during 2004 for the three new National Shrine Commitment measures. As a result, the gap between current performance and strategic goals has been identified. • These data are now regularly collected and reported and are helping to drive performance improvements. • A new performance measure related to the condition of national cemetery facilities is being added to the FY 2009 budget submission to further drive improvements in maintaining national cemeteries as national shrines.
Medical Research and Development Program (Reviewed in CY 2005 and Received a Rating "Moderately Effective")	
Continue to refine meaningful and useful performance measures to assist VA in management.	• VA developed performance measures and assessment tools for Biomedical and Clinical Research Centers, Research Enhancement award programs, and the Research Career Scientist program. • Performance measures and assessment tools need to be developed for the Merit Review program. This will be facilitated by the transition to an electronic project management system in about a year.
Assess the physical condition of VA medical research infrastructure to determine its adequacy to support high-quality veteran-centric research.	• A contractor has been selected to perform the site visits, and the task order is being finalized. • Seventy-five sites will be surveyed within the next 3 years representing all sites with substantial research programs.
Increase the number of research projects related to OIF/OEF veterans	• Using October 1, 2006, as a baseline, VA plans to increase the number of OIF/OEF-related research projects funded in FY 2008 by 5 percent.

Improvement Initiatives	FY 2007 Actions
Enabling Goal: Applying Sound Business Principles	
General Administration Program (Reviewed in CY 2004 and Received a Rating of "Moderately Effective")	
• Develop performance based budgets and clearer resource requests.	• As a Performance Improvement Initiative PMA scorecard deliverable, VA will demonstrate, using a subset of measures in three programs, its ability to estimate the cost of achieving different levels of performance. This is an important step towards aligning budget requests with performance.
• **Develop performance-based budgets and clearer resource requests**	• Conducted a measure validity assessment for all staff offices whereby measures not thought to be critical or robust were dropped. o Retained measures are focused on core and/or critical staff office functions. Number of measures reduced from 93 to 58. • This is an important step towards providing Congress with clearer budget requests that align more directly with critical staff office functions and related performance indices.

Performance Shortfall Analysis

Shown below (sorted by strategic goal) are brief explanations of the reasons for significant deviations between actual and planned performance for those measures where there were significant performance shortfalls. Also provided are resolution strategies being implemented to ensure goal achievement in the future.

Strategic Goal #1 Restoration and Improved Quality of Life for Disabled Veterans			
	Measure	**Target**	**Result**
	BVA Cycle Time	**105 days**	**136 days**
Causes	• By law, appeals generally are considered according to their order on the Board's docket. A docket number is assigned when the VA Form 9 (that is, the appeal) is received by the agency that made the initial VA benefits determination and is entered into BVA's computerized tracking system. Under the law, cases that have earlier docket numbers or are assigned a higher priority must be considered before cases that may have been received earlier and have been physically present at the Board for a longer period of time. The delay in reviewing these earlier received cases is what increases the Board's cycle time.		
Resolution Strategies	• BVA provided training to staff hired in 2007. Together with on-the-job experience, these employees will steadily become more productive in 2008 and beyond. To date, these measures have resulted in a reduction from 148 days in 2006 to 136 days in 2007.		
	Compensation and pension rating related actions – average days to process	**160**	**183**
Causes	• VA received a greater than expected number of claims in 2007. Through July 2007 we received 687,879 claims, almost 25,000 more than the 663,046 claims we received through July 2006. • VA concentrated on resolving older claims, which increased the fiscal-year-to-date number of days to process a claim.		
Resolution Strategies	• VA hired over 1,000 new staff in 2007, and further staff increases are expected in 2008. • VA is consolidating death pension claims processing to three Pension Maintenance Centers (PMCs) and plans to consolidate disability pension processing to the PMCs in calendar year 2008. This will increase the number of resources dedicated to disability claims processing. • By completing work on the oldest claims first, the average age of our inventory of pending claims goes down, and this will lead to improved timeliness in 2008.		

Strategic Goal #1 Restoration and Improved Quality of Life for Disabled Veterans		
Measure	**Target**	**Result**
Rating-related compensation actions – average days pending	**127**	**135**
Causes	• VA received a greater than expected number of claims in 2007. Through July 2007 we received 687,879 claims, almost 25,000 more than the 663,046 claims we received through July 2006. • VA concentrated on resolving older claims, which increased the fiscal-year-to-date number of days to process a claim.	
Resolution Strategies	• By completing work on the oldest claims first, the average age of our inventory of pending claims goes down, and this will lead to improved timeliness in 2008. • VA is leveraging resources by increasing the number of claims brokered to the Resource Centers, which are co-located with nine VA regional offices. The resource centers are teams of rating specialists who decide cases that are "ready to rate" (cases that have been developed and all evidence has been received) from all regional offices. Brokering claims to the resource centers helps to reduce the size and age of the pending inventory of rating claims at the regional offices. • Fifty-three rehired annuitants are now on board to assist the Tiger Team, co-located with the Cleveland Regional Office, as they process claims from throughout the Nation. The Tiger Team consists of experienced veterans service representatives and rating veterans service representatives who develop and rate very old claims (pending 1 year or more) and claims by elderly veterans (age 70 or older). This effort also helps to reduce the size and age of the pending inventory of rating claims at the regional offices.	
Average days to process Dependency and Indemnity Compensation (DIC) actions	**125**	**132**
Causes	• VA received a greater than expected number of claims in 2007. Through July 2007 we received 687,879 claims, almost 25,000 more than the 663,046 claims we received through July 2006. • VA concentrated on resolving older claims, which increased the fiscal-year-to-date number of days to process a claim.	
Resolution Strategies	• VA is evaluating consolidation of DIC claims processing to the PMCs.	

Strategic Goal #3 Honoring, Serving, and Memorializing Veterans		
Measure	**Target**	**Result**
The measures shown below have been grouped together because many of their activities are interrelated and deal with the processing of compensation and pension (C&P) claims. Thus, the causes and resolution strategies described are applicable to more than one measure.		
Compensation and pension rating related actions – average days to process	160	183
Non-rating pension actions – average days to process	96	104
Average number of days to process a claim for reimbursement of burial expenses	60	91
Causes	• The PMCs traditionally receive one batch of Income Verification Matches (IVM) during the last quarter of the year. In 2007, the PMCs received two batches of IVMs to process instead of one. The earlier release during the first quarter of 2007 affected cumulative processing timeliness for the year. • VA received a greater than expected number of claims in 2007. Through July 2007 we received 687,879 claims, almost 25,000 more than the 663,046 claims we received through July 2006. • VA concentrated on resolving older claims, which increased the fiscal-year-to-date number of days to process a claim.	
Resolution Strategies	• VA hired over 1,000 new staff in 2007, and further staff increases are expected in 2008. • VA is consolidating death pension claims processing to the three PMCs and plans to consolidate disability pension processing to the PMCs in calendar year 2008. This will increase the number of resources dedicated to disability claims processing. • By completing work on the oldest claims first, the average age of our inventory of pending claims goes down, and this will lead to improved timeliness in 2008.	

Strategic Goal #3 Honoring, Serving and Memorializing Veterans		
Measure	**Target**	**Result**
Annual Percent Increase of Long Term Care Average Daily Census (using 2006 as the baseline)	26.3%	6.5%*
Causes	• VA purchases some of these services from community providers. In some cases there may not be a community provider available to meet VA standards and/or willing to contract with VA to provide services.	
Resolution Strategies	• VA has established new performance targets that are based on ***projected*** demand for services rather than on past performance as was done previously. • The President's VA budget for FY 2008 includes sufficient funds to support the performance targets that have been established. • We will track VISN performance and take whatever management actions are needed to improve performance.	
Percent of applications for headstones and markers for the graves of veterans who are not buried in national cemeteries processed within 20 days	70%	38%
Causes	• NCA experienced a surge in applications from April through June 2007 which, coupled with decreased processing rates, further increased the number of applications awaiting processing. • Staffing vacancies at the end of 2006 as well as unexpected fluctuations in staffing during 2007 further contributed to problems with timely application processing.	
Resolution Strategies	• NCA is evaluating staffing levels, attrition rates, strategic use of overtime, and performance requirements in order to develop a new staffing plan. This plan will ensure that NCA has sufficient staff to respond to changing business conditions in order to ensure the timely processing of headstone and marker applications. • NCA is working with VA's Office of Information and Technology to investigate possible enhancements to the current technology for scanning and processing applications.	

*Note: Partial through 06/2007.

OIG Performance Shortfall Table		
OIG Measure	**Target**	**Result**
VA Implementation of OIG Recommendations on IT	90%	19%
Causes	• IT security is a major intractable problem impacted by organizational culture, rapid technological changes, and management issues. • In the previous 5 years, no OIG IT recommendations were implemented; diligent reviews, follow-up, and work with Congress and top VA management resulted in a 19% increase in FY 2007.	
Resolution Strategies	• Maintain aggressive reviews, continue follow-up, and work with Congress and top VA management in FY 2008.	
Office of Audit customer satisfaction rating	4.8	3.7
Causes	• Timeliness was the principal complaint in survey results.	
Resolution Strategies	• Increase customer satisfaction by delivering audit reports with realistic and achievable recommendations in a more timely manner.	

Financial Highlights

Pursuant to the 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. While the statements have been prepared from the books and records of the Department in accordance with generally accepted accounting principles for federal entities and the formats prescribed by the Office of Management and Budget, they are, in addition to the financial reports, used to monitor and control budgetary resources that are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

VA received an unqualified opinion on the Department's financial statements for 2007 and 2006 from the external auditors, 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 the actuarial liability for future years' veterans' compensation is primarily responsible for the significant variation in net cost from year to year. The actuarial liability decreased by $26.1 billion during 2007 and increased by $31.2 billion during 2006. The decrease in the actuarial liability for future years' veterans' compensation in 2007 was most heavily 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 from year to year with the exception of Fund Balance with Treasury, Public Accounts Payable, and Federal Employee and Veterans Benefits Liability. The majority of change in the Federal Employee and Veterans Benefits Liability, $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. Because October 1, 2006, was a Sunday, the monthly payments were paid in September 2006. The increase in the Public Accounts Payable is the result of this timing.

Medical care collections continue to improve. In 2007 collections totaled nearly $2.2 billion, which builds on the $2 billion collected in 2006, and is a significant increase over the 2005 total of nearly $1.9 billion. VA plans to continue to increase these collections, reaching $2.3 billion in 2008.

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 to Treasury for collection.

VA is embarking on a Financial Policy Improvement Initiative project to assist in remediating two material weaknesses: "Financial Management Oversight" and "Financial Management System Functionality." This project entails developing a complete and comprehensive manual of all Departmental financial policies and procedures. The primary objective is to ensure that financial policy and procedural information are both accurate and used consistently across the Department. This project will also ensure that VA's financial policies comply with all Statements of Federal Financial Accounting Standards, financial management laws and regulations, and OMB and Treasury financial management guidance. The project will begin in FY 2008 and is estimated to take 3 years to complete.

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 for centrally billed accounts, 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. The increase in refunds is attributed to expanded use of the card and normal increases in the cost of products purchased.

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, while the percentage of discounts earned increased because of operational improvements implemented at the FSC and VA's National Acquisition Center. Interest paid per million dollars disbursed improved more than 15 percent from $99 per million in 2006 to $84 per million in 2007, and VA earned nearly 92 percent of its available discounts.

During 2007 the FSC collected improper payments and recovered unapplied vendor statement credits totaling nearly $3.0 million. Since the program's inception in 2001, VA has recovered $21.3 million in improper payments and cancelled another $32.9 million in improper payments before making payment.

VA awarded a new recovery audit contract in December 2004 to review past payments by VA's Health Administration Center for hospital care. The contract started on July 11, 2005, with requests for information sent to providers and VA medical centers. As of August 7, 2007, the contractor had identified 5,926 receivables totaling $22,283,670. Of that amount, VA has recovered $11,792,406.

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 developed and implemented a detailed remediation action plan to address the resolution of this material weakness. VA financial management made improvements throughout the year in providing additional and clarifying financial policies and procedures to VA's fiscal community, particularly in the area of internal controls. VHA's Business Process Improvement Committee (BPIC) continued to work toward improving VHA's internal controls and reforming VHA business processes to improve financial performance.

VHA also continues to monitor and improve reports, such as the Financial Indicators Report, that monitor facility operations on a monthly basis. In 2007 a Desk Guide to address the administration and management of non-health care debt was developed and released. A national training conference to address the requirements of the Desk Guide is planned for January 2008. Additionally, Web-based training

modules in the areas of payroll, accounting, agent cashier, travel, budget, and funds control are being developed.

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

VBA is continuing its effort to centralize or consolidate finance functions, with a direct line to VBA's CFO. 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 was developed and 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 general acquisition, finance and asset management support being provided by a VA medical center or regional office. Centralization of activities began in 2007 with a limited number of sites and functions, and a full implementation plan is under development for the centralization of finance and acquisition.

Management Controls, Systems, and Compliance With Laws and Regulations

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

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

Management Assurances
Department managers continue to take responsibility for establishing and maintaining effective internal controls over financial integrity and financial reporting, including safeguarding assets and complying with applicable laws and regulations. During 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.

November 15, 2007

Statement of Qualified Assurance

The Department of Veterans Affairs' (VA) management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). VA is able to provide a qualified statement of assurance that the internal controls and financial management systems meet the objectives of FMFIA, with the exception of four material weaknesses. The details of the exceptions are provided within Part I, "Management Controls, Systems, and Compliance with Laws and Regulations," and the "Summary of Financial Statement Audit and Management Assurances" tables are shown in the beginning of Part IV, "Other Accompanying Information," in this report.

VA conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, VA identified four material weaknesses in its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2007. Other than the exceptions noted, the internal controls were operating effectively, and no other material weaknesses were found in the design or operation of internal controls.

In addition, VA conducted a limited scope assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of OMB Circular A-123, Appendix A. Based on the results of the assessment of key business processes tested during FY 2007, and other than the material weaknesses noted above, VA's internal controls over financial reporting are operating effectively and no material weaknesses were identified as of June 30, 2007.

Gordon H. Mansfield
Acting

Summary of Auditor's Internal Control Assessment

The auditors' report on internal controls reported four material weaknesses: "Financial Management System Functionality," "Information Technology (IT) Security Controls," "Financial Management Oversight," and "Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System – VBA." Under "Financial Management System Functionality," the auditors identified continuing difficulties with the legacy systems related to the reliable, timely, and consistent preparation, processing, and analysis of financial information for VA's consolidated financial statements. In the IT material weakness, the auditors noted progress in certain areas, but reported that legacy IT infrastructure and longstanding security control weaknesses due to the lack of effective implementation and enforcement of an agency-wide information security program continue to place VA's program and financial data at risk. The third material weakness, "Financial Management Oversight," identified the need for enhanced management oversight in the following areas:

- Accrued Services Payable and Undelivered Orders
- Accounts Receivable
- Property, Plant and Equipment
- Environmental and Disposal Liabilities
- Payroll Agreed-Upon Procedures Reporting
- Accrual for Unbilled Receivables and Allowance for Adjusting Entries and Contractual Adjustments
- Adjusting Entries and Reconciliation Review
- Compensation and Pension Actuarial Liability

The new material weakness, "Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System – VBA," reported the inability to provide detail computer transactions to support amounts reported in the financial statements and to reconcile subsidiary system balances to the core financial system due to failure to retain computer generated details beyond 60 to 90 days.

To address the Department's material weakness, Financial Management System Functionality, VA is continuing its efforts to develop the Financial & Logistics Integrated Technology Enterprise (FLITE) program. The program has two primary components, a logistics and asset management component, referred to as the Strategic Asset Management (SAM) project, and a financial management system component, referred to as the Integrated Financial Accounting System (IFAS). In 2007 the Department also continued enhancement of the Hyperion Financial Management reporting system to improve the preparation, processing, and analysis of financial information, adding additional reports and features, and continued implementation of a data warehouse to assist in financial reporting.

In addition, VA continues, through its Financial Reporting Data Warehouse, to analyze and improve the major interfaces to and from its core financial system, the Financial Management System (FMS). Final resolution of this weakness is a multi-year effort.

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 developed and implemented a detailed remediation action plan to address the resolution of this material weakness. VA financial management made improvements throughout the year in providing additional and clarifying financial policies and procedures to VA's fiscal community, particularly in the area of internal controls. VHA's Business Process Improvement Committee (BPIC) continued to work toward improving VHA's internal controls and reforming VHA business processes to improve financial performance.

The auditors' report on compliance with laws and regulations, also prepared as a result of the 2007 financial statement audit, determined that the Department did not substantially comply with the Federal Financial Management Improvement Act (FFMIA) requirements as it relates to "Financial Management System Functionality," Information Technology (IT) Security Controls," and "Retention of Computer Generated Detail Records in BDN System - VBA" material weaknesses. VA was also noncompliant with the Debt Collection Improvement Act and with USC Title 5, 552A, "Records Maintained on Individuals."

Progress on Material Weaknesses

VA managers continue to make progress in correcting existing material weaknesses. The 2007 Consolidated Financial Statements Audit Report disclosed four material weaknesses. Management identified four of these same weaknesses: "IT Security Controls," "Financial Management System Functionality," "Financial Management Oversight," and "Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System - VBA," as weaknesses under FMFIA. At the end of 2006, three audit-related material weaknesses[1] (Information Technology Security Controls, Lack of Integrated Financial Management System (now titled Financial Management System Functionality), and Operational Oversight (now titled Financial Management Oversight) were carried forward into 2007. These same weaknesses will also be carried forward into 2008 along with the new weakness, "Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System - VBA." (Note: Material weaknesses identified under FMFIA are the same as the audit-related material weaknesses and will be corrected using the same remediation plan.)

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

The four audit-related material weaknesses are shown in the table below, which provides the current status of the Department's material weaknesses. Additionally, the four material weaknesses identified by management in 2007 are shown in the table.

Audit Material Weaknesses or Weaknesses Identified by Management

Description	Current Status	Resolution Target Date
Information Technology Security Controls (Audit/FMFIA Section 4 weakness)– VA's assets and financial data are vulnerable to error or fraud because of weaknesses in information security management,	The Data Security—Assessment and Strengthening of Controls Program was established to correct deficiencies and eliminate vulnerabilities in the area of information security. This over-arching program is a cross-cutting effort to complete hundreds of tasks that are necessary to remediate long-standing security weaknesses. In 2007, Handbook 6500, "Information Security Program," was published and will provide the foundation for a comprehensive information security program throughout VA. Tracking and reporting of audit finding remediation activities have been increased, and 145 security assessments were performed by the newly-created Office of IT Oversight and Compliance.	2009

Description	Current Status	Resolution Target Date
access to controls and monitoring, and physical access controls.		
Financial Management System Functionality – (Audit/FMFIA Section 4 weakness)– Difficulties exist in the preparation, processing, and analysis of financial information to support the efficient and effective preparation of VA's consolidated financial statements. – Components of certain feeder systems and financial applications are not fully integrated with the core Financial Management System.	To address the Department's material weakness, Financial Management System Functionality, VA is continuing its efforts to develop the Financial & Logistics Integrated Technology Enterprise (FLITE) program. FLITE will integrate many disparate systems, standardize functional processes, and modernize the information technology environment supporting financial and logistics management within VA. The program has two primary components, a logistics and asset management component, referred to as the Strategic Asset Management (SAM) project, and a financial management system component, referred to as the Integrated Financial Accounting System (IFAS). In 2007 VA continued the prerequisite planning for the FLITE program, which included establishing and implementing the FLITE governance framework, developing the FLITE program baseline cost estimates and integrated master schedule, documenting business requirements and business processes, establishing an acquisition strategy, determining the COTS solution for the SAM component of FLITE, conducting a stakeholder analysis and communications needs assessment for the Organizational Change Management Strategy, and performing a full analysis on lessons learned from CoreFLS to monitor during the FLITE project lifecycle. In 2008 VA expects to award the SAM Integration contract and initiate the SAM pilot at the Milwaukee VAMC. The pilot will attain Initial Operating Capability of the SAM system. In addition, IFAS will follow the financial management line of business (FMLoB) guidance to compete and award the IFAS contract and take steps to initiate the IFAS pilot in FY 2009. The pilot will validate the business requirements, test any applicable interfaces, and ensure proper security and accessibility of data. The pilot will attain Initial Operating Capability of the IFAS system. Under the FLITE umbrella as an interim initiative, VA is also continuing to implement a data warehouse to capture transaction details from selected interfacing systems throughout the Department and the corresponding core Financial Management System (FMS) transactions. Under this initiative, VA is analyzing financial system interfaces to identify weaknesses and deficiencies and define corrective	2012

Description	Current Status	Resolution Target Date
	requirements. This initiative will simplify the reconciliation between the interface and FMS. It will also ensure a clear audit trail exists for financial transactions that interface with the core financial system and ensure all interfacing systems to the core financial system are A-127 compliant. In 2007, the data warehouse for two of the targeted interfaces, PAID and Loan Service and Claims (LS&C), were implemented as scheduled. To address the weakness in the preparation of VA's financial statements, in 2006 the Department successfully implemented the Hyperion Financial Management reporting system, commercial off-the-shelf (COTS) software to improve the preparation, processing, and analysis of financial information. The system was used to produce the 2007 quarterly and consolidated financial statements. This system is now completely producing VA consolidated financial statements using a standardized and repeatable process. The cumbersome legacy process to produce the statements has been retired.	
Financial Management Oversight – (Audit/FMFIA Section 2 weakness)– Internal controls and reconciliation processes were not performed consistently or completely.	In 2007 VA placed additional focus 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 developed and implemented a detailed remediation action plan to address the resolution of this material weakness. VA financial management made improvements through the year in providing additional and clarifying financial policies and procedures to VA's fiscal community, particularly in the area of internal controls. VHA's Business Process Improvement Committee (BPIC) continued to work toward improving VHA's internal controls and reforming VHA business processes to improve financial performance. Examples of the actions taken in the past year include the following: • VHA developed and issued an extensive desk guide for processing non-MCCF accounts receivable; • VBA developed an Audit Management Directive and Reconciliation Directive; • VA's Office of Finance began a comprehensive initiative to rewrite and update all VA financial policies and procedures (3-year effort). These, as well as other numerous efforts, are continuing into 2008 to resolve this material weakness.	2009

Description	Current Status	Resolution Target Date
Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System - VBA (Audit/FMFIA Section 4 weakness)– Certain computer generated transaction details from the BDN system are only retained for approximately 60 to 90 days. –- Supporting detail is not available to substantiate amounts recorded on financial statements.	Newly identified	TBD

Summary of Management's Assessment of Internal Controls
Managers assessed the programs for which they are responsible to ensure internal controls are in place over the effectiveness and efficiency of operations and compliance with laws and regulations. As a result of their assessments in this area, four material weaknesses were identified and are shown in the "Summary of Auditors' Internal Control Assessment" section.

Management Control Weaknesses
In 2007, there were no material weaknesses carried forward from 2006 by management. By the end of FY 2007, one material weakness, "Financial Management Oversight," was identified under Section 2, as a result of management's assessment during the fiscal year.

Management's assessment of internal controls over non-conformances identified two material non-conformances under Section 4, "IT Security Controls," and "Financial Management System Functionality." Based on the results of the audit, a new system-related material weakness, "Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System - VBA" was also identified in Section 4 as a material non-conformance under FMFIA.

The revised OMB Circular A-123 titled Management's Responsibility for Internal Control, Appendix A, is intended to strengthen the requirements for conducting management's assessment of internal control over financial reporting.

In 2006, VA identified 11 key business processes that impact the internal controls over financial reporting. VA plans to perform an assessment of internal controls for these key business processes over a 3-year cycle. During the second-year cycle (2007), VA selected six business processes to test: Revenue Management; Property, Plant & Equipment; Budgetary Resources; Procurement Management; Risk Management; and Benefits Management (partial). Information Technology Management was also reviewed specifically as it relates to the six key business processes.

As a result of testing these key business processes, 27 findings were identified in the "Findings and Recommendations for Internal Controls Improvements Report" issued by Grant Thornton for each of the processes. The finding regarding Capitalized equipment was identified as a new significant deficiency. This finding, as well as the finding regarding Intragovernmental Transactions, are further described in the chart below.

FY 2007 Significant Deficiencies Identified in the Findings and Recommendations for Internal Controls Improvements Report

Findings	Recommendations	**Remediation Date**
Capitalized equipment could not be located.	Develop a process to monitor Property, Plant & Equipment at the Medical Centers to ensure it is being properly accounted for and inventoried. Provide training to end-users on the current and revised policies and procedures.	FY 2008
Intragovernmental Transactions	Take the appropriate measures to implement a process to extract trading partner data from its FMS, including an improved query capability that enables meaningful analysis of its trading partner data. Also, VA needs to implement a process to sample its transactions to ensure trading partner "identifiers" are being entered into VA's FMS correctly when a transaction originates, reducing the likelihood that trading partner variances are being caused by VA.	FY 2008; Completion date deferred from FY 2007 due to expansion of scope to more robust system able to fully resolve issue and ensure all transactions are captured.

Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act (FFMIA) requires agencies to have systems that generate timely, accurate, and useful information with which to make informed decisions and to ensure accountability on an ongoing basis. The Department faces challenges in building and maintaining financial management systems that comply with FFMIA. Under FFMIA, VA is substantially compliant -- with the exception of federal financial management systems requirements. VA initiated a remediation program in 2005 to eliminate the existing material weakness--Lack of an Integrated Financial Management System (now referred to as Financial Management System Functionality). This new program is

called FLITE--the goal of which is to correct financial and logistics deficiencies throughout the Department. In 2007 VA continued the prerequisite program planning, which included establishing and implementing the FLITE governance framework, developing the FLITE program baseline cost estimates and integrated master schedule, documenting business requirements and processes, establishing an acquisition strategy, determining the COTS solution for the SAM component of FLITE, conducting a stakeholder analysis and communications needs assessment for the Organizational Change Management Strategy and performed a full analysis on lessons learned from CoreFLS to monitor during the FLITE project lifecycle. In 2008 VA expects to award the SAM Integration contract and initiate the SAM pilot at the Milwaukee VAMC. The pilot will attain Initial Operating Capability of the SAM system. In addition, IFAS (the financial component of the FLITE program) will follow the FMLoB guidance to award the IFAS contract and take steps to initiate the IFAS pilot in FY 2009. The pilot will validate the business requirements, test any applicable interfaces, and ensure proper security and accessibility of data. The pilot will attain Initial Operating Capability of the IFAS system. This effort is being led by the Chief Financial Officer (business requirements) and the Chief Information Officer (technical solution). The multi-year initiative is highly complex and impacts VA-wide financial reporting systems.

In 2007 the Department continued enhancement of the Hyperion Financial Management reporting system to improve the preparation, processing, and analysis of financial information, adding additional reports and features, and continued implementation of a data warehouse to assist in financial reporting.

In 2007 VA's Internal Controls Service within the Office of Business Oversight completed a series of reviews to examine the interfaces between VA's core FMS and its material feeder systems. Seven systems were reviewed to identify the systems' compliance with the requirements of FFMIA, as implemented by OMB Circular A-127, Financial Management Systems. VA's Personnel and Accounting Integrated Data (PAID), Veterans Health Information Systems and Technology Architecture Accounts Receivable (VistA AR), Education, Loan Guaranty, VistA, IFCAP, and VistA Fee interfaces were found to be *Substantially Compliant*. The review of the Insurance General Ledger system interface identified opportunities to enhance the functionality of the system to better address requirements for internal control and effective financial management.

In 2007 the data warehouse for two of the targeted interfaces, PAID and LS&C interfaces, has been implemented as scheduled.

Federal Information Security Management Act

The Federal Information Security Management Act (FISMA) provides the framework for securing the federal government's information technology. All agencies covered by the Paperwork Reduction Act must implement the requirements of FISMA and report annually to the Office of Management and Budget and Congress on the effectiveness of the agency's security programs. The reports must also include independent evaluations by the agency Inspector General. VA is aware of the vulnerability of its assets and financial data to error and/or fraud and is in the process of correcting the Information Technology Security Controls material weakness. VA has now implemented a cycle of continuous monitoring, testing, and remediation of vulnerabilities. Staff uses a database tool to help ensure that all vulnerabilities are addressed. In 2008 VA will certify and accredit over 600 of its systems.

In addition, VA has developed the Data Security – Assessment and Strengthening Controls Program, a plan to correct deficiencies and eliminate vulnerabilities in information security. The over-arching program is a cross-

cutting effort to complete hundreds of tasks that are necessary to remediate long-standing security weaknesses. The plan places emphasis in the four areas that make up VA's IT Security Controls material weakness: Access Controls, Segregation of Duties, Service Continuity, and Change Controls.

The establishment of VA's IT appropriation and the realignment of IT, including the information security staff, creates the centralized environment that promotes the command and control necessary to rectify longstanding problems. The Secretary has also provided the delegation of authority that makes clear the authority of the Assistant Secretary for Information and Technology (CIO) to direct the remediation of IT security deficiencies.

IG Act Amendments of 1988

The Inspector General Act requires management to complete all final actions on recommendations within 1 year of the date of the Inspector General's final report. Department-wide, 15 reports have been pending final action for over 1 year. Based on reporting requirements, the following table summarizes the number of IG reports and the dollar values associated with Questioned Costs and Funds to Be Put to Better Use.

Questioned Costs and Funds to Be Put to Better Use **Reporting Period October 1, 2006—September 30, 2007** *(dollars in millions)*				
	Questioned Costs		**Funds to Be Put to Better Use**	
	Reports	Value	Reports	Value
Balance 9/30/06	0	$0	0*	$0*
New Reports	2	$5.6	8	$114.7
Total	2	$5.6	8	$114.7
Completed	2	$5.6	8	$114.7
Balance 9/30/07	0	$0	0	$0

* Note: The numbers listed for Balance 9/30/06 under "Funds to Be Put to Better Use" were revised from last year's reported figures in accordance with IG Act reporting requirements.
Source: *Compliance with the IG Act Amendments of 1988* section reported by the Office of Inspector General, Operational Support Division.

Prompt Payment Act

VA continued to enhance its vendor payment processes throughout 2007. Interest payments VA-wide improved by $25,400 (from $858,500 to $833,100) – a 3.0 percent improvement over 2006 levels, largely attributable to the centralization of VHA payments at the VA Financial Services Center (FSC) in Austin, Texas. Further, 2007 interest paid per million dollars disbursed improved more than 15 percent from $99 per million in 2006 to $84 per million in 2007. At the same time, VA earned nearly 92 percent ($4.3 million) of its available discounts. VA also continued to gain efficiencies and improve performance through an initiative started in 2004 to centralize VHA vendor payment activities at the FSC. Through this centralization, VA strengthened its focus on identifying and preventing vendor payment errors. The FSC also enhanced audit recovery efforts over improper/duplicate vendor payments. The FSC reviews VA vendor payments daily to systematically identify, prevent, and recover improper payments made to

commercial vendors. Current payment files are matched to identify and, where possible, prevent duplicates prior to payment. Also, payments from prior fiscal years are matched to identify potential duplicate payments for further analysis, assessment, and, as appropriate, collection. The FSC also contracted with a commercial recovery audit firm to review prior fiscal year payment files in an effort to identify any additional improper/duplicate payments for recovery.

The FSC staff also reviews vendor payments to identify and collect improper payments resulting from duplicate incentive award payments, erroneous interest penalties, service charges, and sales taxes. This initiative recovered over $338,000 during 2007 for reuse by VA entities. Overall, collections of improper payments and the recovery of unapplied vendor statement credits totaled nearly $3.0 million. Improved payment oversight also enabled VA to identify and cancel nearly $10.4 million in potential improper payments prior to disbursement. Since inception of the FSC audit recovery effort in 2001, VA has recovered $21.3 million in improper payments and prevented the improper payment of another $32.9 million.

The FSC successfully implemented Optical Character Recognition (OCR) technology for the approximately one million commercial vendor payments processed annually. OCR technology improved payment processing cycle times and payment accuracy and timeliness, and enhanced customer service. In conjunction with the OCR project, the FSC successfully implemented a business rules engine that utilizes Microsoft .Net™ technology to automate invoice processing procedures. Benefits from the implementation include reduced manual processing, standardized application of operating procedures, improved productivity, and reduced errors in processing.

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 for centrally billed accounts, VA earned over $42 million in refunds, compared to $37 million during the same period in 2006. These refunds are returned to VA entities for use in veterans programs. The increase in refunds is attributed to expanded use of the card and normal increases in the cost of products purchased.

VA's Fee Basis purchase card program automates Health Care Fee Basis payments, eliminates processing of paper checks, and earns VA additional purchase card refunds. During 2007 the number of Fee Basis purchase card transactions exceeded 280,000 and were valued at $98 million in payments, earning VA almost $1.6 million in additional refunds compared to 824,000 during 2006.

VA's Prime Vendor Payment System automates payments under a nationwide prime vendor centralized purchasing contract. During 2007, 135 VA medical centers used the Prime Vendor Payment System to electronically process over 458,000 transactions worth over $3.5 billion.

VA's Travel Management Centers (TMC) serve veterans and employees who travel frequently. The billings are transmitted electronically from each TMC, and payment is sent daily through the Department of the Treasury's Electronic Certification System. During 2007 the travel management program processed over 164,000 transactions, disbursed payments of over $28 million, and earned over $339,000 in refunds.

The FSC staff continued to provide vendor payment history on the Internet. Currently, the Vendor Inquiry System (VIS) Internet application stores over 3 years of information on invoices. Once vendors complete an authentication process, they can access a secure Web site to view payment information for their company. Currently there are over 13,234 active registered vendors who made over 472,086 requests in 2007 and over 1.8 million requests since VIS's inception in April 2003. The VIS

provides FSC vendors an easy-to-use tool for immediate access to their payment information 24 hours a day. The VIS has also improved customer service efficiency of FSC staff by handling many routine inquiries and freeing staff to work the more difficult issues for customers.

Registered users of VIS have the ability to submit electronic invoices directly to the FSC. Vendors complete easy-to-use forms to create their invoices and can manage and track them. This online system provides the vendors with a list of valid purchase orders, virtually eliminating the number one error that causes payment delays. Errors identified by the system are immediately returned to the VIS user, who can instantly correct them prior to submission. This prevents payment delays and results in quicker and more accurate vendor payments. Since our initial opening of VIS, we have processed over 27,047 invoices totaling $546 million.

The FSC also continued to improve the Intranet online invoice certification process that allows invoices to be certified electronically by VA facilities and scheduled for payment. Site Administrators now have the ability to change purchase order numbers within the On Line Certification System (OLCS) application, route invoices to the appropriate officials for approval, and expedite processing for utility payments. VA's On Line Certification System (OLCS) allows the FSC to notify certifying officials via e-mail of any invoice requiring payment certification. Through the Intranet, the certifying official can view, certify, and forward the invoice to the FSC for payment processing, reducing the processing time to hours rather than days. The FSC completed the centralization of certified and matched payments throughout VA in 2006 and implemented OLCS at all facilities, bringing the number of OLCS users to more than 10,000 VA employees.

Improper Payments Information Act of 2002 (Summary of Implementation Efforts for FY 2006 and Agency Plans for FY 2007 through 2009)

Overview

VA reviewed the requirements of the Improper Payments Information Act (IPIA) of 2002 to identify those programs that are susceptible to significant erroneous payments. After completing the review, VA performed risk assessments for all programs, which account for approximately the entire VA budget. Statistical samplings were performed on all required programs to estimate improper payments.

All programs not reported had estimated improper payments of less than $10 million; thus, no report was required for these programs. Dependency and Indemnity Compensation (DIC) is one of the programs previously identified in the former Section 57 of OMB Circular A-11, Preparation and Submission of Budget Estimates, but is included in the Compensation Program. The remaining programs either had estimated improper payments exceeding $10 million and/or were programs previously identified in the former Section 57 of OMB Circular A-11. These include the Compensation, Pension, Education, Insurance, Loan Guaranty, Non-VA Care Fee, and Vocational Rehabilitation & Employment programs. Although the Insurance program was one of the programs identified in Section 57 of OMB Circular A-11, the risk assessment for the program is low. Because the Insurance program does not meet the 2.5 percent or $10 million threshold in annual erroneous payments, OMB no longer requires an annual report in the PAR. Because the Vocational Rehabilitation & Employment (VR&E) program has not met the reporting requirements for the past 2 years, VA requested relief from future annual reports for the program and was granted relief from annual reporting until 2010. Further details are provided in Part IV of this report.

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

All programs identified for review completed the risk assessment or completed statistical samplings in 2007 for 2006 data in accordance with VA's IPIA plan. VA also identified under- and over-payments by program, and provided program assessments and corresponding steps to prevent future erroneous payments in accordance with IPIA. Acceleration in identifying fugitive felons and the agreement between VA and many states allowed VA to identify errors and assisted in identifying erroneous payments.

VA met the improper payment reduction targets for Compensation, Pension, and Vocational Rehabilitation & Employment. VA did not meet the reduction target in the Education and Loan Guaranty programs. All programs met or exceeded the recovery targets used for 2007.

Plans to Accomplish
VA aims to reduce the amount of erroneous payments in all programs. Efforts are still ongoing to standardize training materials for all field stations to improve claims processing performance and to develop and automate claims processing for the Education program. The Pension program consolidates the processing of all pension maintenance workload to the Pension Maintenance Centers in order to improve the quality and timeliness of pension processing and to focus training in these areas. The Vocational Rehabilitation & Employment program established a national quality assurance team to monitor the errors annotated in the quality assurance reviews and track the corrective actions taken on identified errors. The Loan Guaranty (LGY) program will continue to conduct 100 percent post-payment reviews of all Specially Adapted Housing (SAH) grant payments. In addition, LGY has developed a statistical quality control schedule for the SAH process, which will provide additional opportunity for review of the grant process, including grant payments.

Financial Management Systems Framework

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

The Office of Business Oversight's Internal Controls Service provides the CFO with independent review and advisory services designed to add value and improve the acquisition, development, maintenance, and retirement of VA financial systems. The scope of this work is to determine whether the Department's financial systems comply with the FFMIA, as implemented by OMB Circular A-127.

The Internal Controls Service conducts reviews of financial systems and processes to determine compliance with OMB Circular A-127, conduct management-directed program activities and system management reviews of project management processes and results, and monitor corrective action to address deficiencies identified in reviews.

In 2007 Internal Controls Service conducted four OMB Circular A-127 compliance reviews as part of a coordinated effort with the Office of Financial Business Operations to develop a plan to remediate specific weaknesses associated with

integrated financial reporting capability and data quality and timeliness provided by legacy systems. Four additional A-127 reviews were completed in conjunction with the Department's OMB Circular A-123 Appendix A program. VA is addressing findings and implementing recommendations from these reviews.

VA's updated financial systems inventory provides details on all major financial and mixed systems. The major financial system initiatives funded by the Department over the last 14 years to achieve VA's strategic goals have included the following:

- The Financial Management System (FMS) was designed to replace VA's 1970's central accounting system. In the FMS initiative, completed in 1995, VA successfully met its stated objectives and implemented FMS as its single, core accounting system based on a certified COTS, Joint Financial Management Improvement Program (JFMIP)-compliant system with interfaces to all other VA payment and accounting systems. In the succeeding, post-implementation years, VA completed several studies and determined there were remaining inefficiencies in the overall financial management processes, areas of noncompliance in our mixed systems, and new mission business requirements that could not be supported economically in the current systems. Difficulties were also cited by auditors related to the preparation, processing, and analysis of financial information in the preparation of VA's consolidated financial statements. Actions taken in 2007 satisfactorily addressed this weakness.

- VA initiated a second multi-year initiative in 2005 to eliminate the existing material weakness—Lack of an Integrated Financial Management System (now referred to as Financial Management System Functionality). This new program is referred to as FLITE—the goal of which is to implement an agency-wide integrated financial management system (core and mixed feeders) and to correct financial and logistics deficiencies throughout the Department.
- VA continues to move forward in the consolidation of payroll services to the Defense Finance Accounting Service (DFAS), which is included in the President's Management Agenda for Improving Internal Efficiencies and Effectiveness.

Following the success of the first migration of Title 5 employees to DFAS in August 2006, the second migration occurred in October 2007 and included additional Title 5 employees. Extensive system changes are being made to VA's legacy system as well as DFAS' in preparation for additional migrations to accommodate the special pay provisions that apply only to Title 38 employees. Complete migration of VA's payroll services to DFAS is tentatively scheduled for February 2009.

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

Financial Management System (FMS) Accomplishments and Plans

VA continued production support and maintenance of FMS during 2007. VA will need to continue operation of FMS as the core accounting system until a suitable replacement is available.

In 2007 the Department continued enhancement of the Hyperion Financial Management reporting system to improve the preparation, processing, and analysis of financial information, adding additional reports and features, and continued implementation of a data warehouse to assist in financial reporting.

Additionally, VA continues to analyze and improve the major interfaces to and from FMS in an effort to improve integration among the

various financial and mixed systems. This effort will assist with the remediation of Financial Management System Functionality material weakness, as well as improve the overall system architecture in preparation for the next generation financial system being planned for in the FLITE effort.

FLITE Accomplishments and Plans
To address the Department's material weakness, Financial Management System Functionality, VA is continuing its efforts in developing the FLITE program. FLITE will integrate many disparate systems, standardize functional processes and modernize the information technology environment supporting financial and logistics management within VA. The program has two primary components, a logistics and asset management component referred to as the SAM project, and a financial management system component, referred to as the IFAS.

In 2007 VA continued the prerequisite planning for the FLITE program, which included establishing and implementing the FLITE governance framework, developing the FLITE program baseline cost estimates and integrated master schedule, documenting business requirements and business processes, establishing an acquisition strategy, determining the COTS solution for the SAM component of FLITE, conducting a stakeholder analysis and communications needs assessment for the Organizational Change Management Strategy, and performed a full analysis on lessons learned from CoreFLS to monitor during the FLITE project lifecycle. In 2008 VA expects to award the SAM Integration contract and initiate the SAM pilot at the Milwaukee VAMC. The pilot will attain Initial Operating Capability of the SAM system. In addition, the IFAS (financial component of the FLITE program) will follow the FMLoB guidance to compete and award the IFAS contract and take steps to initiate the IFAS pilot in FY 2009. The pilot will validate the business requirements, test any applicable interfaces, and ensure proper security and accessibility of data. The pilot will attain Initial Operating Capability of the IFAS system.

Under the FLITE umbrella as an interim initiative, VA is also continuing to implement a data warehouse to capture transaction details from selected interfacing systems throughout the Department and the corresponding core FMS transactions. Under this initiative, VA is analyzing financial system interfaces to identify weaknesses and deficiencies and define corrective requirements. This initiative will simplify the reconciliation between the interface and FMS. It will ensure a clear audit trail exists for financial transactions that interface with the core financial system and ensure all interfacing systems to the core financial system are A-127 compliant.

In 2007 the data warehouse for two of the targeted interfaces, PAID and Loan Service and Claims (LS&C), was implemented as scheduled.

PAID Accomplishments and Plans
VA continued production support and maintenance of PAID during 2007 in support of Federal-wide programs such as Health Savings Allotments, and changing child support payments from paper to electronic payments. System changes were also completed to implement legislative changes that affected Title 38 employees such as Nurses Special Pay and changes in how lump sum payments for separating employees are computed.

VA will continue production support and maintenance of PAID during the Department's migration to the new payroll provider, DFAS, and the eHR Line of Business providers and systems. As a result of continued operations, accreditation and the authority to operate the PAID system must be maintained. Efforts are currently underway to complete the activities needed to maintain this status.

e-Payroll Accomplishments and Plans
VA continues to make system changes needed to support VA's migration to DFAS. System

changes were tested internally and externally by completing payroll cycles in both VA and DFAS and comparing results. The first group of VA employees was successfully migrated to DFAS in 2006. The second group, which included additional Title 5 employees, migrated in October 2007. Planning for the migration of the remaining 230,000 VA employees is underway. VA and DFAS are continuing to complete additional system changes to support the migration initiative. The remaining VA payroll facilities will begin migration in 2008 with the last migration occurring tentatively in February 2009.

In 2008 work will continue on completing the planning, analysis, and development of system changes required for the National Institutes of Health's (NIH) time and attendance system which interfaces with DFAS. The NIH system will be implemented in VA, using a phased approach.

E-Gov Travel Accomplishments and Plans
The FSC, VA's E-Government Travel Service (ETS) Project Office, is leading VA's implementation of ETS as well as supporting VA's legacy travel systems. In the first quarter of 2007, VA travelers comprising 45 percent of VA's temporary duty travel volume migrated to ETS using the FedTraveler Web-based application. This migration allowed VA to close down the Zegato legacy travel system. During the third quarter of 2007, VA conducted a pilot with the first group of non-Zegato travel system users. The pilot began the rollout of 21 "Go Live" events that will end with VA fully migrated to the FedTraveler application by December 2007. As the implementation of FedTraveler.com continues with weekly station deployments, the FSC has focused on training, communication, and support as the key strategy for a successful implementation. One of the key performance measurements the General Services Administration (GSA) monitors is the online adoption rate, which measures the percentage of travel plans with air reservations made using the online booking engine. VA's online adoption rate through the fourth quarter of 2007 averaged 81 percent, above VA's 75 percent goal, and leads all of the Electronic Data System's government deployments.

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

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

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

rather than the mainframe translator, which ensures license compliancy and reduces processing costs for USDA.

The FSC will continue to support VA's efforts to increase cost savings and program efficiencies through the expansion of electronic data transfers in VA applications. The FSC will also continue to support VHA's efforts to comply with EC/EDI mandates identified in the Health Insurance Portability and Accountability Act (HIPAA) of 1996 and improve VHA's revenue cycle. The FSC continues to use the latest versions of software to electronically ensure the validity of data with regard to HIPAA electronic transaction requirements.

In our efforts to provide VHA with e-Claims reports, the FSC has created a portal for management reports. This portal allows managers to access up-to-date statistics of their data. The portal will be updated to include new reports as requested.

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

Tasks	Target Dates
Migrate customers to server-based translation software.	2008-2009
Support MCCR lockbox receipt of payments.	2008-2012
Support (by providing both development and production support services) VHA's revenue cycle and HIPAA compliance efforts.	2008-2012
Support EDI production projects on a continuing basis.	2008-2012
Support reports portal.	2008-2012

On Line Certification System (OLCS) (payment certification). The FSC's OLCS application, an *e-GOV 2000 Trailblazer* award winner, allows certifying officials to view and certify invoices electronically. Vendors send invoices directly to the FSC where they are scanned into the FSC's document management optical imaging system and electronically stored with the information required to process the invoice. Field stations can elect to certify all invoices via OLCS or allow automatic payment for those invoices under $2,500 with appropriate post-payment audits. For invoices to be certified online, the OLCS system sends an e-mail notification to certifying officials with information on how to access and certify the pending invoice(s) online. Over 10,000 employees currently use the OLCS within VA.

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

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

Document Management System (DMS). The FSC uses a document imaging system, referred to as DMS, to provide a paperless work environment, reduce physical storage needs, and process high volumes of documents. Documents

are stored on electronic media, with backups stored offsite, and can be retrieved in seconds.

Initially, DMS was used to process commercial payments and inquiries. Subsequently, the FSC's use of DMS has been expanded to include other functions such as vendorizing requests, federal accounts, preparation of the Standard Form-224 report, storing grant and schedule documents for other government agency customers, storing payroll folder data for VA employees who receive local payroll services from the FSC's OLCS, and the storage of fee basis medical claims.

Planned DMS Expansion and Support

Tasks	Target Dates
Provide program support for DMS.	FY 2008-FY 2012

Performance Summaries

by Strategic Objective

The following sections of the report describe VA's accomplishments associated with each of the strategic objectives identified in the Department's strategic plan. This information complements and provides additional detail beyond the summaries of performance associated with each strategic goal (refer to the Performance Overview and Performance Results by Strategic Goal sections on pages 23-54).

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

Part 1

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

STRATEGIC OBJECTIVE 4.3
Academic Partnerships

Enhance the quality of care to veterans and provide high-quality educational experiences for health profession trainees, created internally in VA and via partnerships with the academic community.

Making a Difference for the Veteran

Graduate Medical Education (GME) Enhancement Initiative

Expanding the number of VA Physician Resident Positions to Meet the Needs of VA and the Nation

Based upon the recommendations of a Federally-chartered advisory committee, VA began an expansion of physician resident positions from 8.5% of the US total in 2005-06 to a target of 10-11% by 2011. The overall goals of this ambitious initiative are as follows:

- Expand physician resident positions in specialties of greatest need to veterans
- Address uneven geographic distribution of residents and improve veterans' access to care
- Foster innovative models of resident education
- Propel VA to a greater leadership role in national GME
- Begin to address physician workforce shortages for VA and the nation

This far-reaching plan will add approximately 2,000 positions over a 5-year period. Positions will be awarded competitively. The application process takes into account the quality of existing educational programs and infrastructure, the needs of new sites of VA care (e.g., community-based outpatient clinics and new or rapidly-growing facilities in under-served areas), the ability of a site to offer innovative

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

Part 2

Significant Trends, Impacts, and Use of FY 2007 Results

Key Measure

Average Days To Process Compensation And Pension Rating-Related Actions

Performance Trends

Impact on the Veteran

The average length of time it takes to process claims for compensation and pension rating-related actions has increased by 6 days from 177 days in 2006 to 183 days through July 2007. Therefore, on average it now takes about 6 months for claimants to receive their benefits.

How VA Uses the Results Data

Claims processing timelines is very important to the veteran. In this context, the this measure's results represent one of the most important determinants in how VA manages the compensation and pension programs and what types of performance improvement strategies are implemented. For example, if performance declines in certain field offices, management takes corrective actions such as providing additional training and realigning workload or staffing.

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

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

- **Impact statements** describing how the 2007 performance result impacted the veteran
- **Data Use** statements describing how VA management uses the results data to make improvements in operations.

Part 3

Concurrence Attachment 3

Part II – Performance Summaries by Strategic Objective

Additional Performance Information Related to Strategic Objective 2.2

OIG Major Management Challenges and GAO High-Risk Areas

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

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Education program during CY 2003, which resulted in a rating of "Results Not Demonstrated." Please see OMB PART reviews on page XX for more information.

Program Evaluations

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

New Policies, Procedures, or Process Improvements

VA implemented several major policies and procedures that enhanced the ability of veterans and servicemembers to achieve educational and career goals in 2007, including the following:

32 issued February 2007. [VBA: These need more explanation; what is the purpose? Why are they important? Why will not understand.]

Other Important Results

In 2007 Education Service recommendations from Processing Offices (RPO) recommendations pri information technolo modifications that i process claims mor

Data Quality

The first phase o (TEES) was co launching of the Management Sys the approval repo training programs, tests, and national e corporate environme existing approval sys Approval File, which job training programs, Certification Approval S the approvals for nationa consolidation of these leg the manual process for nat into a single repository allo Representatives to process approval information more efficiently. The public has no access to WEAMS on-line to

Additional Information

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

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

In 2007 there were 11 measures for which performance results were significantly below expectations and, as a consequence, had a significant impact on program performance. For each of these measures, we provide explanations of why the shortfall occurred and descriptions of resolution strategies being employed to improve performance. Please see the Performance Shortfall Analysis tables beginning on page 86 for this information. In the measures tables beginning on page 221, these results are color-coded in red.

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

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

Strategic Goal One

Restoration and Improved Quality of Life for Disabled Veterans

STRATEGIC OBJECTIVE 1.1

Specialized Health Care Services

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

Making a Difference for the Veteran

VA's Suicide Hotline Begins Operations

The VA's National Suicide Prevention toll-free hotline 1-800-273-TALK (8255) is manned round-the-clock to ensure veterans with emotional crises have access to trained mental health professionals.

The Department of Veterans Affairs (VA) has begun operation of a national suicide prevention hotline to provide veterans with emotional crises with round the clock access to trained professionals.

"Veterans need to know these VA professionals are literally a phone call away," said former Secretary of Veterans Affairs Jim Nicholson. "All servicemembers who experience the stresses of combat can have wounds on their minds as well as their bodies. Veterans should see mental health services as another benefit they have earned, which the men and women of VA are honored to provide."

The hotline number is 1-800-273-TALK (8255). VA's hotline is staffed by mental health professionals in Canandaigua, New York. They take calls from across the country and work closely with local VA mental health providers to help callers. To operate the national hotline, VA is partnering with the Substance Abuse and Mental Health Services Administration of the Department of Health and Human Services (HHS).

"The hotline will put veterans in touch – any time of the day or night, any day of the week, from anywhere in the country – with trained, caring professionals who can help," added Nicholson. "This is another example of the VA's commitment to provide world-class health care for our Nation's veterans, especially combat veterans newly returned from Iraq and Afghanistan."

The suicide hotline is among several enhancements to mental health care that former Secretary Nicholson announced this year. In mid July, the Department's top mental health professionals convened in the Washington, DC, area to review the services provided to veterans of the Global War on Terror.

VA is the largest provider of mental health care in the Nation. This year, the Department will spend about $3 billion for mental health. More than 9,000 mental health professionals, backed up by primary care physicians and other health professionals in every VA medical center and outpatient clinic, provide mental health care to about 1 million veterans each year.

Significant Trends, Impacts, and Use of FY 2007 Results

Supporting Measure

PERCENT OF SPECIALLY ADAPTED HOUSING (SAH) GRANT RECIPIENTS WHO INDICATED THAT GRANT-FUNDED HOUSING ADAPTATIONS INCREASED THEIR INDEPENDENCE

Performance Trends

	2006	2007	ST
Results	Avail 11/2007	TBD	N/A
Targets	N/A	98.0%	99.0%

(1) Actual 2007 results data will not be available until 10/2008.
(2) ST= Strategic Target

Impact on the Veteran

Specially Adapted Housing grants are provided to severely disabled veterans to build a new or adapt an existing dwelling to meet their adaptive housing needs.

How VA Uses the Results Data

VA intends to monitor this program measure and use data to gauge program performance and, where appropriate, make modifications to program policy.

Additional Performance Information Related to Strategic Objective 1.1

OIG Major Management Challenges

- Quality of Health Care (see page 254 for more details)
- Electronic Medical Records (see page 257 for more details)
- New and Significantly-Increased Health Problems Associated with OIF/OEF (see page 260 for more details)

GAO High-Risk Areas

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

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Medical Care program during CY 2003, which resulted in a rating of "Adequate." Please see OMB PART reviews on page 81 for more information.

Program Evaluations

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

This study, unprecedented in its scope, will evaluate patient-centered outcomes measured across the continuum of care--from diagnosis through treatment, chronic disease management, and rehabilitation. The study was started in 2006 and will be completed in 2010. Particular attention is being paid to patient outcomes to determine if the services we provide are making a difference in our patients' lives. Service-connected veterans having these mental health conditions are a particular emphasis, especially in terms of determining why they may or may not choose to use VA for their health care.

The major deliverable this year will be the results of an extensive survey of all VA facilities that will define the level of current services and the extent of the use of evidence-based care, and allow VA to track the use of its mental health enhancement funds by repeating the survey later in the study. This will provide detailed information on services currently provided, workload, cost, staffing, types of care, referral patterns, use of primary care, and mental health specialists. All of this information will facilitate the implementation of the Mental Health Strategic Plan, identify gaps in services, and guide further use of enhancement funds to improve patient care.

A second major deliverable is the identification of performance indicators to evaluate mental health care and patient outcomes, along with accompanying documentation of the justification for and strength of the indicators. These may also be adopted by VA in its ongoing efforts to measure and improve the quality of care provided. This level of detail and specificity has never before been developed in VA.

New Policies, Procedures, or Process Improvements

- VA mandated that all OIF/OEF veterans who come to VA for care be screened for TBI. Screening policy and procedures have been defined in a VA directive. Veterans with positive screens are offered follow-up evaluations by providers with training and expertise in TBI. In addition, an algorithm for the management of positive symptoms has been developed by VA experts and disseminated nationally.
- In 2007 VA experienced an increase in the number of inquiries into the SAH grant program. Legislation passed in June of 2006 changed the one-time only usage of SAH grant benefits to a total of three times, not to exceed the maximum amounts established. As a result of the legislated changes, VA released revised computer-based training for SAH staff in 2007.
- VA also released an updated SAH manual, which provides more detailed instructions for VA staff on the processing of SAH grants.

Other Important Results

- In February 2006, VA opened a Polytrauma Call Center operated 24 hours per day, 7 days per week, to answer clinical, administrative, and benefit inquiries from severely injured patients and their families. From March through August 2007, the Call Center made 3,511 outreach phone calls, contacting 917 seriously injured OIF/OEF veterans. Through the outreach phone calls, VA has been able to provide these veterans additional assistance with outstanding health or benefits concerns.
- More than 100 measures focused on **specialized health care** are now analyzed by health care program officials quarterly, with focus on such areas as access, prevention/health promotion, cardiovascular disease, mental health, and most recently, measures related to health care for OIF/OEF servicemembers and veterans.
- New measures have been designed to assess the **quality** of patient care in a variety of settings, including inpatient, outpatient, emergency, and mental health. Quality is further evaluated in special populations such as women, mentally ill, spinal cord injury, and OIF/OEF.
- As of August 2007, VA processed 576 SAH grants for severely disabled veterans to build a new or adapt an existing dwelling to meet their adaptive housing needs.

Data Quality

VA's data quality improvement efforts, including its work on data verification and validation, are described in the Assessment of Data Quality on page 192.

STRATEGIC OBJECTIVE 1.2

Decisions on Disability Compensation Claims

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

Making a Difference for the Veteran

Helping a Homeless Veteran in a Time of Need

Three days before Thanksgiving 2006, Ms. Tresa Jackson, one of the Women Veterans Coordinators at the St. Paul Regional Office, was contacted by a staff member at the Minneapolis VA Medical Center (VAMC) regarding a homeless woman veteran. The veteran was living in her car and needed help.

Tresa Jackson, one of the Women Veterans Coordinators at the St. Paul Regional Office, is to be commended for the excellent customer service she exhibited in assisting a homeless woman veteran with receiving VA benefits.

Ms. Jackson immediately went to the VAMC and met with the veteran. She assisted the veteran in filing a claim for service-connected compensation for a mental health condition and for nonservice-connected pension benefits. That same day, Ms. Jackson contacted the Minnesota Assistance Council for Veterans and was able to obtain a referral for housing while the veteran waited to be placed in the inpatient treatment program at the VAMC.

Ms. Jackson printed the veteran's clinical records and delivered the claim to a rating specialist at the regional office. The veteran was granted nonservice-connected pension benefits and received her first pension benefit payment on December 29, 2006. Ms. Jackson was just getting started. While the veteran was completing treatment, Ms. Jackson gathered the evidence necessary to grant 100 percent service-connected compensation. A retroactive benefit check was issued on April 4, 2007.

The veteran began receiving monthly benefit payments at the 100 percent rate on May 1, 2007. The veteran has since completed treatment, found suitable housing near her family, and has continued to receive care at the Minneapolis VAMC.

Significant Trends, Impacts, and Use of FY 2007 Results

Key Measure

AVERAGE DAYS TO PROCESS COMPENSATION AND PENSION RATING-RELATED ACTIONS

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	182	166	167	177	183	N/A
Targets	165	145	145	185	160	125

ST = Strategic Target

Impact on the Veteran

The average length of time it takes to process claims for compensation and pension rating-related actions has increased by 6 days from 177 days in 2006 to 183 days in 2007. Therefore, on average it takes about 6 months for claimants to receive their benefits.

How VA Uses the Results Data

VA uses the results data to manage the compensation and pension programs and to implement performance improvement strategies. For example, as performance is monitored during the year, if performance declines are manifested in certain field offices, management takes corrective actions such as providing additional training and realigning workload or staffing levels.

To improve the average days to process, VA is adding more resources. VA hired over 1,000 new staff in 2007, and further staff increases are expected in 2008. In addition, death pension claims and disability pension claims will be consolidated to the three Pension Maintenance Centers (PMCs)—this increases the number of resources dedicated to disability claims processing.

Key Measure

AVERAGE DAYS PENDING FOR RATING-RELATED COMPENSATION ACTIONS

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	114	120	122	130	135	N/A
Targets	N/A	N/A	119	150	127	100

ST = Strategic Target

Impact on the Veteran

On average, compensation claims that require a rating decision are pending 5 more days in 2007 than in 2006. An increase in the average age of the pending claims inventory indicates veterans are waiting longer for decisions on their claims.

How VA Uses the Results Data

VA uses the results data to manage the compensation and pension programs and to implement performance improvement strategies. For example, as performance is monitored during the year, if performance declines are manifested in certain field offices, management takes corrective actions such as providing additional training and realigning workload or staffing levels.

To improve the average days to process, VA is adding more resources. VA hired over 1,000 new staff in 2007, and further staff increases are expected in 2008. In addition, death pension claims and disability pension claims will be consolidated to the three PMCs—this increases the number of resources dedicated to disability claims processing.

Key Measure

NATIONAL ACCURACY RATE FOR COMPENSATION CORE RATING WORK

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	86%	87%	84%	88%	88%	N/A
Targets	N/A	N/A	88%	87%	89%	98%

(1) Actual 2007 results data through 07/2007. Final data are expected in 01/2008.
(2) ST = Strategic Target

Impact on the Veteran

The veteran is entitled to an accurate decision on his or her compensation claim. Despite increased workload, VA has continued to maintain the accuracy of rating decisions on compensation claims, thereby ensuring that VA provides the correct level of benefit to the veteran.

How VA Uses the Results Data

VA uses technical accuracy reviews to identify areas where specialized training is needed on either a local or national level. Over the last several years, VA has placed great emphasis on helping employees manage increasingly complex compensation claims by taking the following actions:

- Expanded the Systematic Technical Accuracy Review (STAR) staff to increase review sampling; expand rating data analyses; and increase the focus on disability decision consistency reviews.
- Conducted satellite broadcasts on an as-needed basis to address special issues and areas of inconsistency and misunderstanding.
- Provided guidance through training letters on the development and evaluation of specific disabilities.

Additional Performance Information Related to Strategic Objective 1.2

OIG Major Management Challenges

- Pending Claims and Estimated Receipts (see page 264 for more details)
- Appeals (see page 266 for more details)
- Accuracy and Variance (see page 267 for more details)

GAO High-Risk Areas

- Modernizing Federal Disability Programs (see page 289 for more details)

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Compensation program during CY 2002, which resulted in a rating of "Results Not Demonstrated." Please see OMB PART reviews on page 78 for more information.

Program Evaluations

In July 2007 the President's Commission on Care for America's Returning Wounded Warriors, led by Robert Dole and Donna Shalala, provided recommendations to improve and modernize the VA disability compensation program.

In October 2007, VA, in conjunction with the Department of Defense, submitted a legislative proposal to Congress to implement the recommendations of the President's Commission.

The Veterans' Disability Benefits Commission began work in May 2005 and recently concluded its work. The purpose of the Commission was to carry out a study of the benefits under the laws of the United States that are provided to compensate and assist veterans and their survivors for disabilities and deaths attributable to military service, and to produce a report on the study. The Commission issued its findings and recommendations in October. VA will study the Commission's recommendations and begin taking appropriate actions in 2008.

New Policies, Procedures, or Process Improvements

- VA is developing the Expedited Claims Adjudication to offer an expedited process to represented claimants who desire to shorten the time required to process their claims through a knowing waiver. The regulations required to affect this program have been drafted and are now under Departmental review.
- VA deployed the VETSNET Operations Report, a new workload management reports system, nationwide in May 2007. This system provides reports that are faster and more user-friendly than prior reports systems. This results in better, more timely management information available for senior leaders to take necessary corrective action.
- The Veterans Service Center Managers Workshop held in May emphasized improving claims processing timeliness and methods to help newly hired veterans service representatives become more productive.

Other Important Results

The Board of Veterans' Appeals (BVA) introduced a number of employee incentives and training programs to increase productivity while maintaining high decisional quality. BVA trains Veterans Law Judges and staff counsel to write clear, correct, coherent, and concise decisions and employs a quality review process that translates "lessons learned" into directed training sessions. BVA has a full-time training coordinator who oversees training sessions on specific legal issues, writing skills, and other matters.

"Grand Rounds" and other training keep the legal staff current with continuing changes in the law. The ultimate benefit to our Nation's veterans is improved decisional quality, reduced remands, and quicker resolution of appeals.

Data Verification and Measure Validation

Verification and validation information for the three key measures that support this objective is provided in the Key Measures Data Table on page 204.

STRATEGIC OBJECTIVE 1.3

Suitable Employment and Special Support

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

Making a Difference for the Veteran

VA Teams Up with the Federal Aviation Administration to Provide Veterans with New Training Opportunities

"A Hero to the Nation – A Hero in the Skies" – with that theme in mind, officials from the Federal Aviation Administration (FAA) and Veterans Benefits Administration unveiled FAA's Veterans Employment Program on Capitol Hill in April 2007. A product of a memorandum of understanding signed by the two agencies in November 2006, the new program establishes a framework for providing transition for veterans with disabilities into the civilian workforce through on-the-job training programs administered by the FAA. Through this partnership, disabled veterans will be able to take advantage of VA vocational rehabilitation benefits while training for select positions in the FAA such as air traffic control specialist and airway transportation systems specialist.

A memo of understanding was signed by Admiral Daniel Cooper, VA Under Secretary for Benefits, and Marion Blakey, FAA Administrator, that established a program to provide a smooth transition for veterans with disabilities into the civilian workforce through an on-the-job training program administered by FAA.

The FAA Office of Human Resource Management, in collaboration with the Academy and Air Traffic Organization, has developed a training plan for veterans entering this program. The training, approved by VA, will allow disabled veterans who apply and are approved by VA to use their vocational rehabilitation benefits to attend classes at the FAA Academy. The Academy offers a wide array of training assistance and offers the best aviation training available. Veterans will complete the same training requirements as current FAA employees. Veterans must apply through VA's Vocational Rehabilitation and Employment (VR&E) Service. The VR&E Web site, www.vetsuccess.gov, has detailed information on the program.

Significant Trends, Impacts, and Use of FY 2007 Results

Key Measure

VOCATIONAL REHABILITATION AND EMPLOYMENT (VR&E) REHABILITATION RATE

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	59%	62%	63%	73%	73%	N/A
Targets	65%	67%	66%	69%	73%	80%

ST = Strategic Target

Impact on the Veteran

A "rehabilitated" veteran is one who enters the rehabilitation program and successfully completes the program plan with the objective to obtain employment or gain independence in daily living.

How VA Uses the Results Data

The key indicator of the effectiveness of the VR&E program is the rehabilitation rate. In this context, the measure is used to assess individual performance for all vocational rehabilitation counselors, counseling psychologists, VR&E officers, and regional office directors.

For detailed information on how this measure is calculated, please see the Definitions section in Part IV.

Additional Performance Information Related to Strategic Objective 1.3

OIG Major Management Challenges and GAO High-Risk Areas

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

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Vocational Rehabilitation and Employment program during CY 2006, which resulted in a rating of "Adequate." Please see OMB PART reviews on page 79 for more information.

Program Evaluations

The Secretary's Task Force Report of 2004 on the Vocational Rehabilitation and Employment program made over 100 recommendations. Over 88 recommendations have been completed or implemented. One of the major recommendations for the program was to implement the Five-Track Employment Model, which was completed during 2006. In 2007 VA completed a training needs assessment to use in identifying the requirements for the VR&E program. Using this tool, VA began work on the Electronic Performance Support System for the Vocational Rehabilitation Counselor position. The Electronic Performance Support System will be used in the regional office VR&E divisions as a reference tool for current staff and a standardized training tool for newly hired staff; the tool will help staff provide consistent services to veterans.

Other Important Results

VR&E Service conducted several training sessions on topics such as the following:

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

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

Data Verification and Measure Validation

Verification and validation information for the key measure that supports this objective is provided in the Key Measures Data Table on page 206.

STRATEGIC OBJECTIVE 1.4

Improved Standard of Living for Eligible Survivors

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

Making a Difference for the Veteran

VA's Life Insurance Programs for Service-Disabled Veterans Provide Eligible Survivors With an Improved Standard of Living

The purchase of life insurance is an important aspect of providing financial security to one's survivors. VA's life insurance programs are particularly important for service-disabled veterans and their families because these veterans may not be able to purchase life insurance from the commercial insurance industry due to lost or impaired insurability resulting from military service. VA provides two life insurance programs that are specifically designed for service-disabled veterans.

This veteran is a policyholder of Veterans' Mortgage Life Insurance and Service Disabled Veterans Insurance. These programs provide over $2 billion in life insurance protection to the many families of service-disabled veterans.

Service Disabled Veterans Insurance (S-DVI) is open to veterans separated from service on or after April 25, 1951, who receive a service-connected disability rating. Eligible veterans can purchase up to $10,000 of life insurance at standard (healthy) rates. S-DVI policyholders who are totally disabled before age 65 can have their premiums waived and can purchase up to an additional $20,000 in coverage. Veterans' Mortgage Life Insurance (VMLI) provides up to $90,000 of mortgage protection life insurance at standard premium rates to service-disabled veterans who have received a grant for specially adapted housing. S-DVI and VMLI programs provide over $2 billion in life insurance protection to the families of service-disabled veterans.

Veterans' Group Life Insurance (VGLI) is another VA life insurance option for veterans who leave military service with service-connected disabilities. All members who carry Servicemembers' Group Life Insurance (SGLI) while in service are guaranteed the right to convert from SGLI to VGLI upon separation, without proof of good health. Although not limited to disabled veterans, the conversion privilege is an especially important feature for veterans who may not be able to purchase life insurance as a result of their service-connected conditions. VGLI is lifetime-renewable term insurance available up to a maximum of $400,000. In addition, if a servicemember is totally disabled at the time of separation from active duty, he or she may have their SGLI coverage extended free of charge for 2 years.

Significant Trends, Impacts, and Use of FY 2007 Results

Key Measure

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

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	153	125	124	136	132	N/A
Targets	N/A	126	120	120	125	90

ST = Strategic Target

Impact on the Veteran

Although VA missed the 2007 target by 7 days, the length of time it takes to process a DIC claim has decreased from an average of 136 days in 2006 to 132 days in 2007. Thus, compared with 2006, survivors and dependents waited on average 4 fewer days to receive their benefits.

How VA Uses the Results Data

Based on recent years' performance results, VA has taken the following steps:

- Employed annuitants to help with complex cases.
- Undertaken an evaluation to determine whether DIC claims processing should be consolidated at VA's Pension Maintenance Centers.

Additional Performance Information Related to Strategic Objective 1.4

OIG Major Management Challenges

- Pending Claims and Estimated Receipts (see page 264 for more details)
- Appeals (see page 266 for more details)
- Accuracy and Variance (see page 267 for more details)

GAO High-Risk Areas

- Modernizing Federal Disability Programs (see page 289 for more details)

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Compensation program during CY 2002, which resulted in a rating of "Results Not Demonstrated." Please see OMB PART reviews on page 78 for more information.

Program Evaluations

The Veterans' Disability Benefits Commission began work in May 2005 and recently concluded its work. The purpose of the Commission was to carry out a study of the benefits under the laws of the United States that are provided to compensate and assist veterans and their survivors for disabilities and deaths attributable to military service, and to produce a report on the study. The Commission issued its findings and recommendations in October. VA will study the Commission's recommendations and begin taking appropriate actions in 2008.

New Policies, Procedures, or Process Improvements

- VA is using rehired annuitants to provide training and mentorship and to assist the Tiger Team in Cleveland as they process claims from across the country. We expect this to increase the number of completed rating-related claims.
- VA is evaluating the consolidation of dependency and indemnity compensation

(DIC) claims processing to VA's Pension Maintenance Centers to determine if this would improve efficiency in processing claims.

Data Verification and Measure Validation

Verification and validation information for the key measure that supports this objective is provided in the Key Measures Data Table on page 206.

Strategic Goal Two

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

STRATEGIC OBJECTIVE 2.1

Reentry into Civilian Life

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

Making a Difference for the Veteran

New Ft. Bragg Facility Provides Needed Bridge for Easing Transition to Civilian Life

Ron Aument, VA Deputy Under Secretary for Benefits (center); Colonel David G. Fox, Garrison Commander Fort Bragg (left); and Monty Montgomery, Director, Winston-Salem Regional Office (right) at the grand opening of the Benefits Delivery Office.

To provide easier access for soldiers at Ft. Bragg to benefits offered by VA--especially programs for transitioning service-members--VA and Ft. Bragg opened a newly expanded Benefits Delivery Office in August.

"VA is absolutely committed to ensure that military members have a seamless transition from active duty to VA's benefits and health care systems," said Ronald Aument, VA's Deputy Under Secretary for Benefits. "This new office helps us fulfill that commitment."

VA operates 140 offices on military installations as part of its Benefits Delivery at Discharge program. Among the services offered by the VA facility at Ft. Bragg are the following:

- Benefits counselors will coordinate with the Warrior Transition Battalion at Womack Medical Center and the VA Medical Center in Fayetteville to ensure that the most severely injured soldiers continue to receive the highest level of care as they leave active duty.
- Staff at the VA office can explain to separating servicemembers the full range of health care, disability, home loan, vocational, and educational benefits offered by VA.
- For those within 6 months of separation, VA can help file a claim for benefits and provide a medical examination to record any disabilities. For those eligible for rehabilitation assistance, VA counselors can meet with the separating servicemembers to plan a program of education and training that will help them return to productive employment after discharge.

"We are thrilled to have this new location where we can meet with soldiers and airmen before their discharge, and provide them information and assistance on VA benefits," said John Montgomery, Director of VA's Winston-Salem Regional Office. "Prior to this, we had to send soldiers to Fayetteville for medical exams and to Spring Lake for vocational rehabilitation counseling. This new office allows us to provide true one-stop service to these deserving men and women."

Significant Trends, Impacts, and Use of FY 2007 Results

Supporting Measure

PERCENT OF SEVERELY-INJURED OR ILL OEF/OIF SERVICEMEMBERS/VETERANS WHO ARE CONTACTED BY THEIR ASSIGNED VA CASE MANAGER WITHIN 7 CALENDAR DAYS OF NOTIFICATION OF TRANSFER TO THE VA SYSTEM AS AN INPATIENT OR OUTPATIENT

Performance Trends

	2006	2007	ST (2)
Results	Baseline	90%	N/A
Targets	Baseline	90%	95%

(1) Actual 2007 results data through 08/2007. Final data are expected in 11/2007.
(2) ST = Strategic Target

Impact on the Veteran

This measure is designed to monitor how quickly VA case managers contact severely wounded OIF/OEF veterans and their families. Case managers play an important role in helping these individuals make a smooth and efficient transition into VA health facilities. In this context, the case managers help these veterans and their families understand VA's system of health care and financial benefits.

How VA Uses the Results Data

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

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

Supporting Measure

OUT OF ALL ORIGINAL CLAIMS FILED WITHIN THE FIRST YEAR OF RELEASE FROM ACTIVE DUTY, THE PERCENTAGE FILED AT A BDD SITE PRIOR TO A SERVICEMEMBER'S DISCHARGE

Performance Trends

	2005	2006	2007	ST
Results	55%	46%	TBD	N/A
Targets	N/A	53%	48%	65%

(1) Actual 2007 results data TBD. Final data are expected in 11/2007.
(2) 2006 Result has been recalculated.
(3) ST = Strategic Target

Impact on the Veteran

The BDD program helps servicemembers who have only 60 to 180 days remaining before separation and/or retirement to file for VA service-connected disability compensation. For those granted VA disability benefits, the program provides a seamless transition from the DoD health care system into the VA medical and benefits system. Through July 2007, VA received more than 33,800 original compensation claims through the BDD program.

How VA Uses the Results Data

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

Additional Performance Information Related to Strategic Objective 2.1

OIG Major Management Challenges and GAO High-Risk Areas

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

Program Assessment Rating Tool (PART) Evaluation

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

Program Evaluations

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

New Policies, Procedures, or Process Improvements

In September 2007, VA introduced the BDD program to Navy personnel. The program began in San Diego, California.

VA also expanded transition assistance to servicemembers through the Pre-Discharge Claims Process. This process is for servicemembers within 180 days of discharge and includes National Guard, Reservist, and those undergoing medical evaluation and physical evaluation boards.

Because of the BDD program's unique process, it is being used to evaluate the feasibility of using Virtual VA (VVA) to electronically process claims. Service medical records are scanned into the VVA system, and the claim is processed in a completely virtual environment. To date, there have been over 2,300 BDD claims processed through Virtual VA.

Other Important Results

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 transition from military hospitals to VA medical facilities in their communities.

In October 2003, VA began placing social work liaisons and VBA benefits counselors at 10 major Military Treatment Facilities (MTFs) to assist injured and ill servicemembers transition from the military to veteran status. Through August 31, 2007, VHA staff has coordinated 8,150 transfers of OIF/OEF servicemembers and veterans from an MTF to a VA medical facility.

Since its inception in November 2005 through July 31, 2007, more than 113,000 Reserve and Guard members have completed the Post Deployment Health Reassessment (PDHRA) on-site screen, resulting in over 26,345 referrals to VA medical centers and 13,213 to Vet Centers.

Data Quality

VA's data quality improvement efforts, including its work on data verification and validation, are described in the Assessment of Data Quality on page 192.

STRATEGIC OBJECTIVE 2.2

Decisions on Education Claims

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

Making a Difference for the Veteran

VA's GI Bill Opens Doors of Educational Opportunity For Veterans

Since 1944, GI Bill educational benefits have opened the doors of opportunity for nearly 22 million veterans. Matt Stiner, a veteran of Operation Iraqi Freedom and a senior at Oklahoma State University, is one of the latest additions to that 63-year-old success story.

Matt Stiner is a perfect example of how VA's education programs continue to work for our newest generation of combat veterans. Since the creation of the GI Bill, 21.9 million veterans and active-duty personnel have received more than $80 billion in benefits for education or training.

A native of Tulsa, Oklahoma, majoring in political science, Stiner was among only 75 college juniors to receive a prestigious $30,000 Truman Scholarship. The Harry S. Truman Scholarship Foundation honors students who are entering public service.

"VA is proud to see a veteran using the GI Bill receive such a prestigious honor," said former Secretary of Veterans Affairs Jim Nicholson. "Stiner is a perfect example of how VA's education programs continue to work for our newest generation of combat veterans."

"The GI Bill was part of the reason I joined the military," said Stiner. "It has enabled me to attend college and really focus on my studies. I received information about the GI Bill during my first day at boot camp and always knew I would benefit from it."

After graduating, Stiner, who began using the Montgomery GI Bill in July 2004, plans to pursue a master's degree in public administration from the University of Georgia.

In 2000, Stiner enlisted in the U.S. Marine Corps and served 4 years as an assistant chief of a 155 mm howitzer section, as a Marine combat instructor of water survival, and as a Green Belt martial arts instructor. Stiner spent 7 months in Iraq.

"This country was founded on the principles that led to the GI Bill and I hope other veterans will get out and use it," said Stiner. "If you are passionate about something, it will certainly help you accomplish your dreams -- not only in a college setting but through vocational training and other opportunities. If I can do it, anybody can."

The GI Bill's educational benefits trace their roots back to June 22, 1944, when President Franklin D. Roosevelt signed into law the GI Bill of Rights, which gave veterans financial assistance with advanced educational or vocational training. The current version of that landmark legislation, the Montgomery GI Bill, was enacted in 1985.

Since the creation of the GI Bill, 21.9 million veterans and active-duty personnel have received more than $80 billion in benefits for education or training.

Significant Trends, Impacts, and Use of FY 2007 Results

Key Measure
AVERAGE DAYS TO COMPLETE ORIGINAL EDUCATION CLAIMS

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	23	26	33	40	32.4	N/A
Targets	29	24	25	27	35	10

ST = Strategic Target

Impact on the Veteran

The timeliness of completing original education claims improved from 40 days in 2006 to 32.4 days in 2007. Thus, compared with 2006, veterans waited on average 7.6 fewer days to receive their initial award notification and payment. Making timely payments to veterans for educational claims is critical to helping them meet their educational goals.

How VA Uses the Results Data

VA management uses performance results information to pinpoint areas of performance weakness and then takes appropriate corrective actions. Such actions include hiring additional employees to process claims and authorizing additional funding at the processing offices to enable employees to work overtime.

The improvement in performance during 2007 was primarily due to the formation of the National Call Center (NCC). The NCC enabled Regional Processing Office (RPO) employees to process more original claims and reduce the backlog of pending claims. Employees at the NCC answered education program inquiries from servicemembers, reservists, veterans, and dependents.

Key Measure
AVERAGE DAYS TO COMPLETE SUPPLEMENTAL EDUCATION CLAIMS

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	12	13	19	20	13.2	N/A
Targets	15	12	13	13	15	7

Impact on the Veteran

The timeliness of completing supplemental education claims improved from 20 days in 2006 to 13.2 days in 2007. Thus, compared with 2006, veterans waited on average 6.8 fewer days to receive their award notification and payment. Making timely payments to veterans for educational claims is critical to helping them meet their educational goals.

How VA Uses the Results Data

VA management uses performance results information to pinpoint areas of performance weakness and then takes appropriate corrective actions. As stated above, the formation of the National Call Center in 2007 enabled RPO employees to process more original claims and reduce the backlog of pending claims.

Supporting Measure

PAYMENT ACCURACY RATE (EDUCATION)

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	94%	94%	96%	94%	95%	N/A
Targets	95%	94%	95%	95%	96%	97%

(1) 2006 result is corrected.
(2) ST = Strategic Target

Impact on the Veteran

VA missed the 2007 target by 1 percentage point. However, the accuracy rate increased from 94 percent in 2006 to 95 percent in 2007. Making accurate payments to veterans for educational claims is critical to helping them meet their educational goals and for assuring that VA is providing the appropriate level of tuition assistance.

How VA Uses the Results Data

VA management uses performance results information to pinpoint areas of performance weakness and then takes appropriate corrective actions. As stated above, the formation of the National Call Center enabled RPO employees to process more original claims and reduce the backlog of pending claims.

Additional Performance Information Related to Strategic Objective 2.2

OIG Major Management Challenges and GAO High-Risk Areas

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

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Education program during CY 2003, which resulted in a rating of "Results Not Demonstrated." Please see OMB PART reviews on page 80 for more information.

Program Evaluations

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

New Policies, Procedures, or Process Improvements

VA implemented several major policies and procedures that enhanced the ability of veterans and servicemembers to achieve educational and career goals in 2007, including the following three:

- Instructions to process claims for benefits under the National Call to Service program.
- Procedures to institute payments of Licensing and Certification claims under the MGIB-SR (Chapter 1606) program.
- Instructions regarding the new Dependents Educational Assistance (DEA) (Chapter 35) eligibility category based on hospitalization in Service. Eligibility under DEA has been extended to include dependents of service persons who have a service-connected permanent and total disability and are likely to be discharged or released from service for their service-connected disability.

Other Important Results

In 2007 Education Service implemented 23 recommendations from its 2006 RPO workshop. The recommendations primarily dealt with information technology and systems-related modifications that improved VA's ability to process claims more efficiently.

Data Quality

The first phase of The Education Expert System (TEES) was completed in March 2007 with the launching of the Web Enabled Approval Management System (WEAMS). WEAMS is the approval repository for educational and job training programs; licensing and certification tests; and national exams maintained in the VA corporate environment. WEAMS merged two existing approval systems – the On-Line Approval File, which contained educational and job training programs, and the Licensing and Certification Approval System, which contains the approvals for national exams. The consolidation of these legacy applications and the manual process for national exam approvals into a single repository allows Education Liaison Representatives to process and maintain approval information more efficiently. The public began accessing WEAMS on-line to ascertain which programs are approved for VA training. Education Service will continue to expand Internet-based options for obtaining information about benefits and contacting VA.

Data Verification and Measure Validation

Verification and validation information for the two key measures that support this objective is provided in the Key Measures Data Table on page 206.

Strategic Goal Three

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

STRATEGIC OBJECTIVE 3.1

Delivering Health Care

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

Making a Difference for the Veteran

VA 's MOVE Program Helps Veterans Manage Weight

By the start of Healthy Weight Week in January, more than 41,000 veterans were participating in a weight management program designed by the Department of Veterans Affairs (VA) to reduce the high rates of illness among VA's patients caused by obesity.

"There is a growing epidemic of obesity and diabetes in the Nation, especially among veterans," said former Secretary of Veterans Affairs Jim Nicholson. "Seventy percent of the veterans VA cares for are overweight and one in five has diabetes, both of which increase the risk of many diseases."

The MOVE! Program - "Managing Overweight Veterans Everywhere" - not only encourages veterans enrolled in VA care to get in shape but also offers information through an Internet link to family members and anyone trying to lose weight.

John Elway, Football Hall of Fame quarterback for the Denver Broncos, visited Connie Tally, Eligibility and Enrollment Trainer for VA's Health Administration Center, after attending a kick-off luncheon for the Healthier U.S. Veterans program in Denver. Elway is VA's spokesman for the program.

VA started MOVE! to encourage veterans to increase their physical activity and improve their nutrition. Through individual and group counseling, physicians, nurses, dieticians, and recreational therapists help enrollees change their eating behavior and increase their exercise.

Primary care teams at all VA medical centers stay in touch with participants to track their progress. Increasing numbers of VA community-based clinics are also enrolling veterans. Among activities the teams promote are competing in fitness challenges, joining community exercise programs that partner with VA medical facilities, and leading families and friends into movement and nutrition routines.

Anyone can log onto www.move.va.gov, where a questionnaire helps identify personal barriers to weight control. The questions link to about 100 informational materials on the site. People not enrolled in VA health care can take the information about themselves to their personal health care providers.

Hall of Fame quarterback John Elway is promoting the VA campaign. He began appearing in television public service announcements (PSAs) nationwide in early January. In the PSAs, Elway is seen at the playing field of the Denver Broncos, encouraging veterans to become more active and improve their nutrition habits.

Significant Trends, Impacts, and Use of FY 2007 Results

Key Measure
CLINICAL PRACTICE GUIDELINES INDEX II

Performance Trends

	2006	2007	ST
Results	83%	83%	N/A
Targets	77%	84%	87%

(1) Actual 2007 results data through 05/2007. Final data are expected in 11/2007.
(2) ST = Strategic Target

Impact on the Veteran

This measure targets promotion of early identification and treatment of potentially disabling and/or deadly diseases such as acute cardiac diseases, hypertension, diabetes, major depressive disorder, and schizophrenia, as well as tobacco use cessation. VA uses this measure to assess the quality of health care being delivered to its patients in accordance with industry standards.

How VA Uses the Results Data

Early identification and intervention of acute and potentially disabling chronic diseases enable VA to target education, disease management, and care access to prevent and/or limit the effects of potentially disabling diseases and improve the quality of life for the veteran.

Key Measure
PREVENTION INDEX III

Performance Trends

	2006	2007	ST
Results	88%	87%	N/A
Targets	88%	88%	88%

(1) Actual 2007 results data through 05/2007. Final data are expected in 11/2007.
(2) ST = Strategic Target

Impact on the Veteran

This measure targets promotion of healthy lifestyle changes such as immunizations, smoking cessation, and early screening for chronically disabling diseases. A high score means that more VA-treated veterans are taking the necessary steps to develop or maintain healthy lifestyles.

How VA Uses the Results Data

Early identification and intervention for risky behaviors and disease risk enable VA to target education, immunization programs, and clinic access to prevent and/or limit potential disabilities resulting from these activities and/or diseases. VA targets all outpatients for its prevention measures. VA targets the inpatient population for education on disease-specific care such as discharge instructions for the congestive heart failure patient and the need for immunizations for patients with pneumonia.

Key Measure

PERCENT OF PRIMARY CARE APPOINTMENTS SCHEDULED WITHIN 30 DAYS OF DESIRED DATE

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	93%	94%	96%	96%	97.2%	N/A
Targets	87%	93%	94%	96%	96%	96%

(1) Actual 2007 results data through 08/2007. Final data are expected in 11/2007.
(2) ST = Strategic Target

Impact on the Veteran

Delivery of primary care is critical to preventative health care and timely disease identification and management as well as being the source of entry for specialty care. Timely access to primary health care services is critical to providing high-quality care to veterans.

How VA Uses the Results Data

VA uses the results of this measure to inform and drive quality improvement activities that promote shorter waiting times by improving efficiencies, addressing missed opportunities, and providing management with information to make resource decisions.

VA also uses the results to examine variability among medical centers and clinics. If a facility is performing poorly, VA takes action to improve the performance.

Key Measure

PERCENT OF SPECIALTY CARE APPOINTMENTS SCHEDULED WITHIN 30 DAYS OF DESIRED DATE

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	89%	93%	93%	94%	95%	N/A
Targets	80%	90%	93%	93%	95%	95%

(1) Actual 2007 results data through 08/2007. Final data are expected in 11/2007.
(2) ST = Strategic Target

Impact on the Veteran

Specialty care appointments are the vehicle by which VA treats veterans with diseases and disabilities requiring specialized medical, rehabilitation, surgical, or other unique resources. Timely access to VA medical staff and facilities is therefore critical to those veterans in need of specialty care.

How VA Uses the Results Data

VA uses the results of this measure to inform and drive quality improvement activities that promote shorter waiting times by improving efficiencies, addressing missed opportunities, and providing management with information to make resource decisions.

VA also uses the results to examine variability among medical centers and clinics. If a facility is performing poorly, VA takes action to improve performance.

Key Measure

PERCENT OF PATIENTS RATING VA INPATIENT SERVICE AS "VERY GOOD" OR "EXCELLENT"

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	74%	74%	77%	78%	77%	N/A
Targets	70%	70%	74%	74%	78%	80%

(1) Actual 2007 results data through 05/2007. Final data are expected in 11/2007.
(2) ST = Strategic Target

Impact on the Veteran

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

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

How VA Uses the Results Data

VA leadership targets improvement efforts on areas and/or facilities where scores are less than "very good." Facilities that achieve high scores serve as models and mentors for lower-scoring facilities.

Key Measure

PERCENT OF PATIENTS RATING VA OUTPATIENT SERVICE AS "VERY GOOD" OR "EXCELLENT"

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	73%	72%	77%	78%	77%	N/A
Targets	71%	72%	73%	73%	78%	80%

(1) Actual 2007 results data through 05/2007. Final data are expected in 11/2007.
(2) ST = Strategic Target

Impact on the Veteran

Veterans are entitled to health care that includes emotional support, education, shared decision-making, safe environments, family involvement, respect, and management of pain and discomfort. The veteran's level of overall satisfaction is impacted by the extent to which his or her needs are met. Satisfaction is a key indicator of how well VA rises to these expectations. This measure addresses how well these expectations are met in the *outpatient* setting.

How VA Uses the Results Data

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

Key Measure

ANNUAL PERCENT INCREASE OF NON-INSTITUTIONAL LONG-TERM CARE AVERAGE DAILY CENSUS USING 2006 AS THE BASELINE

Performance Trends

	2006	2007	ST
Results	Baseline	6.5%	N/A
Targets	Baseline	26.3%	9.5%

(1) Actual 2007 results data through 06/2007. Final data are expected in 11/2007.
(2) 2006 Baseline = 43,325
(3) ST = Strategic Target

Impact on the Veteran

Increasing the number of veterans receiving Home and Community-Based Care (HCBC) services provides veterans with an opportunity to improve the quality of their lives. HCBC promotes independent physical, mental, and social functioning of veterans in the least restrictive settings.

How VA Uses the Results Data

VA uses the data to project the need for services, evaluate existing services, and promote access to required services. In addition, the data are used to establish VISN targets and evaluate VISN performance in meeting assigned workload levels in the HCBC area.

Additional Performance Information Related to Strategic Objective 3.1

OIG Major Management Challenges

- Quality of Health Care (see page 254 for more details)
- Electronic Medical Records (see page 257 for more details)
- New and Significantly-Increased Health Problems associated with OIF/OEF (see page 260 for more details)

GAO High-Risk Areas

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

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Medical Care program during CY 2003, which resulted in a rating of "Adequate."

Please see OMB PART reviews on page 81 for more information.

Program Evaluations

A program evaluation of VA's oncology program is being conducted by Abt Associates in conjunction with Harvard Medical School. It was begun in 2005 and will be completed in 2009.

Given the complexity and unique nature of the different types of cancer, the scope of the study is limited to a subset of six oncologies which represent either the highest prevalence or special populations: lung, colorectal, prostate, myeloma, non-Hodgkins lymphoma, and breast cancer. **These six cancers account for about 73 percent of the 42,000 newly-diagnosed cancer cases in VA each year.** The evaluation examines the quality of care for veteran patients and their clinical outcomes, as well as questions on access, availability and utilization of services, pain and end-of-life management, the use of

pharmaceuticals and clinical trials, cancer care capabilities within each medical center, and cost. Deliverables for FY 2007 include performance indicators for quality care for each of the cancers. The indicators are developed and vetted by cancer experts. We have received the measures of performance for colon, prostate, and lung cancers, and expect to receive them for breast and hematologic cancers, symptom management, and end-of-life care later this year.

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

New Policies, Procedures, or Process Improvements

VA has mandated that all OIF/OEF veterans who come to VA for care are screened for TBI. Screening policy and procedures have been defined in a directive. Veterans with positive screens are offered follow-up evaluations by providers with training and expertise in TBI. In addition, an algorithm for the management of positive symptoms has been developed by VA experts and disseminated nationally.

VA produced and published Web site checklists for human research protections and research privacy; these are available for use by the VA research community in meeting requirements for regulatory and policy compliance. VA also developed a checklist for research information security to help ensure compliance with VA regulations and policies.

Other Important Results

More than 100 measures are now analyzed by medical care program experts on a quarterly basis with focus on such areas as access, prevention/health promotion, cardiovascular disease, mental health, and, most recently, measures related to health care for OIF/OEF servicemembers and veterans.

Measures have been designed to assess the quality of patient care in a variety of settings including inpatient, outpatient, emergency, and mental health. Quality is further evaluated in special populations such as women, mentally ill, spinal cord injury, and OIF/OEF.

Data Verification and Measure Validation

Verification and validation information for the key measures that support this objective is provided in the Key Measures Data Table on pages 208-213.

STRATEGIC OBJECTIVE 3.2

Decisions on Pension Claims

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

Making a Difference for the Veteran

Aid and Attendance: A Special Monthly Pension Benefit for Veterans and Surviving Spouses

The Aid and Attendance pension benefit is available to wartime veterans and surviving spouses who have in-home care or live in nursing homes or assisted-living facilities.

The Department of Veterans Affairs (VA) is reaching out to inform wartime veterans and surviving spouses of deceased wartime veterans about an under-used, special monthly pension benefit called Aid and Attendance.

"Veterans have earned this benefit by their service to our Nation," said former Secretary of Veterans Affairs Jim Nicholson. "We want to ensure that every veteran or surviving spouse who qualifies has the chance to apply."

Although this is not a new program, not everyone is aware of his or her potential eligibility. The Aid and Attendance pension benefit may be available to wartime veterans and surviving spouses who have in-home care or who live in nursing homes or assisted-living facilities.

Many elderly veterans and surviving spouses whose incomes are above the congressionally mandated legal limit for a VA pension may still be eligible for the special monthly Aid and Attendance benefit if they have large medical expenses, including nursing home expenses, for which they do not receive reimbursement.

To qualify, claimants must be incapable of self support and in need of regular personal assistance. The basic criteria for the Aid and Attendance benefit include the inability to feed oneself, to dress and undress without assistance, or to take care of one's own bodily needs. People who are bedridden or need help to adjust special prosthetic or orthopedic devices may also be eligible, as well as those who have a physical or mental injury or illness that requires regular assistance to protect them from hazards or dangers in their daily environment.

The Aid and Attendance income threshold for a veteran without dependents is now $18,234 annually. The threshold increases to $21,615 if a veteran has one dependent, and by $1,866 for each additional dependent. The annual Aid and Attendance threshold for a surviving spouse alone is $11,715. This threshold increases to $13,976 if there is one dependent child, and by $1,866 for each additional child.

Significant Trends, Impacts, and Use of FY 2007 Results

Key Measure

AVERAGE DAYS TO PROCESS COMPENSATION AND PENSION RATING-RELATED ACTIONS

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	182	166	167	177	183	N/A
Targets	165	145	145	185	160	125

ST = Strategic Target

Impact on the Veteran

The average length of time it takes to process claims for compensation or pension has increased by 6 days from 177 days in 2006 to 183 days in 2007. Therefore, on average it takes about 6 months for claimants to receive their benefits.

How VA uses the Results Data

VA uses the results data to manage the compensation and pension programs and to implement performance improvement strategies. For example, as performance is monitored during the year, if performance declines are manifested in certain field offices, management takes corrective actions such as providing additional training and realigning workload or staffing levels.

To improve the average days to process, VA is adding more resources. VA hired over 1,000 new staff in 2007, and further staff increases are expected in 2008. In addition, death pension claims and disability pension claims will be consolidated to the three PMCs—this increases the number of resources dedicated to disability claims processing.

Key Measure

AVERAGE DAYS TO PROCESS NON-RATING PENSION ACTIONS

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	67	58	68	92	104	N/A
Targets	N/A	N/A	73	66	96	60

ST = Strategic Target

Impact on the Veteran

The average length of time it takes to process non-rating pension actions has increased by 12 days from 92 days in 2006 to 104 days in 2007. Therefore, on average, it takes over 3 months for claimants to receive a decision on their claim.

How VA Uses the Results Data

VA uses the results data to manage the compensation and pension programs and to implement performance improvement strategies. For example, as performance is monitored during the year, if performance declines are manifested in certain field offices, management takes corrective actions such as providing additional training and realigning workload or staffing levels.

In addition, VA is consolidating death pension claims and disability pension claims to the three PMCs in FY 2008. This specialization will result in greater efficiency and improved timeliness.

Key Measure

NATIONAL ACCURACY RATE FOR PENSION AUTHORIZATION WORK

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	81%	84%	86%	88%	91%	N/A
Targets	N/A	N/A	84%	88%	89%	98%

(1) Actual 2007 results data through 07/2007. Final data are expected in 01/2008.
(2) ST = Strategic Target

Impact on the Veteran

The veteran is entitled to an accurate decision on his or her pension claim. Despite increased workload, VA has continued to improve the accuracy of non-rating pension work, thereby ensuring that those veterans most in need of financial resources receive the maximum benefit payable.

How VA Uses the Results Data

VA uses technical accuracy reviews to identify areas where specialized training is needed on either a local or national level. Over the last several years, VA has placed great emphasis on helping employees manage increasingly complex compensation claims by taking the following actions:

- Expanded the STAR staff to increase review sampling; expand rating data analyses; and increase the focus on disability decision consistency reviews.
- Conducted satellite broadcasts on an as-needed basis to address special issues and areas of inconsistency and misunderstanding.
- Provided guidance through training letters on the development and evaluation of specific disabilities.

Additional Performance Information Related to Strategic Objective 3.2

OIG Major Management Challenges

- Pending Claims and Estimated Receipts (see page 264 for more details)
- Appeals (see page 266 for more details)
- Accuracy and Variance (see page 267 for more details)

GAO High-Risk Areas

- Modernizing Federal Disability Programs (see page 289 for more details)

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Pension program during CY 2005, which resulted in a rating of "Adequate." Please see OMB PART reviews on page 83 for more information.

Program Evaluations

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

New Policies, Procedures, or Process Improvements

VA's PMCs traditionally receive one batch of Income Verification Matches during the last quarter of the year. In 2007 the PMCs received data for 2 tax years (2004 and 2005), which negatively impacted the cumulative timeliness of claims processing.

VA implemented the following actions to strengthen efficiencies at the three PMCs:

- Each PMC has quality review coordinators responsible for quality improvement oversight.
- In September 2006, VA released a refresher training curriculum to ensure standardized processing of pension claims.
- VA developed eight new job aids to reduce errors associated with the infrequent processing of specialized awards. These job aids were implemented in September 2006.
- VA developed an electronic application that stores and sorts Compensation and Pension system messages associated with pension maintenance activities by categories such as frequency, claim number, and terminal digit to assist with timelier processing of the messages. This application was released to the PMCs in June 2007.

Data Verification and Measure Validation

Verification and validation information for the three key measures that support this objective is provided in the Key Measures Data Table on pages 212-215.

STRATEGIC OBJECTIVE 3.3

Providing Insurance Service

Maintain a high level of service to insurance policyholders and their beneficiaries to enhance the financial security of veterans' families.

Making a Difference for the Veteran

VA Provides Life Insurance for Veterans

Policyholders may view their dividend options on the VA Insurance Web site.

More than a million veterans are in line to share $369 million in annual insurance dividends during 2007, according to the Department of Veterans Affairs (VA). Dividends are paid each year to veterans holding certain government life insurance policies and who served between 1917 and 1956.

"These dividends are tangible evidence of VA's continuing commitment to safeguard the interests of America's veterans," said former Secretary of Veterans Affairs Jim Nicholson.

VA operates one of the Nation's largest life insurance programs, providing more than $1.3 trillion in coverage to 7.2 million veterans, servicemembers, spouses, and children.

The dividend payments will be sent to an estimated 1.2 million holders of VA insurance policies on the anniversary date of their policies. Sent automatically through different payment plans, the amounts will vary based on the age of the veteran, the type of insurance, and the length of time the policy has been in force.

Veterans who have questions about their policies should contact the VA insurance toll-free number at 1-800-669-8477 or send an e-mail to VAinsurance@va.gov. They may also visit the Internet at www.insurance.va.gov.

Significant Trends, Impacts, and Use of FY 2007 Results

Key Measure

AVERAGE NUMBER OF DAYS TO PROCESS TSGLI DISBURSEMENTS

Performance Trends

	2006	2007	ST
Results	3.8	3.0	N/A
Targets	N/A	5	5

ST = Strategic Target

Impact on the Veteran

The purpose of the TSGLI program is to provide rapid financial assistance to traumatically injured servicemembers so that their families can be with them during the often extensive recovery and rehabilitation process. For example, families use this financial assistance to make up for lost earnings, continue making home loan payments, and provide child care.

This program is important because a number of studies have shown that the presence or close proximity of family members aids the rehabilitation process.

How VA Uses the Results Data

VA monitors TSGLI receipts to ensure that claims are processed in a timely manner. When VA experiences an increase in TSGLI claims, staffing adjustments are made to ensure timely processing.

Supporting Measure

HIGH VETERANS' SATISFACTION RATINGS ON SERVICES DELIVERED

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	95%	96%	96%	96%	96%	n/a
Targets	95%	95%	95%	95%	95%	95%

ST = Strategic Target

Impact on the Veteran

VA's insurance program maintains high levels of customer satisfaction by providing quality service and implementing and administering insurance programs that meet the needs and lifestyles of veterans and their beneficiaries. Results over the past several years indicate that veterans' insurance needs are being met.

How VA Uses the Results Data

VA analyzes the results of the monthly surveys for 11 services and addresses any problems identified. In particular, one question in VA's insurance program customer satisfaction survey asks, "What could we do better?" VA takes action on these comments.

For example, previous comments from survey respondents indicated that policyholders found some forms and letters confusing. As a result, VA prioritized the application of Reader-Focused Writing principles to those items to make them easier to understand. VA also follows up on surveys where the respondent indicates a need for further assistance.

Additional Performance Information Related to Strategic Objective 3.3

OIG Major Management Challenges and GAO High-Risk Areas

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

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Insurance program during CY 2005, which resulted in a rating of "Moderately Effective." Please see OMB PART reviews on page 82 for more information.

Program Evaluations

A program evaluation of the Insurance program was completed by ORC Macro; Economic Systems, Incorporated; the Hay Group; and Systems Flow, Incorporated in May 2001. The evaluation concluded the program was effective in meeting its Congressional intent. However, there were several recommendations for improvement, many of which have been implemented.

The evaluation recommended that VA work with DoD to more fully publicize the conversion features of Servicemembers' Group Life Insurance (SGLI) to Veterans' Group Life Insurance (VGLI) in order to increase participation in VGLI. In 2007 VA enhanced outreach efforts to recently separated servicemembers who received a military disability rating of 50 percent or higher. The purpose of the outreach is to inform these

veterans that they may be eligible for a free 2-year extension of the SGLI coverage they held while in service, as well as to offer them the opportunity to convert their SGLI coverage to VGLI without having to meet good health requirements.

New Policies, Procedures, or Process Improvements

Policyholders who have been rated Individually Unemployable by VA are eligible for waiver of premiums on Service-Disabled Veterans Insurance (S-DVI) policies. In 2007 VA identified over 3,000 policyholders who were paying premiums but who were potentially eligible for waiver. VA invited these policyholders to apply for waiver of premiums via personalized mailings.

Data Quality

VA's data quality improvement efforts, including its work on data verification and validation, are described in the Assessment of Data Quality on page 192.

Data Verification and Measure Validation

Verification and validation information for the key measure that supports this objective is provided in the Key Measures Data Table on page 214.

STRATEGIC OBJECTIVE 3.4

Meeting Burial Needs

Ensure that the burial needs of veterans and eligible family members are met.

Making a Difference for the Veteran

Increasing Access to Burial Options

VA's 124th national cemetery, Sacramento Valley VA National Cemetery, was dedicated on April 22, 2007. In his remarks to nearly 2,000 veterans, family members and local citizens gathered in Dixon, California, Under Secretary for Memorial Affairs William Tuerk said, "For VA, the opportunity to provide resting places for veterans and to maintain memorials to their service is a sacred trust. VA continues to honor a veteran's service even after death by establishing national shrines like the one rising in the Sacramento Valley area."

Sacramento Valley VA National Cemetery Director Dean Moline, Rep. Ellen Tausher, VA Under Secretary for Memorial Affairs William Tuerk, and California Department of Veterans Affairs Secretary Tom Johnson (from left to right) participate in unveiling the dedication plaque.

Among those paying respects after the ceremony was the Hayman family. VA bought the land for the Sacramento Valley VA National Cemetery from Alvin Hayman, owner of the then 561-acre farm known as Hayman Ranch. A proud Marine and World War II veteran, Hayman passed away 5 days after the land deal closed. He was the first burial at the cemetery.

The Sacramento Valley VA National Cemetery is located in Solano County, approximately 27 miles southwest of Sacramento between Dixon and Vacaville. Nearly 346,000 veterans and their families live within the local service area of the new national cemetery. Burials began in October 2006. More than 1,400 burials have taken place since then. Although the cemetery is open for burials, construction will continue until July 2009.

VA's 125th national cemetery, South Florida VA National Cemetery, opened on April 16, 2007. The 313-acre cemetery, located in Palm Beach County approximately 19 miles northwest of Boca Raton, will provide a burial option to more than 400,000 veterans and their families within the cemetery's local service area.

VA is in the midst of the largest national cemetery expansion since the Civil War and operates 125 national cemeteries in 39 states and Puerto Rico and 33 soldiers' lots and monument sites. More than 3 million Americans, including veterans of every war and conflict, are buried in VA's national cemeteries.

Significant Trends, Impacts, and Use of FY 2007 Results

Key Measure

PERCENT OF VETERANS SERVED BY A BURIAL OPTION WITHIN A REASONABLE DISTANCE (75 MILES) OF THEIR RESIDENCE

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	75.2%	75.3%	77.1%	80.2%	83.4%	N/A
Targets	74.4%	75.3%	78.3%	81.6%	83.8%	90.0%

ST = Strategic Target

Impact on the Veteran

By the end of 2007, more than 19 million veterans and their families had reasonable access to a burial option. One of VA's primary objectives is to ensure that the burial needs of veterans and eligible family members are met. Having reasonable access is integral to realizing this objective.

How VA Uses the Results Data

VA analyzes census data to determine areas of the country that have the greatest unmet need for service by a burial option. This information is used in planning for new national cemeteries and for gravesite expansion projects to extend the service lives of existing national cemeteries, as well as in prioritizing funding requests for state veterans cemetery grants.

Key Measure

PERCENT OF RESPONDENTS WHO RATE THE QUALITY OF SERVICE PROVIDED BY THE NATIONAL CEMETERIES AS EXCELLENT

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	94%	94%	94%	94%	94%	N/A
Targets	95%	95%	95%	96%	97%	100%

ST = Strategic Target

Impact on the Veteran

Performance targets for cemetery service goals are set high consistent with expectations of the families of individuals who are interred as well as other visitors. High quality, courteous, and responsive service to veterans and their families is reflected in VA's 2007 satisfaction rating of 94 percent.

How VA Uses the Results Data

VA's annual Survey of Satisfaction with National Cemeteries is the source of data for this key measure. The survey collects data from family members and funeral directors who have recently received services from a national cemetery. These data are shared with NCA managers at the Central Office, Memorial Service Network, and national cemetery levels who use the data to improve the quality of service provided at national cemeteries.

Additional Performance Information Related to Strategic Objective 3.4

OIG Major Management Challenges and GAO High-Risk Areas

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

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Burial program during CY 2002, which resulted in a rating of "Moderately Effective." Please see OMB PART reviews on page 84 for more information.

Program Evaluations

The Veterans Millennium Health Care and Benefits Act, Public Law 106-117, directed VA to contract for an independent demographic study to identify those areas of the country where veterans do not have reasonable access to a burial option in a national or state veterans cemetery, and identify the number of additional cemeteries required through 2020. Volume 1: Future Burial Needs, published in May 2002, identified those areas having the greatest need for burial space for veterans. VA continues to use this report as a valuable tool for planning new national cemeteries.

In 2007 VA continued a comprehensive program evaluation of the full array of burial benefits and services that the Department provides to veterans and their families. The program evaluation will assess, develop, and update program outcomes, goals, and objectives and compare actual program results with established goals.

New Policies, Procedures, or Process Improvements

From 2007 through 2009, NCA will establish eight new national cemeteries (two have already opened in Sacramento, California and South Florida). The development of these cemeteries is consistent with current policy to locate national cemeteries in areas with the largest concentration of veterans. Each location will provide a burial option to at least 170,000 veterans not currently served.

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. The NCSO delivers more consistent eligibility determination in standard eligibility requests and quicker eligibility determination when eligibility cannot be immediately established. The NCSO also provides a vehicle for NCA to capitalize on new technologies that support paperless, secure recordkeeping, and future enhancements such as online interment scheduling for funeral homes.

Other Important Results

In 2007 Sacramento Valley VA and South Florida VA National Cemeteries began interment operations. These two new cemeteries will provide reasonable access to a burial option to approximately 700,000 veterans.

As directed by the National Cemetery Expansion Act of 2003, Public-Law 108-109, action is underway to establish six new national cemeteries to serve veterans in the areas of Bakersfield, California; Birmingham, Alabama; Columbia/Greenville, South Carolina; Jacksonville, Florida; Sarasota County, Florida and Southeastern Pennsylvania. These cemeteries are expected to begin operations by 2009 and will provide service to about 1 million veterans.

VA also completed construction projects to extend burial operations at two currently operational national cemeteries.

In addition to building, operating, and maintaining national cemeteries, VA also administers the State Cemetery Grants program, which provides grants to states for up to 100 percent of the cost of establishing, expanding, or improving state veterans cemeteries. Increasing the availability of state veterans cemeteries is a means to provide a burial option to those veterans who may not have reasonable access to a national cemetery.

In 2007, three states opened new veterans cemeteries in Fort Knox, Kentucky; Shreveport, Louisiana; and Mission, Texas. A new veterans cemetery was also opened in Saipan, Commonwealth of the Northern Mariana Islands. In 2007, 66 operating state veterans cemeteries performed more than 23,000 interments of veterans and eligible family members, and grants were obligated to establish, expand, or improve state veterans cemeteries in 10 states. Also in 2007, state veterans cemeteries provided a burial option to more than 2 million veterans and their families.

Data Verification and Measure Validation

Verification and validation information for the two key measures that support this objective is provided in the Key Measures Data Table on page 214-217.

STRATEGIC OBJECTIVE 3.5

Symbolic Expressions of Remembrance

Provide veterans and their families with timely and accurate symbolic expressions of remembrance.

Making a Difference for the Veteran

Presidential Memorial Certificates

NCA processes more than 400,000 certificate requests each year. To date, more than 11 million certificates have been issued since the program began in 1962.

VA has made it easier for next of kin and loved ones of honorably discharged deceased veterans to request Presidential Memorial Certificates. The certificates bear the President's signature and express the country's grateful recognition of the veteran's service in the United States Armed Forces. A request form can be accessed online at http://www.va.gov/vaforms/va/pdf/VA40-0247.pdf.

The Presidential Memorial Certificate program was initiated in March 1962 by President John F. Kennedy and has been continued by all subsequent presidents. More than one certificate may be provided if requested. VA's National Cemetery Administration processes more than 400,000 certificate requests each year. More than 11 million Presidential Memorial Certificates have been issued since the program began. More information about the program may be found at http://www.cem.va.gov/cem/pmc.asp or by calling 202-565-4964.

Significant Trends, Impacts, and VA's Use of FY 2007 Results

Key Measure

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

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	72%	87%	94%	95%	94%	N/A
Targets	70%	78%	88%	90%	90%	92%

ST = Strategic Target

Impact on the Veteran

The amount of time it takes to mark the grave after an interment is extremely important to veterans and their families. The headstone or marker is a lasting memorial that serves as a focal point not only for present-day survivors, but also for future generations. In addition, it may bring a sense of closure to the grieving process to see the grave marked.

How VA Uses the Results Data

NCA field and Central Office employees have online access to monthly and fiscal year-to-date tracking reports on timeliness of marking graves in national cemeteries. Increasing the visibility and access of this information reinforces the importance of marking graves in a timely manner. This information is also used to drive process improvements, such as the development of NCA's local inscription program, which further improves NCA's ability to provide veterans and their families with these symbolic expressions of remembrance.

Additional Performance Information Related to Strategic Objective 3.5

OIG Major Management Challenges and GAO High-Risk Areas

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

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Burial program during CY 2002, which resulted in a rating of "Moderately Effective." Please see OMB PART reviews on page 84 for more information.

Program Evaluations

In 2007, VA continued a comprehensive program evaluation of the full array of burial benefits and services that the Department provides to veterans and their families. The program evaluation will assess, develop, and update program outcomes, goals, and objectives and compare actual program results with established goals.

New Policies, Procedures, or Process Improvements

The Veterans Education and Benefits Expansion Act of 2001, Public Law 107-103, as amended by the Veterans Benefits Improvement Act of 2002, Public Law 107-330, allows VA to furnish an appropriate marker for the graves of eligible veterans buried in private cemeteries, whose deaths occur on or after September 11, 2001, regardless of whether the grave is already marked with a non-government marker.

Authority provided under this legislation was originally due to expire on December 31, 2006.

In February 2006, VA submitted a report to Congress recommending the extension of the authority. Congress has approved VA's recommendation and has granted authority to VA to continue the provision of this benefit until December 31, 2007. VA also recommended that it be granted permanent authority to furnish headstones and markers for graves in private cemeteries previously marked with a non-government marker, and that the date of death clause under the authority be changed to November 1, 1990.

Legislation proposed by VA was enacted into law expanding NCA's ability to honor the memory of family members of eligible veterans. Public Law 109-461, *The Veterans Benefits, Health Care, and Information Technology Act of 2006*, grants NCA the authority to furnish memorial markers in national and State veterans cemeteries for veterans' eligible deceased children whose remains are unavailable for burial. Under Section 2306 of Title 38 of the United States Code (U.S.C.), NCA previously had the authority to furnish memorial markers only for veterans and eligible spouses. Section 2402 of Title 38 U.S.C grants VA the authority to bury the remains of veterans' eligible dependent children in VA national cemeteries. When remains are unavailable, this new law enables VA to honor the memory of dependent children in a manner consistent with burial eligibility in national cemeteries of these individuals.

Other Important Results

In addition to VA national cemeteries, VA also furnishes headstones and markers for national cemeteries administered by the Department of the Army and the Department of the Interior and contracts for all columbaria niche inscriptions at Arlington National Cemetery. In 2007 VA processed more than 359,000 applications for headstones and markers for placement in national, state, other public, or private cemeteries. Since 1973 VA has furnished almost 10 million headstones and markers for the graves of veterans and other eligible persons.

VA is committed to ensuring that timely and accurate symbolic expressions of remembrance are provided for veterans who are not buried in national cemeteries. In 2007 VA processed 38 percent of the applications for headstones and markers for such veterans within 20 days of receipt. VA's long-range performance goal is to process 90 percent of the applications within 20 days of receipt.

Headstones and markers must be replaced when either the government or the contractor makes errors in the inscription, or if the headstone or marker is damaged during installation. When headstones and markers must be replaced, it further delays the final portion of the interment process, the placing of the headstone or marker at the gravesite. NCA continues to improve accuracy and operational processes in order to reduce the number of inaccurate or damaged headstones and markers delivered to the gravesite. In 2007, 96 percent of headstones and markers were delivered undamaged and correctly inscribed. In 2007, inscription data for 99 percent of headstones and markers ordered by national cemeteries were accurate and complete. VA will continue to focus on business process reengineering, including improving accuracy and operational processes, in order to reduce delays in marking graves caused by inaccurate or damaged headstones and markers.

In 2007 VA issued more than 423,000 Presidential Memorial Certificates, bearing the President's signature, to convey to the family of the veteran the gratitude of the Nation for the veteran's service. To convey this gratitude, it is essential that the certificate be accurately inscribed. The accuracy rate for inscription of Presidential Memorial Certificates provided by VA is consistently 98 percent or better.

Data Verification and Measure Validation

Verification and validation information for the key measure that supports this objective is provided in the Key Measures Data Table on page 216.

STRATEGIC OBJECTIVE 3.6

Home Purchase and Retention

Improve the ability of veterans to purchase and retain a home by meeting or exceeding lending industry standards for quality, timeliness, and foreclosure avoidance.

Making a Difference for the Veteran

VA Continues to Provide Home Ownership Opportunities for Veterans

From the inception of the VA-guaranteed home loan program, VA has backed approximately 18.2 million home loans for veterans, servicemembers, and eligible reservists who have earned this benefit. VA makes it possible for veterans to compete in the marketplace for credit with persons who did not serve in the military.

1st VA Loan

This Washington, DC home purchased in 1944 was the first home purchased using the VA Home Loan Program. Since that time, VA has guaranteed nearly 18.2 million home loans.

Since 1944 when President Franklin Roosevelt signed the Servicemen's Readjustment Act into law, the GI Bill, as it is popularly known, has secured more than $927 billion of financing for veterans' and servicemembers' home loans. In 2007 alone, VA guaranteed more than 133,300 loans valued at more than $24.8 billion.

"The no-downpayment VA program has been a cornerstone of the Nation's housing finance system for more than 60 years," said National Association of Home Builders Immediate Past President David Pressly. "It has opened the door to homeownership for millions of veterans who have, in turn, been able to build equity and household wealth, put down roots in the communities where they live, and enjoy the many benefits of owning a home."

VA-guaranteed home loans are made by banks and mortgage companies. VA guarantees lenders against loss up to a certain amount. In 2007, this guarantee means veterans can obtain a no-downpayment loan for up to $417,000 ($625,500 in Hawaii, Alaska, Guam and U.S. Virgin Islands). However, loans above this amount will likely require a downpayment.

Significant Trends, Impacts, and Use of FY 2007 Results

Key Measure

FORECLOSURE AVOIDANCE THROUGH SERVICING (FATS) RATIO

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	45.0%	44.0%	48.0%	54.0%	57.0%	N/A
Targets	44.0%	47.0%	47.0%	47.0%	51.0%	51.0%

ST = Strategic Target

Impact on the Veteran

The 2007 FATS ratio means that 57.0 percent of veterans who otherwise could have lost their homes through foreclosure were able to retain ownership with VA assistance, or at least had the impact of loss lessened by either tendering a deed in lieu of foreclosure or arranging a private sale with VA claim payment to help close the sale. VA avoided claim payments in most of the FATS cases or else paid smaller claims than if foreclosure had occurred.

How VA Uses the Results Data

VA uses the data to measure the effectiveness of field station efforts to assist veterans in avoiding foreclosure.

Since veterans benefit substantially from foreclosure avoidance, and at the same time VA realizes cost savings, VA has begun to redesign the program to promote greater loss mitigation efforts by primary servicers.

Additional Performance Information Related to Strategic Objective 3.6

OIG Major Management Challenges and GAO High-Risk Areas

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

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Housing program during CY 2004, which resulted in a rating of "Results Not Demonstrated." Please see OMB PART reviews on page 81 for more information.

Program Evaluations

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

New Policies, Procedures, or Process Improvements

In 2007 VA experienced increased inquiries and usage of the Specially Adapted Housing (SAH) grants and the Native American Direct Loan (NADL) program. Legislation passed in June 2006 changed the one-time-only usage of SAH grant benefits to a total of three times, not to exceed the maximum amounts established. This legislation also made the NADL program permanent and removed the $80,000 maximum loan amount. The new law changed the NADL limits to the Freddie Mac single-family conventional conforming loan limit. That limit is currently $417,000 for loans in the 48 contiguous states and $625,500 for loans in Alaska, Hawaii, and the South Pacific.

Other Important Results

During 2007 VA continued the implementation of new processes and procedures associated with the redesign of our guaranteed loan default servicing. Full implementation will occur in 2008. This will bring VA very close to performance and operational standards used by large private sector servicers and lenders. The emphasis will be on providing financial incentives and greater flexibility to primary servicers.

Data Verification and Measure Validation

Verification and validation information for the key measure that supports this objective is provided in the Key Measures Data Table on page 216.

Strategic Goal Four

Contributing to the Nation's Well-Being

STRATEGIC OBJECTIVE 4.1

Emergency Preparedness

Improve the Nation's preparedness for response to war, terrorism, national emergencies, and natural disasters by developing plans and taking actions to ensure continued service to veterans, as well as to support national, state, and local emergency management and homeland security efforts.

Making a Difference for the Veteran

VA Workers Demonstrate Emergency Preparedness

Despite the ice storm that created heavy ice build-up on trees, walkways, and roads, medical center employees voluntarily worked around the clock in shifts to ensure patient care.

A devastating ice storm in January tested the effectiveness of the emergency preparedness plan of the Jack C. Montgomery VA Medical Center in Muskogee, Oklahoma. When the National Weather Service issued the severe warning for all of Oklahoma, medical center workers quickly activated the Incident Command and Emergency Operations Center. They immediately prepared staffing plans for wards and snow crews and ran checklists for supplies. The storm, which hit the afternoon of January 13, created heavy ice build-up on trees, walkways, and roads, leaving many employees unable to get home. An inpatient rehabilitation unit that had not yet opened was used to house employees and their immediate families.

VA's Nutrition and Food Services provided meals to employees over the weekend, and Canteen Service extended operating hours throughout the week.

When the City of Muskogee needed a shelter, the medical center director authorized the use of the auditorium for veterans and their immediate families without electricity, and for non-veterans with special medical needs. Medical center employees voluntarily worked around the clock in shifts during the entire time the shelter was open. The facility, which was never without either generator or commercial power, had sufficient nursing staff for the 55 to 65 inpatients each day, and both the medical center and its Tulsa Outpatient Clinic saw about 350 patients each day. By January 17, with electricity restored to the majority of the area, most workers were able to return to work, and a few days later, the last veteran left the shelter.

Significant Trends, Impacts, and VA's Use of FY 2007 Results

Supporting Measure

PERCENT OF VA LEADERSHIP WHO SELF-CERTIFY THEIR TEAMS "READY TO DEPLOY" TO THEIR COOP SITE

Performance Trends

	2005	2006	2007	ST
Results	85%	85%	90%	N/A
Targets	N/A	100%	100%	100%

ST = Strategic Target

Impact on the Veteran

Ninety percent of VA leadership has certified that their respective teams are ready to deploy to their Continuity of Operations Plan (COOP) site. Those who have not done so are in offices undergoing significant reorganizations. However, these organizations still routinely exercise deployment to their COOP site and demonstrate their ability to perform essential functions. In case of a national disaster, veterans can be assured of continuity of operations.

How VA Uses the Results Data

VA uses the data to determine the need for additional exercises and leadership training. VA requires its leaders to be cognizant of COOP requirements and to gain hands-on experience.

Additional Performance Information Related to Strategic Objective 4.1

OIG Major Management Challenges

VA's Office of Inspector General did not identify any major management challenges related to this objective.

GAO High-Risk Areas

- Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security: A Governmentwide High-Risk Area (see page 299 for more details)

Program Assessment Rating Tool (PART) Evaluation

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

Other Important Results

VA developed three valuable new assets -- as a result of lessons learned during Hurricane Katrina – for deployment during a catastrophe:

- Deployable Medical Unit (DMU)
- Deployable Pharmacy Unit (DPU)
- Response Support Unit (RSU)

The DMU is a self-contained medical unit that can be on site of an emergency within 24-48 hours. It has examination rooms and emergency power generation capability and is able to withstand Category 3 hurricane-force winds.

The DPU permits VA pharmacists to fill commonly prescribed medications during an emergency. The unit is able to obtain patient prescription data via satellite communications with the VA prescription database.

The RSU serves as a platform to assist a VISN to manage an emergency or to support VA personnel deployed as part of a federal response under the Stafford Act.

Data Quality

VA's data quality improvement efforts including its work on data verification and validation are described in the Assessment of Data Quality on page 192.

STRATEGIC OBJECTIVE 4.2

Medical Research and Development

Advance VA medical research and develop programs that address veterans' needs – with an emphasis on service-connected injuries and illnesses – and contribute to the Nation's knowledge of disease and disability.

Making a Difference for the Veteran

VA, MIT, and Brown University Collaborate to Create New Prosthetic Ankle

This ankle-foot prosthetic is the first in a new family of artificial limbs that will replicate natural motion by propelling people forward using tendon-like springs powered by an electric motor.

Veterans with lower-leg amputations can look forward to having a prosthetic ankle-foot that matches their natural ease of motion, thanks to research funded by the Department of Veterans Affairs (VA) and conducted by researchers from VA and two of the Nation's top universities.

"Veterans are entitled to the best this Nation has to offer and, at VA, we're constantly redefining the meaning of *best*," said former Secretary of Veterans Affairs Jim Nicholson. "This new ankle-foot prosthetic is another example of VA's medical innovations for veterans that will benefit all Americans."

Researchers say the new ankle-foot prosthetic is the first in a new family of artificial limbs. It will replicate natural motion by propelling people forward using tendon-like springs powered by an electric motor.

Through VA-funded research, the Center for Restorative and Regenerative Medicine, a partnership of the Providence VA Medical Center in Rhode Island, the Massachusetts Institute of Technology, and Brown University, developed the new prosthesis. The Center's goal is to restore natural function to amputees.

Significant Trends, Impacts, and Use of FY 2007 Results

Key Measure

PROGRESS TOWARDS DEVELOPMENT OF ONE NEW TREATMENT FOR POST-TRAUMATIC STRESS DISORDER (PTSD) (FIVE MILESTONES TO BE ACHIEVED OVER 4 YEARS)

Performance Trends

	2004	2005	2006	2007	ST
Results	33%	40%	47%	67%	N/A
Targets	N/A	N/A	60%	67%	100%

(1) Actual 2007 results data through 08/2007. Final data are expected in 11/2007.
(2) ST = Strategic Target

Impact on the Veteran

PTSD is an anxiety disorder that can develop after a person has been exposed to a terrifying event or ordeal in which physical harm occurred or was threatened. PTSD related to combat exposure is a major concern in the health of the veteran population. In cases where veterans do not respond to initial treatment, symptoms (including nightmares, disturbing memories during the day, sleep problems, and aggressive behavior) may persist for years. Therefore, effective relief of symptoms is needed.

How VA Uses the Results Data

Results of PTSD studies are rapidly translated into clinical practice. The findings are published in a journal and discussed at conferences with VA, DoD, and university attendees.

Additional Performance Information Related to Strategic Objective 4.2

OIG Major Management Challenges

- Medical Research (see page 263 for more details)

GAO High-Risk Areas

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

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Medical Research and Development program during CY 2005, which resulted in a rating of "Moderately Effective." Please see OMB PART reviews on page 84 for more information.

Program Evaluations

The National Research Advisory Council (NRAC), a federal advisory committee, completed an independent evaluation in September 2007. The NRAC was instructed to consider the appropriateness of the research to the VA healthcare mission; the balance of this research in terms of the burden of disease; and the special responsibilities of VA in the areas of mental health, central nervous system injury, and deployment health. As a result of the review, the NRAC gave the VA Research program an evaluation of "fully successful."

New Policies, Procedures, or Process Improvements

VA produced and published Web site checklists for human research protections and research privacy; these are available for use by the VA research community in meeting requirements for regulatory and policy compliance.

VA also developed a checklist for research information security to help ensure compliance with VA regulations and policies.

VA implemented new procedures to boost data security. They include a new annual training requirement and annual completion of a data security checklist for each research project by the principal investigator.

Data Verification and Measure Validation

Verification and validation information for the key measure that supports this objective is provided in the Key Measures Data Table on page 218.

STRATEGIC OBJECTIVE 4.3

Academic Partnerships

Enhance the quality of care to veterans and provide high-quality educational experiences for health profession trainees, created internally in VA and via partnerships with the academic community.

Making a Difference for the Veteran

Graduate Medical Education (GME) Enhancement Initiative

Expanding the number of VA Physician Resident Positions to Meet the Needs of VA and the Nation

The GME Initiative is projected to add approximately 2,000 new physician resident positions over a 5-year period.

Based upon the recommendations of a Federally-chartered advisory committee, VA began an expansion of physician resident positions from 8.5 percent of the U.S. total in 2005-2006 to a target of 10-11 percent by 2011. The overall goals of this ambitious initiative include:

- Expand physician resident positions in specialties of greatest need to veterans.
- Address uneven geographic distribution of residents and improve veterans' access to care.
- Foster innovative models of resident education.
- Propel VA to a greater leadership role in national GME.
- Begin to address physician workforce shortages for VA and the Nation.

This far-reaching plan will add approximately 2,000 positions over a 5-year period. Positions will be awarded competitively. The application process takes into account the **quality** of existing educational programs and infrastructure, the **needs of new sites of VA care** (e.g., community-based outpatient clinics and new or rapidly-growing facilities in under-served areas), the ability of a site to offer **innovative and transformational educational experiences** to residents, and the **capacity to provide clinical training** to residents (as assessed by a consideration of workload and resources available to a facility).

The first phase of expansion began in July 2007, with yearly increases expected thereafter. Approximately 350 additional positions will be awarded in the second application cycle, which featured an increased emphasis on the development of innovative programs.

Further information about the GME Enhancement Initiative can be obtained from VA's Office of Academic Affiliations Web site at www.va.gov/oaa.

Significant Trends, Impacts, and Use of FY 2007 Results

Supporting Measure

MEDICAL RESIDENTS' AND OTHER TRAINEES' SCORES ON A VHA SURVEY ASSESSING THEIR CLINICAL TRAINING EXPERIENCE

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	83	84	84	85	86	N/A
Targets	82	82	85	85	86	89

ST = Strategic Target

Impact on the Veteran

In general, for all types of businesses, there is considerable evidence that employee satisfaction positively impacts customer satisfaction.

The VA clinical training survey measures the satisfaction of VA clinical trainees who come in contact with veteran patients -- VA's customers. VA is striving to ensure that clinical trainees are satisfied with their VA training as it impacts how veterans view their care.

How VA Uses the Results Data

The survey results are used by VA medical facilities, Veterans Integrated Service Networks (VISNs), and senior leadership to assess the clinical training program.

At the facility level, the survey data are available in enough detail that VA program officials are able to identify areas of strength and opportunities for improvement in clinical training programs. The survey reports on the perceptions of the trainees concerning specific domains (quality of the faculty, learning environment, working environment, physical environment, and personal experience) and provides trend data so that program officials can monitor changes in specific areas over time. In order to maintain VA as a preferred training site for future health care professionals, it is important to know how trainees view VA training versus training in non-VA settings.

Additional Performance Information Related to Strategic Objective 4.3

OIG Major Management Challenges and GAO High-Risk Areas

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

Program Assessment Rating Tool (PART) Evaluation

The Administration conducted a PART evaluation of VA's Medical Care program during CY 2003. However, the evaluation did not specifically cover any aspects of the medical education program.

New Policies, Procedures, or Process Improvements

To address a shortage of nurses across the Nation and ensure that veterans continue to receive personalized, world-class care in VA facilities, VA created a new multi-campus Nursing Academy.

A 5-year pilot program will establish partnerships with 12 nursing schools across the country during the next 3 years, beginning with 4 for the 2007-2008 academic year. The VA nursing academy is a virtual organization with central administration in Washington and teaching at competitively selected nursing schools across the country who partner with VA.

Despite the nationwide shortage of nurses, the American Association of Colleges of Nursing has reported that more than 42,000 qualified applicants were turned away from nursing schools in 2006 because of insufficient numbers of faculty, clinical sites, classroom space, and clinical mentors.

"The new partnerships will reinvigorate VA's nursing academic affiliations and ensure continued quality in clinical education," said Dr. Michael J. Kussman, VA's Under Secretary for Health.

Further information about the pilot program can be obtained from VA's Office of Academic Affiliations Web site at www.va.gov/oaa.

Data Quality

VA's data quality improvement efforts including its work on data verification and validation are described in the Assessment of Data Quality on page 192.

STRATEGIC OBJECTIVE 4.4

Socioeconomic Well-Being of Veterans

Enhance the socioeconomic well-being of veterans, and thereby the Nation and local communities, through veterans benefits; assistance programs for small, disadvantaged, and veteran-owned businesses; and other community initiatives.

Making a Difference for the Veteran

Accelerating Veteran Entrepreneurial Programs

Deputy Secretary Mansfield (left) and OSDBU Director Scott Denniston (right) present Wayne Gatewood, President and CEO of Quality Support, Inc. (center), with the VetBiz Volunteer of the Year Award.

VA continues to be a leader in contracting with veteran entrepreneurs, having exceeded the statutory Service-Disabled Veteran-Owned Small Business Goal in FY 2006. Accomplishments through August 31, 2007 show VA on target to exceed this goal in FY 2007. A critical component of VA's success is outreach to the veteran business community and working with other federal partners.

In June 2007, VA and the U.S. Army Small Business Office, along with other federal partners, co-hosted the 3rd National Veterans Business Conference. This event set a record for attendance with over 1,300 participants. The conference provided participants with multiple forums to come together to discuss and tackle issues affecting the veteran business community.

Also in June 2007, VA, along with the Veterans Entrepeneurship Task Force, conducted the First Veterans' Business Program Accountability Conference to measure federal agency progress in implementing Executive Order 13360, *Providing Opportunities for Service-Disabled Veteran Businesses to Increase Their Federal Contracting and Subcontracting*. Key officials from six large federal agencies addressed business owners and advocates about their progress and future plans for improving opportunities for service-disabled veteran-owned small businesses. During the conference the Chief of Staff for the U.S. Small Business Administration announced details of the agency's new Patriot Express Loan Program, an initiative for veterans and members of the military community wanting to establish a new business or expand an existing business. Representatives from four major federal contractors addressed corporate buying practices and offered veteran entrepreneurs marketing advice. Work group sessions focused on federal prime contracting procedures, subcontracting barriers, the status of Executive Order 13360 implementation plans, and the need to educate federal officials and business owners.

VA held its 6th annual Champion of Veterans Enterprise Awards Program ceremony to honor individuals and organizations that put veterans and service-disabled veterans first. The most prestigious honor is the Enterprising Veteran Award, which recognizes veterans whose quality performance provides advocates with specific success stories, a critical tool in promoting veteran entrepreneurial programs nationwide. This year's awards were presented by VA Deputy Secretary Gordon H. Mansfield.

VA also implemented the "Veterans First Contracting Program" based on the extraordinary authorities contained in Sections 502 and 503 of Public Law 109-461, the Veterans Benefits, Healthcare and Information Technology Act of 2006. This program will enhance contracting opportunities for service-disabled veteran-owned and veteran-owned small businesses in VA acquisitions.

Significant Trends, Impacts, and VA's Use of FY 2007 Results

Supporting Measure

ATTAINMENT OF STATUTORY MINIMUM GOALS FOR SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESSES EXPRESSED AS A PERCENT OF TOTAL PROCUREMENT DOLLARS

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	0.49%	1.25%	2.15%	3.58%	5.59%	N/A
Targets	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

(1) Actual 2007 results data through 08/2007. Final data are expected in 06/2008.
(2) ST = Strategic Target

Impact on the Veteran

VA continues to be a leader in contracting with veteran-owned and service-disabled veteran-owned small businesses, having exceeded the statutory goal in FY 2006 for contracting with service-disabled veteran-owned small businesses. Accomplishments through August 31, 2007 show VA on target to exceed this goal in FY 2007. Contracting with these firms is a logical extension of the VA mission and contributes to the economic vitality of this important business community. Increased spending also makes entrepreneurship a viable and attractive career option for America's veterans.

How VA Uses the Results Data

These data assist VA leadership, the Congress, the veteran entrepreneurial community, and other stakeholders in gauging the extent of VA compliance and success in implementing the Veterans Entrepreneurship and Small Business Development Act of 1999 (P.L. 106-50); the Veterans Benefits, Healthcare and Information Technology Act of 2006 (P.L. 109-461); and Executive Order 13360, *Providing Opportunities for Service-Disabled Veteran Businesses to Increase Their Federal Contracting and Subcontracting*, issued in October 2004.

The results also help VA program management identify areas for improvement and assist in targeting training and vendor outreach.

Additional Performance Information Related to Strategic Objective 4.4

OIG Major Management Challenges and GAO High-Risk Areas

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

Program Assessment Rating Tool (PART) Evaluation

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

Program Evaluations

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

New Policies, Procedures, or Process Improvements

VA implemented Sections 502 and 503 of Public Law (P.L.) 109-461, the Veterans Benefits, Healthcare and Information Technology Act of 2006, effective June 20, 2007. This program is known in VA as the "Veterans First Contracting Program." The law establishes a small business program hierarchy within VA that places service-disabled veteran-owned small businesses (SDVOSBs) and veteran-owned small businesses (VOSBs), first and second respectively, in VA open market acquisitions. P.L. 109-461 provides VA with unprecedented authorities in contracting with veteran businesses. In addition to authority to set aside acquisitions for SDVOSBs, the law also provides VA acquisition professionals with authority to set aside requirements for VOSBs, and under certain circumstances make sole-source contract awards to SDVOSBs and VOSBs up to $5 million.

The Department participates extensively in procurement conferences, training sessions and one-on-one counseling sessions to train small businesses on VA's acquisition processes, operations, and opportunities. VA continues to make personnel aware of the Department's responsibilities to support small business programs through VA's acquisition program.

Other Important Results

VA's Center for Veterans Enterprise (CVE) maintains the VetBiz.Gov (www.vetbiz.gov) Web portal for veterans in business, which is a primary resource for exchanging information with veteran business owners, buyers, large prime contractors, and other stakeholders.

CVE also provides assistance to veteran entrepreneurs seeking to expand an existing business or to start a new business. Services available through the CVE include the Vendor Information Pages (VIP) database and verification of veteran business eligibility, business coaching, video marketing, bid matching, market research reports, and topical news and information. CVE connects veterans with community resources who will help them with their business development needs. In September 2006, the publication *Veterans Business Journal* conducted its first readers' survey. CVE was voted the organization that provides the best support to veterans in business.

Data Quality

VA's data quality improvement efforts including its work on data verification and validation are described in the Assessment of Data Quality on page 192.

STRATEGIC OBJECTIVE 4.5

Maintaining National Cemeteries as Shrines

Ensure that national cemeteries are maintained as shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made.

Making a Difference for the Veteran

NCA Inaugurates a New Leadership Institute

The National Cemetey Administration (NCA) established a new Leadership Institute in 2007. This leadership development program is available to GS 9-12 employees, Wage Grade System Supervisors, and Wage Grade System Team Leaders identified as high potential employees with the motivation to succeed in a leadership position within NCA. Seventeen participants from across NCA, competitively selected for the inaugural class, are demonstrating that they have the desire to learn, work hard, and take on leadership roles; are high performers in their current jobs; and have demonstrated evidence of eight core competencies: Personal Mastery, Interpersonal Effectiveness, Technical Skills, Customer Service, Creative Thinking, Flexibility/Adaptability, Systems Thinking, and Organizational Stewardship.

NCA's Training Center in St. Louis, Missouri, provides traditional and computer training facilities.

The NCA Leadership Institute is the most recent development in NCA's commitment to providing professional training and career development opportunities. NCA's training program is a key component to ensuring the consistent application of NCA's uniform standards for cemetery operations throughout VA's 125 national cemeteries. These standards serve as the basis for NCA's commitment to maintain national cemeteries as national shrines.

Significant Trends, Impacts, and VA's Use of FY 2007 Results

Key Measure

PERCENT OF RESPONDENTS WHO RATE NATIONAL CEMETERY APPEARANCE AS EXCELLENT

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	97%	98%	98%	97%	97%	N/A
Targets	98%	98%	98%	99%	99%	100%

ST = Strategic Target

Impact on the Veteran

National cemeteries carry expectations of appearance that set them apart from private cemeteries. The 2007 score reflects VA's strong commitment to maintaining national cemeteries as national shrines so that bereaved family members are comforted when they come to the cemetery for the interment, or later to visit the grave(s) of their loved one(s). Our Nation's veterans have earned the appreciation and respect not only of their friends and families, but also of the entire country and our allies – VA's cemeteries reflect this appreciation and respect.

How VA Uses the Results Data

VA's annual Survey of Satisfaction with National Cemeteries is the source of data for this key measure. The survey collects data from family members and funeral directors who have recently received services from a national cemetery. These data are shared with NCA managers at the Central Office, Memorial Service Network (MSN), and National Cemetery levels who use the data to improve the appearance of national cemeteries.

Additional Performance Information Related to Strategic Objective 4.5

OIG Major Management Challenges and GAO High-Risk Areas

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

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Burial program during CY 2002, which resulted in a rating of "Moderately Effective."

Please see OMB PART reviews on page 84 for more information.

Program Evaluations

The Veterans Millennium Health Care and Benefits Act, Public Law 106-117, directed VA to contract for an independent study to look at various issues related to the National Shrine Commitment and its focus on cemetery appearance. Volume 3: Cemetery Standards of Appearance was published in March 2002. This report served as a planning tool and reference guide in the task of reviewing and refining VA's operational standards and measures.

In August 2002, Volume 2: National Shrine Commitment was completed. This report identified the one-time repairs needed to ensure a dignified and respectful setting appropriate for each national cemetery.

NCA is using the information in this report to address repair and maintenance needs at national cemeteries. Through 2007 NCA has addressed approximately 30 percent of the total repairs identified in this report.

New Policies, Procedures, or Process Improvements

In order to ensure a high-performing, well-trained workforce, VA established the National Cemetery Administration Training Center in 2004. Initially focused on training cemetery directors and assistant directors, the new facility has expanded its classes to train supervisors, foremen, gardeners, cemetery representatives, and contracting officer technical representatives. As the facility continues to expand its classes, training for other employees, such as equipment operators, will be added to the curriculum. As six more new national cemeteries become operational by the end of this decade, the Center's efforts will help ensure consistency in operations throughout the national cemetery system as well as a high-performing workforce and well-trained staff for key positions.

In 2007 NCA established its Leadership Institute for high potential GS 9-12 employees, Wage Grade System Supervisors, and Wage Grade System Team Leaders. For more information, please see page 175.

NCA is continuing its partnership with the National Center for Preservation Technology and Training (NCPTT), an office of the National Park Service (NPS), to conduct a materials conservation and treatment analysis of government-issued marble veteran headstones issued from the 1870s through 1973. Second to VA, NPS has the largest number of national cemeteries, including Gettysburg National Cemetery, under its jurisdiction. Through an interagency agreement, NCPTT will identify alternatives for cleaning historic headstones based upon criteria such as cost effectiveness and environmentally and historic-resource friendly chemicals.

In 2007 NCA implemented a Facility Condition Assessment program as part of its continuing commitment to maintain the appearance of national cemeteries as national shrines. Each national cemetery regularly assesses whether the condition of each building and structure at the cemetery is considered acceptable according to system-wide standard definitions within VA and within federal guidelines identified by the Federal Real Property Council. This information is used both to provide additional focus to NCA management on the condition of cemetery facilities and for the allocation of funds for construction projects. Cemetery facilities are among the most highly visible components of national cemeteries. Maintaining the safety and appearance of cemetery facilities is an important component of maintaining national cemeteries as national shrines.

Other Important Results

The willingness to recommend the national cemetery to veteran families during their time of need is an expression of loyalty toward that national cemetery. In 2007, 98 percent of survey respondents (family members and funeral directors who recently received services from a national cemetery) indicated they would recommend the national cemetery to veteran families in their time of need.

To ensure the appearance of national cemeteries meets the standards our Nation expects of its national shrines, VA performed a wide variety of grounds management functions including raising, realigning, and cleaning headstones to ensure uniform height and spacing and to improve appearance. The rows of pristine, white headstones that are set at the proper height and correct alignment provide the vista that is the hallmark of many VA national cemeteries. In 2007 VA collected data that showed that 69 percent of headstones and/or markers in national cemeteries are at the proper height and alignment; 75 percent of headstones, markers, and niche covers are clean and free of debris or objectionable accumulations; and 83 percent of gravesites in national cemeteries had grades that were level and blended with adjacent grade

levels. In 2007 National Shrine Commitment projects were initiated at 17 national cemeteries. These projects will raise, realign, and clean more than 147,000 headstones and markers and renovate gravesites in more than 60 acres.

While attending to these highly visible aspects of our national shrines, VA also maintained roads, drives, parking lots, and walks; painted buildings, fences, and gates; and repaired roofs, walls, and irrigation and electrical systems.

In 2007 more than 97 percent of survey respondents (family members and funeral directors combined) agreed that the overall appearance of national cemeteries was excellent. This result demonstrates VA's continued commitment to maintaining national cemeteries as shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made.

NCA also established an Organizational Assessment and Improvement Program to identify and prioritize improvement opportunities and to enhance program accountability by providing managers and staff at all levels with one "NCA scorecard." As part of the program, assessment teams conduct site visits to all national cemeteries on a rotating basis to validate performance reporting. NCA schedules 12 visits each year to a representative group of national cemeteries from each MSN that illustrates the diversity of our system in terms of age, size, workload, and climate. To date NCA has completed 35 site visits assessing 59 national cemeteries. Ten visits assessing 15 national cemeteries were conducted in 2007.

VA continued its partnerships with various civic organizations that provide volunteers and other participants to assist in maintaining the appearance of national cemeteries. For example, an interagency agreement with the Bureau of Prisons provides for the use of selected prisoners to perform work at national cemeteries. Under a joint venture with The Veterans Health Administration, national cemeteries provide therapeutic work opportunities to veterans receiving treatment in the Compensated Work Therapy/Veterans Industries program. The national cemeteries are provided a supplemental workforce while giving veterans the opportunity to work for pay, regain lost work habits, and learn new work skills.

Data Verification and Measure Validation

Verification and validation information for the key measure that supports this objective is provided in the Key Measures Data Table on page 218.

Enabling Goal

Applying Sound Business Principles

ENABLING OBJECTIVE E-1

Development and Retention of a Competent Workforce

Recruit, develop, and retain a competent, committed, and diverse workforce that provides high-quality service to veterans and their families.

Making a Difference for the Veteran

Letter From National Commander, Disabled American Veterans

Bradley S. Barton, National Commander, Disabled American Veterans, salutes VA's health care system.

Dear Veterans Health Administration Employee:

The news media recently uncovered a serious situation at the Walter Reed Army Medical Center in Washington... While media reports of the Walter Reed scandal have cast a shadow on military and veterans' medicine, I want to assure you that DAV is very proud of you and the Department of Veterans Affairs (VA) health care system. Problems arise from time to time in any system that provides for the needs of large populations, but, at its root, VA health care is a constant and shining emblem of how to reform a system for excellence.

Over the past two or three years we have seen mounting evidence that VA is a source of dependable, safe and efficient health care for veterans. The system provides a wonderful resource for sick and disabled veterans that, in so many ways, is unique to our experience. You offer veterans the best quality at the least cost, and the lowest error rates of any health care system to which you might be compared. Your medication safety program, electronic health record and prevention programs are the envy of American medicine. VA serves the Nation's veterans well, while supporting and developing new generations of health care professionals and advancing the standard of care through its renowned biomedical research and development programs.

We, the members of DAV, want you to know that we consider VA to be a national treasure. While we may have experienced a momentary controversy brought about because one military medical treatment facility let down our disabled service members, we hold the Veterans Health Administration -- and the work each of you do every day for sick and disabled veterans -- in the highest regard. On behalf of DAV, I salute you.

Sincerely,

Bradley S. Barton

National Commander, Disabled American Veterans

(The full text of the letter may be found on the VA Web at http://www1.va.gov/opa/vafeature/DAV-Letter.asp)

Significant Trends, Impacts, and VA's Use of FY 2007 Results

Supporting Measure

PERCENTAGE OF VA EMPLOYEES WHO ARE VETERANS

Performance Trends

	2003	2004	2005	2006	2007	ST
Results	24.0%	26.0%	28.0%	30.6%	31.0%	N/A
Targets	N/A	26.0%	28.0%	30.0%	32.0%	33.0%

ST = Strategic Target

Impact on the Veteran

Through the National Veterans Employment Program (NVEP), the Department designated a Veteran Employment Coordinator at each VA human resources office to lead local efforts to attract, recruit, and retain veterans in the Department's workforce as part of the Nation's commitment to its veterans. This initiative will help interested servicemembers identify VA careers in health care. Furthermore, NVEP allows VA to identify transitioning servicemembers who have the qualifications and experience to fill critical and hard-to-fill occupations. NVEP is helping to attract physicians to VA and the National Guard through a joint partnership offering funds for professional education, development, and training.

How VA Uses the Results Data

Background: A 2006 report submitted to Congress cited a "lack of knowledge of special appointing authorities" as a key barrier to the hiring of veterans in the federal sector. Establishing Veterans Employment Coordinators at multiple localities throughout the Nation will help facilitate the hiring of veterans.

Use: This measure is a critical success indicator. Continual results monitoring will become increasingly important as the pace of retirements of Vietnam-era veterans quickens and thus makes it more difficult for VA to maintain its veteran employment level.

Additional Performance Information Related to Enabling Goal E-1

OIG Major Management Challenges

VA's Office of Inspector General did not identify any major management challenges related to this objective.

GAO High-Risk Areas

- Strategic Human Capital Management: A Governmentwide High-Risk Area (see page 292 for more details)

Program Assessment Rating Tool (PART) Evaluation

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

New Policies, Procedures, or Process Improvements

The VA Secretary signed two dual compensation waiver proposals to allow rehiring of retirees without their forfeiture of retirement pay. One waiver is designated for the prime purpose of knowledge transfer; the second involved the creation of an Emergency Response Corps.

Data Quality

VA's data quality improvement efforts including its work on data verification and validation are described in the Assessment of Data Quality on page 192.

ENABLING OBJECTIVE E-2

Outreach and Communications

Improve communication with veterans, employees, and stakeholders about VA's mission, goals, and current performance, as well as benefits and services that the Department provides.

Making a Difference for the Veteran

Informing Veterans About Their Benefits Through Varied Outreach Efforts

As it manages the Department's work with news and mass media and coordinates veterans' service programs with government agencies at national, regional, and local levels, the Office of Public and Intergovernmental Affairs plays a lead role in VA outreach efforts to inform and update veterans on VA activities, policies, and benefits. Many of its products are designed for that purpose, such as the ***Federal Benefits for Veterans and Dependents*** booklet. This handy, 150-page desk reference to VA programs and those of other federal agencies for veterans is updated annually by the Office of Public Affairs. It is distributed throughout VA and to state, county, and veterans service organization officers, as well as at transition counseling points within the military services.

The Office of Public Affairs also produces ***The American Veteran***, a monthly video news magazine that highlights benefits available to veterans. The program is available to military members and their families around the world on the Pentagon Channel and shown on many U.S. local cable outlets. The Office of Public and Intergovernmental Affairs also supports VA outreach efforts to veterans through national news releases and special events.

Significant Trends, Impacts, and VA's Use of FY 2007 Results

Supporting Measure

PERCENTAGE OF TITLE 38 REPORTS THAT ARE SUBMITTED TO CONGRESS BY DUE DATE

Performance Trends

ST = Strategic Target

Impact on the Veteran

Congress uses Congressionally mandated reports to determine the success of new legislative initiatives affecting veterans and to monitor the continued appropriateness of other programs impacting veterans.

How VA Uses the Results Data

VA uses the data to measure the Department's progress in submitting reports in a timely manner to Congress.

Supporting Measure

PERCENTAGE OF RESPONSES TO PRE- AND POST-HEARING QUESTIONS THAT ARE SUBMITTED TO CONGRESS WITHIN THE REQUIRED TIMEFRAME

Performance Trends

ST = Strategic Target

Impact on the Veteran

Congress holds hearings on proposed legislation that will impact veterans; Congress also holds oversight hearings that examine the effectiveness of veterans' programs. VA has a responsibility to provide Congress with timely responses to questions so that Members have the information they need and veterans are well served.

How VA Uses the Results Data

VA uses the data to track the timeliness of responses to Congress.

Additional Performance Information Related to Enabling Goal E-2

OIG Major Management Challenges and GAO High-Risk Areas

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

Program Assessment Rating Tool (PART) Evaluation

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

Program Evaluations

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

New Policies, Procedures, or Process Improvements

OCLA implemented and maintained a Congressionally Mandated Reports Web site to provide information to all VA offices on what reports are coming due.

Other Important Results

VA continues to strive to submit mandatory reports to Congress in a more timely manner -- closer to the actual due dates. While measuring alone does not improve performance, the measures do provide benchmarks and inform the Department as to its performance on this critical factor.

Data Quality

VA's data quality improvement efforts including its work on data verification and validation are described in the Assessment of Data Quality on page 192.

ENABLING OBJECTIVE E-3

Reliable and Secure Information Technology

Implement a One-VA information technology framework that enables the consolidation of IT solutions and the creation of cross-cutting common services to support the integration of information across business lines and provides secure, consistent, reliable, and accurate information to all interested parties.

Making a Difference for the Veteran

My HealtheVet

My HealtheVet is the gateway to veterans health benefits and services. It provides access to trusted health information, links to federal and VA benefits and resources, the Personal Health Journal, and online VA prescription refill.

The Industry Advisory Council, a non-profit educational organization established to assist government in acquiring and using information technology resources effectively and efficiently, selected the VA health care and benefits Web portal My HealtheVet as one of the top five winners of its Excellence.Gov award for using innovative technology to more effectively achieve mission objectives.

A 23-judge panel made its selection after reviewing 115 entries and evaluating each on the following criteria: a) clearly articulated means of collaboration enabled by technology; b) use of innovative information technology to support the objectives of collaborating organizations and federal strategic goals and objectives; c) demonstrable efficiency gains, d) cost advantages, or superiority over previous methods of collaboration, supported by metrics; and e) a sound approach to addressing security and privacy of data.

An example of the benefits provided by My HealtheVet is the secure online prescription refill service. Tens of thousands of veterans are now using this service to get their prescription drug refills from VA with greater convenience, speed, and security.

When a veteran orders a prescription refill, the request is routed to VA's computer system to be filled by one of the Department's outpatient mail pharmacies. The refill is then sent directly to the veteran, eliminating the need for a trip to the pharmacy.

For more information, see the following link: http://www.myhealth.va.gov

Significant Trends, Impacts, and VA's Use of FY 2007 Results

Supporting Measure

NUMBER OF DISTINCT DATA EXCHANGES BETWEEN VA AND DOD

Performance Trends

	2006		2007	
	Target	Result*	Target	Result*
From VA to DoD	10	8	1	6
From DoD to VA	20	20	8	11

* Fewer distinct data exchanges represent better performance.

Impact on the Veteran

The gradual reduction in data exchanges between VA and DoD systems will eliminate data inconsistencies between the two agencies. This is critical, particularly in areas such as separation data and medical records. Our long-term effort will focus on establishing a central One VA data service that provides one-stop access to all data required in the processing of VA benefits.

Results for 2007 did not meet the targets, largely due to the challenges of coordinating very sensitive personal data between two different Cabinet-level agencies and the need to conform with stringent federal laws, such as the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

How VA Uses the Results Data

The degree to which VA and DoD are successful in the consolidation of the many distinct data exchanges is an indication of the progress being made towards adapting legacy applications to a more modern enterprise data service-oriented architecture. In the long-term, this will have the following impact:

- Less architecture complexity.
- Fewer redundant systems.
- Streamlined change request processes.
- Improved data quality.
- Greater potential for automation of data processing.

Additional Performance Information Related to Enabling Goal E-3

OIG Major Management Challenges

- Confusion of Rules and Guidance (see page 278 for more details)
- Material Weakness in IT Security Controls (see page 280 for more details)
- VA Information Security Program Reviews (see page 281for more details)

GAO High-Risk Areas

- Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures: A Governmentwide High-Risk Area (see page 297 for more details)
- Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security: A Governmentwide High-Risk Area (see page 299 for more details)

Program Assessment Rating Tool (PART) Evaluation

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

New Policies, Procedures, or Process Improvements

The VA Office of Information Protection and Risk Management released the following policies and procedures to further strengthen information security and protect sensitive information at VA:

- Directive 6601: Removable Storage Media, establishing VA policy regarding use of removable storage media.
- Directive 6600: Responsibility of Employees and Others Supporting VA in Protecting Personally Identifiable Information, establishing VA requirements for protecting personally identifiable and sensitive information on veterans, their family members, and employees.
- VA Handbook 6500: Information Security Program Handbook, implementing procedures for VA Directive 6500, Information Security Program.
- Interim Standard Operating Procedures for data breach mitigation incident resolution.
- Interim Standard Operating Procedures for notifying veterans of incidents involving compromised personal information.

There are a number of directives and handbooks in draft or in departmental concurrence that are scheduled to be issued in FY 2008 that will further strengthen controls over information security at VA.

Data Quality

VA's data quality improvement efforts, including its work on data verification and validation, are described in the Assessment of Data Quality on page 192.

ENABLING OBJECTIVE E-4

Sound Business Principles

Improve the overall governance and performance of VA by applying sound business principles; ensuring accountability; employing resources effectively through enhanced capital asset management, acquisition practices, and competitive sourcing; and linking strategic planning to budgeting and performance.

Making a Difference for the Veteran

VA Mechanic Named a Winner in the White House Closing the Circle Awards Program

Timothy Trittschuh, automotive mechanic at Fort Custer VA National Cemetery, has been named a winner in the prestigious White House Closing the Circle (CTC) Awards Program for 2007. Trittschuh earned the federal government's top environmental award in the Green Purchasing category for testing and using bio-based lubricants, oils, and other fluids as environmentally-preferable alternatives to petroleum-based products. Out of nearly 200 nominations submitted by federal employees and facilities nationwide, only 17 winners and 13 honorable mentions were selected in the areas of environmental management systems, pollution prevention, recycling, green purchasing, alternative fuels, sustainable design/green buildings, and electronics stewardship.

The White House awards ceremony was held in June. VA employees and facilities have made significant strides toward ensuring a healthier, more sustainable environment, and continue to demonstrate strong environmental stewardship as exemplified by Mr. Trittschuh.

Robert McKenna, Director, Logistics Policy (left), presents Timothy Trittschuh (right) with the prestigious White House Closing the Circle Award for testing and using bio-based lubricants, oils, and other fluids as environmentally-preferable alternatives to petroleum-based products.

Putting Energy From the Sun to Work for VA

It is the ideal fuel: it is free, there are no harmful environmental effects, and the supply is virtually endless. VA is pursuing the use of energy from the sun – along with wind, geothermal, and other types of renewable energy – to meet VA building energy needs while significantly reducing operating costs. In 2007, VA launched its renewable energy pilot program by putting agreements into place for construction of solar photovoltaic systems at the Loma Linda, California and Dallas, Texas VA medical centers. These rooftop installations will turn sunshine into electricity, avoiding consumption of fossil fuels, offering a cleaner environment, and reducing the medical centers' energy bills. At the same time, VA is scheduling repair and recommissioning of two existing solar energy installations that turn sunshine into hot water, one at the West Los Angeles VAMC and the other at the Dallas VAMC. Finally, VA is conducting studies of high potential sites around the country for installing wind energy systems on rooftops and geothermal energy systems underground. Successful pilot efforts with these renewable energy technologies will serve as models for other VA facilities, with resulting cost savings that can then be targeted towards meeting veterans' needs.

Significant Trends, Impacts, and Use of FY 2007 Results

Supporting Measure

TOTAL ANNUAL VALUE OF JOINT VA/DOD PROCUREMENT CONTRACTS FOR HIGH-COST MEDICAL EQUIPMENT AND SUPPLIES (DOLLARS IN MILLIONS)

Performance Trends

	2005	2006	2007	ST
Results	Baseline	$152	$180	N/A
Targets	Baseline	$150	$170	$220

(1) 2006 result is corrected.
(2) Beginning in 2007, medical supplies were added to this measure.
(3) ST = Strategic Target

Impact on the Veteran

VA/DoD use of joint contracting saves money when compared to using individual contracting methods. Money thus saved can be devoted to the care of veterans. Currently, the savings in high-tech medical equipment are generated for consolidated equipment orders.

Savings based on recent equipment consolidations (shown as total savings and a percentage against the total buy during the consolidation period) are as follows:

Three month period ending,

- June 2006 had savings of $7,462,649 (9% of total procurements)
- September 2006 had savings of $25,144,336 (12% of total procurements)
- December 2006 had savings of $2,028,625 (21% of total procurements)
- March 2007 had savings of $1,633,863 (9% of total procurements)

How VA Uses the Results Data

VA uses the results data to verify that joint contracting vehicles are being used to the maximum extent possible by VA's medical facilities.

Supporting Measure

PERCENT OF SPACE UTILIZATION AS COMPARED TO OVERALL SPACE (OWNED AND DIRECT-LEASED)

Performance Trends

	2004	2005	2006	2007	ST
Results	80%	98%	104%	112%	N/A
Targets	Baseline	95%	95%	95%	95%

(1) Actual 2007 results data through 08/2007. Final data are expected in 11/2007.
(2) 2006 result is corrected.
(3) ST=Strategic Target

Impact on the Veteran

VA seeks to dispose of assets in the most cost effective and efficient manner. Asset disposal can sometimes involve partnering with the private sector so that the assets can be leveraged to expand or enhance services to veterans.

How VA Uses the Results Data

This measure is used to determine VA's space utilization (i.e., identifying where space is over-utilized or where space is underutilized). Since this is tracked on a hospital-by-hospital basis, the measure pinpoints where more space is needed, or where there is excess space thereby allowing VA's asset managers to direct resources appropriately.

Where space is underutilized and/or vacant, VA develops and executes asset disposal plans that may involve demolition, enhanced use lease, transfers to State Homes, outlease, or reuse by other VA entities.

More recently, space over-utilization has been caused by changes in patient care, technology, and patient gender. In the past, VA capped space utilization statistics at 100 percent, but due to the aforementioned changes, utilization rates above 100 percent have become more common as is evidenced by the 2007 results.

Supporting Measure

CUMULATIVE PERCENTAGE DECREASE IN FACILITY TRADITIONAL ENERGY CONSUMPTION PER GROSS SQUARE FOOT FROM THE 2003 BASELINE

Performance Trends

(1) Final FY 2007 results are expected in 01/2008.
(2) The FY 2007 target was changed from 4% to 6% per Executive Order 13423 issued in January 2007.
(3) ST = Strategic Target; the Strategic Target was changed from 20% to 30% per Executive Order 13423.

Impact on the Veteran

Increased savings in energy-related costs can be devoted to providing improved veteran services.

How VA Uses the Results Data

VA uses the data to monitor and report energy efficiency at facilities. The data help identify good energy performance practices for possible nationwide replication. Conversely, management also uses the data to identify where energy efficiency improvements may be needed.

For example, several facilities with high-end consumption were selected to implement efficiencies through on-site renewable technologies and energy conservation measures (e.g., steam trap replacements, lighting retrofits) to reduce consumption and improve energy efficiency.

Additional Performance Information Related to Enabling Goal E-4

OIG Major Management Challenges

- Lack of an Integrated Financial Management System (see page 269 for more details)
- Operational Oversight (see page 271 or more details)
- Procurement Failures (see page 274 for more details)
- Lack of Corporate Knowledge (see page 276 for more details)

GAO High-Risk Areas

- Federal Real Property: A Governmentwide High-Risk Area (see page 294 for more details)
- Management of Interagency Contracting: A Governmentwide High-Risk Area (see page 300 for more details)

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Medical Care program during CY 2003, which resulted in a rating of "Adequate." The Administration also conducted a PART evaluation of VA's General Administration program during CY 2004, which resulted in a rating of "Moderately Effective." Please see OMB PART reviews on page 81 and 85 for more information.

New Policies, Procedures, or Process Improvements

The Non-Health Care Guidebook was developed by the National Leadership Board's Business Performance Improvement Committee (BPIC) to mitigate material weaknesses identified in FY 2005 and FY 2006 audit reviews. The guidebook will be sent to all networks and facilities and will be followed up with training in FY 2008.

In addition to the above-cited Non-Health Care Guidebook, other guidebooks pertaining to first and third-party accounts receivable will be revised and training provided via national conference calls. The training will be focused on the following areas: discussion of changes and additions from the last version of the guidebooks, as well as concepts related to proper and timely follow-up of outstanding medical care accounts receivable and accounts receivable management.

The VHA Chief Business Office has been conducting Revenue Activities Reviews at selected lower-performing sites since FY 2006

VHA Directive 2005-038, Refund Policy, will be revised to provide updated guidance on refunds management.

Additional staff will be assigned to review and work with facilities on their end of fiscal year annual close certifications. This will improve VHA's timeliness of providing its financial statement adjustments to the VA Office of Management.

Other Important Results

The VHA Chief Business Office (CBO) worked closely with the Chief Financial Officer (CFO), Office of Compliance and Business Integrity (CBI), and Health Information Management to develop strategies to assist medical center staff in understanding guidance and to provide training related to the Medical Care Collections Fund (MCCF) accounts receivable follow-up procedures for the medical center staff. This collaboration has identified opportunities to strengthen the guidance related to follow-up and ensure that field staff receives appropriate training.

Data Quality

VA's data quality improvement efforts including its work on data verification and validation are described in the Assessment of Data Quality on page 192.

Assessment of Data Quality

VA's ability to accomplish its mission is dependent on the quality of its data. Each day, VA employees use data to make decisions that affect America's veterans. Data accuracy and reliability are paramount in delivering medical care, processing benefits, and providing burial services.

Each program office has initiated specific actions to improve data quality to better support business planning and day-to-day decision-making. In addition, the Office of the Inspector General (OIG) has conducted audits to determine the accuracy of our data. We consider OIG reviews to be independent and objective. The following discussion describes in detail the actions each VA administration has taken to improve its data quality.

Veterans Health Administration

VHA consistently focuses on data reliability, accuracy, and consistency. The principles of data quality are integral to VHA's efforts to provide excellence in health care. In 2001 the Under Secretary for Health commissioned a high-level, cross-cutting task force on data quality and standardization whose membership includes the Chief Officer from VHA's Office of Quality and Performance, the Assistant Deputy Under Secretary for Health, and officials from the Chief Network Office and the Office of Information. This task force focused on strategic planning to provide consistent definitions of clinical and business data for more effective clinical and organizational decision support. The members continue to seek collaboration with other parties including DoD, Indian Health Service (IHS), private sector health care providers, and standards organizations. Through collaborations both within the federal government and in conjunction with health standards organizations, VHA and DoD were able to exchange computable pharmacy and allergy data in 2007. This exchange enables clinical decision support on data from different VA and DoD locations and greatly expands the ability to avoid drug-drug and drug-allergy complications.

VHA's commitment to quality data was confirmed by the results of an OIG audit of the validity of data collection of the quality measures that VHA tracks – Clinical Practice Guidelines Index and Prevention Index II. The report, released in April 2003, acknowledged a high degree of accuracy. The OIG made no recommendations. VHA continuously monitors data accuracy to ensure these high standards are maintained.

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.

VHA has long been recognized as a leader in documenting credentials and privileges of VA health-care professionals. In 2001, VHA implemented an electronic data bank, VetPro. This database dramatically improved VHA's ability to ensure timely and appropriate credentialing of health-care professionals. In December 2006, VetPro was expanded to include all licensed, registered, and certified health care professionals. VetPro promotes and demonstrates to other federal and private agencies the value of a secure, easily accessible, valid data bank of health professionals' credentials. VetPro improves the process of credentialing and privileging by:

- Establishing a secure, accessible, valid electronic database.
- Ensuring appropriate credentials for clinical roles of practitioners.
- Allowing verification of practitioners' track records.

The VHA Data Consortium addresses organizational issues and basic data quality assumptions. The consortium works collaboratively to improve information reliability and customer access for the purposes of quality measurement, planning, policy analyses, and financial management. The ongoing initiatives and strategies address data quality infrastructure, training and education, personnel issues, policy guidance, and data systems.

The VHA data quality coordinator and data quality workgroups provide guidance on data quality policies and practices as follows:

- Develop policy and guidance for field and other staff that provide standard information related to the data content, context, and meaning of specific data elements in VHA databases.
- Participate in VHA's data standardization activities that involve the standardization of VHA's clinical and administrative data in support of critical activities including VA's Health Data Repository program and the Clinical and Health Data Repository data sharing and interoperability project (a collaborative effort between VA and DoD).
- Develop of coding resources for field facilities, including the centralized purchase of enhanced QuadraMed products to support coding and billing. The use of these products is mandatory at all VA sites. The software products and services enable the hospitals to more efficiently manage their revenue cycle.
- Participate in various workgroups providing stewardship of and expertise on VHA data that provide increased data quality for future efforts such as Health*e*Vet VistA.
- Modify the registration software to support the accurate collection of more complete patient identification data in support of the Joint Commission patient safety goal.

This past year, the VHA data quality coordinator helped effectuate changes to software designed to do the following:

- Prevent terminated providers from reading or entering clinical information (VistA).
- Eliminate dual data entry and add clarification to procedures used to delineate workload locations and providers (VistA).

Other software changes included the following:

- Enhancements to prevent the editing of signed documents within VHA's electronic health record.
- Developed codes for Traumatic Brain Injury to provide better tracking of brain injured veterans and to more specifically identify and describe the types of brain injuries.
- Integrated the national external peer review process into local review processes of coding of specifically identified coding supporting indicators such as Acute Myocardial Infarction, Unstable Angina, Heart Failure, and Pneumonia.

To support the need for guidance in medical coding, VHA established the Health Information Management (HIM) Coding Council, comprised of credentialed expert coders with support from VHA HIM Central Office staff to provide research and response to coding questions within 24 hours. The council completes regular updates to the national coding handbook, which provides expert guidance to field facilities. Additional initiatives designed to improve overall data quality of VHA's administrative and clinical data include:

- *"Close Encounters"* and *"Data Quality Highlights*" newsletters for field staff guidance and information.
- Ongoing, periodic training programs on such topics as national standard code set updates

and refresher training in specific areas such as orthopedic coding.

- Standardization of electronic encounter forms including documentation templates.
- Creation of a policy document to address patient identity issues when erroneous edits to a patient's identity data have patient safety implications.
- Providing training-materials development and publication for field and other staff related to data quality topics such as the Registration process, Register Once process, software enhancements, and processes and procedures related to the identification and correction of data quality issues.

Currently VHA is enhancing the VistA platform by completing the Decision Support System and implementing VistA Imaging. Given funding availability, mid/long-term efforts will include development of a comprehensive health database that will be timely and universally accessible across the full continuum of care settings. This platform will provide the basis for enhancements to eligibility/enrollment processing packages leading to attainment of One VA goals, the reengineering of the VistA Scheduling Package, and enhancements/improvements to the billing and fee basis systems.

VHA established a data standardization program to implement a common language for all VHA providers and facilities. The program enables sharing of commensurate data among VHA, DoD, and other health care providers. The availability of commensurate data will increase patient safety by ensuring that all clinical decisions are based on the patient's complete medical record; reduce costs and minimize the likelihood that duplicate tests and procedures will be performed; and improve data quality, aggregation, and reporting by ensuring the consistent interpretation of data across all VHA facilities.

VHA's My Health*e*Vet-VistA project is focused on replacing the existing VistA legacy health-care information system by rehosting, enhancing, and/or reengineering current health information applications on a modern robust technology platform. This effort will enrich the functionality currently available, benefiting veterans, clinical care providers, and the general public by expanding the availability and use of health-care information. When fully implemented, Health*e*Vet-VistA will provide veterans access to their personal health record through the My Health*e*Vet component. This will enable veterans and veterans' health care providers to access and share the health record, trusted health information, and key supportive services including viewing appointments and communicating with their providers through secure messaging. Health*e*Vet-VistA will provide the transition to a veteran-centered health care system that will establish longitudinal electronic health records and track veteran visit history including their problems, orders, results, and treatments, and documentation across all visits enabling VA clinical care providers to have immediate access to critical information regardless of which facility the veteran visited.

VHA's Administrative Data Quality Council was formed in 2004 and is a collaboration between the Chief Business Office and the Office of Information's Health Data and Informatics. This group was formed to provide guidance, direction, and collaboration across VHA to address administrative data, which is fundamental to the patient's health record, and VHA's business processes that support patient care. The Council has issued policy directives and developed and provided training to the field.

VHA is examining its current data quality strategy and proposing the establishment of a formal Data Stewardship program that specifically outlines business roles and responsibilities for data as well as governance and other key aspects of a Data Stewardship program.

Veterans Benefits Administration

VBA continues to focus on data reliability and validity in all facets of its operations from claims processing to FTE hiring patterns. Whether data are collected and housed in legacy systems or an enterprise data warehouse environment, the output must be accurate and consistent to be effective. Managing the accuracy of these data requires an ongoing commitment to data quality methods and strategies across all business lines. In 2007 VBA again invested resources in support of this commitment.

The Office of Performance Analysis and Integrity (OPA&I), which reports directly to the Under Secretary for Benefits, assesses data for completeness, validity, consistency, timeliness, accuracy, and appropriateness of use as indicators. These data are extracted from VBA's systems of record (for example, Benefits Delivery Network) and are imported into an enterprise data warehouse. All reports emanating from the enterprise data warehouse are developed using business rules provided by the respective VBA business lines.

Prior to release, each report is subject to a validation process to ensure accuracy and adherence to the business rules. Specific data validation reviews are conducted throughout the year, and data anomalies are routinely investigated and brought to resolution. VBA's ongoing efforts to maintain data accuracy include reviews of definitions and the associated data related to those definitions. Below are several of the projects and approaches used by the business lines and OPA&I as part of VBA's data quality practices.

- VBA continues to use an online application, which allows all field offices to download timely and consistent information useful to the operations of that office. The enterprise data warehouse integrates the ability to convert large quantities of select information into a spreadsheet format for further analysis. This eliminates the need to develop and maintain individual databases or data marts, which negatively impact centralized data quality measures.

- The Gulf War Veteran Information System affords trend data on population growth for policy and legislation purposes, including those dealing with post-traumatic stress disorder and amyotrophic lateral sclerosis. Both VBA and VHA use these data routinely for operations and analysis. Data are analyzed for variations within the sub-cohorts as well as consistency across the entire population from a longitudinal perspective.

- The VETSNET Operations Reports (VOR) were deployed beginning in May 2007. This new suite of reports allows employees, coaches, and Veterans Service Center managers to be proactive in workload management through timely and accurate access to integrated information. In order to continually improve VOR, VBA regularly reviews the system for accuracy.

- The Fiduciary-Beneficiary System (FBS) provides Fiduciary program personnel and their managers with a database and diary system for the records of incompetent beneficiaries. It also generates field examination requests and accounting-due letters, as well as maintains workload and timeliness data. Through a series of standard listings and reports, as well as specialized query requests to the database, it allows for systematic workload and inventory management. FBS can generate monthly random samples of claims for local review, and the completed work products for the prior month are used to select cases for national review. This random sample approach allows managers and field staff to review claims systematically, saving both time and resources. A review of the methodology used in calculating the completed and pending cases in this system

determined that all data and reports were complete and valid.

- Corporate WINRS is a comprehensive case management system used to maintain complete case histories, generate forms and letters, control payments, and assist in scheduling and tracking appointments for the Vocational Rehabilitation and Employment (VR&E) program. VR&E Intranet reports are continuously refined for regional offices and Central Office to monitor and track this workload data. These reports and other data are released to the regional offices and provide a mechanism to validate the information for accuracy and discrepancies.

- The Insurance Payment System ensures all employee-generated transactions that result in disbursement (e.g., death award, loan, cash surrender) and all changes to bank data used for direct deposit are second-party verified by an independent staff. This system maintains daily counts of receipts and disbursements by the Insurance fund. Each week, random system payments are sampled for accuracy, and quarterly reports are reviewed to resolve questionable conditions, such as payments to two veterans at the same address.

In addition, OPA&I conducts workload and performance reviews on a regular basis. This information is reported at the Deputy Secretary's monthly performance reviews.

National Cemetery Administration

Experience and recent historical data show that about 80 percent of those interred in national cemeteries resided within 75 miles of the cemetery at the time of death. From this experience, NCA considers eligible veterans to have reasonable access if a burial option (whether for casketed or cremated remains) is available within 75 miles of the veteran's place of residence. NCA determines the percent of veterans served by existing national and state veterans cemeteries within a reasonable distance of their residence by analyzing census data on the veteran population. Arlington National Cemetery, operated by the Department of the Army, and Andrew Johnson National Cemetery and Andersonville National Cemetery, operated by the Department of the Interior, are included in this analysis. For 2003 through 2005, actual performance was based on a revised VetPop2000 model using 2000 census data. Actual performance for 2006 and 2007 and target levels of performance for 2007 were based on the VetPop2004 version 1.0 model using 2000 census data. Projected openings of new national or state veterans cemeteries and changes in the service delivery status of existing cemeteries are also considered in determining the veteran population served. (Multiple counts of the same veteran population are avoided in cases of service-area overlap.) In 1999 the OIG performed an audit assessing the accuracy of the data used for this measure. Audit results showed that NCA personnel generally made sound decisions and accurate calculations in determining the percent of veterans served by a burial option. Data were revalidated in the 2002 report entitled Volume 1: Future Burial Needs, prepared by an independent contractor as required by the Veterans Millennium Health Care and Benefits Act, P.L. 106-117.

NCA collects data monthly on the timeliness of marking graves through field station input to the Burial Operations Support System. After reviewing the data for general conformance with previous report periods, headquarters staff validates any irregularities through contact with the reporting station.

Since 2001 NCA has used an annual nationwide mail survey to measure the quality of service provided by national cemeteries as well as the appearance of national cemeteries. The survey provides statistically valid performance information at the national and regional (Memorial Service Network) levels and at the cemetery level for cemeteries having at least 400 interments per year.

The survey collects data annually from family members and funeral directors who recently received services from a national cemetery. To ensure sensitivity to the grieving process, NCA allows a minimum of 3 months after an interment before including a respondent in the sample population. VA headquarters staff oversees the data collection process and provides an annual report at the national level.

NCA has established an Organizational Assessment and Improvement Program to identify and prioritize improvement opportunities and to enhance program accountability by providing managers and staff at all levels with one NCA "scorecard." As part of the program, assessment teams conduct site visits to all national cemeteries on a rotating basis to validate performance reporting.

Veterans Benefits Administration

Quality Assurance Program (Millennium Act)

VBA maintains a quality assurance program independent of the field stations responsible for processing claims and delivering benefits. The following information about our programs—including compensation and pension, education, vocational rehabilitation and employment, housing, and insurance—is provided in accordance with title 38, section 7734.

Cases Reviewed and Employees Assigned by Program		
	Cases Reviewed	**Employees Assigned**
Compensation and Pension (C&P)	15,240	18
Education	1,587	4
Vocational Rehabilitation and Employment	5,386	7
Loan Guaranty (Housing)	1,014	5
Insurance	11,040	4

VBA administers a multi-faceted quality assurance program in an effort to ensure compensation and pension benefits are provided in a timely, accurate, and consistent manner. This comprehensive program includes four tiers. The first tier consists of the established accuracy measures of the quality products within the compensation and pension benefits processing arena. The Systematic Technical Accuracy Review (STAR) program measures accuracy of claims processing decisions made in all regional offices. Monthly quality reviews of VHA examination requests and reports accuracy are conducted in collaboration with the Compensation and Pension Examination Program (CPEP) office.

The second tier of the C&P quality assurance program consists of regional office compliance oversight visits conducted by central office site survey teams. In addition to these regional office visits, the Office of Field Operations also performs regular oversight reviews.

The third tier of the accuracy performance case reviews consists of special ad-hoc reviews. The quality assurance staff completes special ad-hoc reviews as needed in support of the agency mission and needs. These reviews are generally one-time case or examination reviews conducted for a specified purpose.

VBA recently added a fourth tier to its national quality assurance program by establishing a rating consistency review program. This review assesses recently completed rating decisions across all regional offices, identifies the disabilities by diagnostic code rated most often, and plots both the grant/denial rate and evaluation mode assigned across all regional offices. Stations that fall outside of two standard deviations are considered statistical outliers. Focused case reviews will be conducted by the C&P STAR staff on a random sampling of cases completed by identified outliers to determine root causes of inconsistency. This consistency review methodology was piloted in FY 2007 and will be fully implemented in FY 2008.

Summary of Findings and Trends – Compensation and Pension (C&P)

STAR accuracy reports are based on the month that a case was completed, not when reviewed. Cases are submitted for review no later than the end of the following month.

The STAR system includes review of work in three areas: claims that usually require a rating

decision, authorization work (claims that generally do not require a rating decision), and fiduciary work.

Reviews of rating-related decisions and authorization-related actions have a specific focus:

- The benefit entitlement review ensures all issues were addressed, claims assistance was provided (under the Veterans Claims Assistance Act), and the resulting decision was correct, including effective dates. Accuracy performance measures are calculated based on the results of the benefit entitlement review.
- The decision documentation/notification review ensures adequate and correct decision documentation and proper decision notification.

Results for C&P rating and authorization reviews for the 12-month period ending May 31, 2007, are as follows:

	Rating Reviews		**Authorization Reviews**	
	Reviewed	Accuracy	Reviewed	Accuracy
Benefit Entitlement	7,075	89%	6,498	92%
Decision Documentation & Notification	7,075	92%	6,498	88%

The fiduciary work review focuses on the appointment of fiduciaries, the conduct of field examinations, and the accountings by fiduciaries. The fiduciary review through May 2007 was based on 3,805 cases with an accuracy rate of 82 percent. Most of the errors were found in the area of protection. "Protection" includes oversight of the fiduciary/beneficiary arrangement, analysis of accounting, adequacy of protective measures for the residual estate, and any measures taken to ensure that VA funds are used for the welfare and needs of the beneficiary and recognized dependents. If any of the individual components is in error, the entire case is in error.

Actions Taken to Improve Quality – Compensation and Pension

Regional offices are required to certify corrective actions taken quarterly for errors documented by STAR. Reports on the corrective actions are submitted to VBA Headquarters, where they are reviewed to determine the adequacy of such actions. Reliability of the reports is monitored during cyclical management site visits. Area offices continue to provide oversight for regional offices, directing the development and implementation of wellness plans as needs arise.

The fiduciary STAR team uses a philosophy of consistency in review and a policy of assigning a dedicated STAR reviewer to specific field stations. Common STAR error findings are used for discussion and training during scheduled site visits and as agenda items for quarterly fiduciary program teleconference calls.

Training remains a priority and is conducted using a variety of mediums including satellite broadcasts, training letters, and computer-assisted training. C&P Training and STAR staffs collaborate on training based on error trend analysis. Particular effort is made to ensure high-quality centralized training for new Veterans Service Representatives (VSRs) and Rating Veterans Service Representatives (RVSRs). VBA implemented national individual performance review plans with

standardized review categories, sample size, and performance standards for all VSRs and RVSRs.

VBA continues to work closely with VHA to improve the quality of examination requests and reports. Efforts include measuring request and report accuracy, developing CD-ROM and Web-based training materials, and sponsoring quality improvement training sessions for key medical center and regional office staff. The STAR staff, out-based/hospital liaison RVSRs, and C&P Examination Program employees perform examination quality reviews. Another collaborative VBA/VHA initiative in the examination improvement process is the creation of standardized computerized templates for all 57 VBA examination worksheets. Improvements continued to be made in these templates to enhance usability and report generation.

Summary of Findings and Trends – Education

Education Service reviewed 1,587 cases in 2007. From 2006 to 2007, payment accuracy improved slightly from 94.3 to 94.8 percent. Errors in determining training time (part or full time), errors in determining the correct date for reduction or termination of payment, and failure to process enrollment certifications each constituted 16.7 percent, and incorrect payment for intervals between terms constituted 13.3 percent. These four causes accounted for 63.4 percent of all payment errors in 2007, slightly less than the 64.5 percent of payment errors that they constituted in 2006.

Actions Taken to Improve Quality – Education

As in previous years, the 2007 quarterly quality results identified error trends and causes. Errors in the areas identified then became topics for refresher training in regional processing offices. In addition, annual appraisal and assistance visits provided recommendations for improving specific quality areas.

Education Service is continuing to develop standardized training and certification for employees. The project is expected to have a significant impact in raising quality scores and maintaining them at high levels as the initiative is fully implemented over the next few years.

Summary of Findings and Trends – Vocational Rehabilitation and Employment (VR&E)

For 2007, VR&E completed quality assurance (QA) reviews on 5,386 cases. The national QA reviews were conducted over a 12-month period, with each regional office having been reviewed twice during the fiscal year. The goal was to review at least 80 cases from each regional office.

Two reviews were added during this fiscal year: the Independent Living case reviews and the Maximum Rehabilitation Gain reviews.

Accuracy Elements *(As of July 2007)*	**Target Score 2007**	**Actual Score 2007**
Accuracy of Entitlement Determinations	96%	96.9%
Accuracy of Evaluation, Planning, and Rehabilitation Services	87%	77%
Accuracy of Fiscal Decisions	94%	80.3%
Accuracy of Outcome Decisions	92%	92.6%

In addition to review of cases from each regional office, the QA & Field Survey Team conducts site visits of regional offices. There were 13 offices surveyed this fiscal year.

Actions Taken to Improve Quality – Vocational Rehabilitation and Employment

The VR&E accuracy scores met or exceeded the target scores for FY 2006 in the following two elements: Accuracy of Entitlement Decisions and Accuracy of Outcome Decisions. These scores are attributed to the following initiatives implemented over the last 3 years:

- Local QA reviews continue to be implemented in all regional offices. Each regional office conducts a review of 10 percent of its caseload each year. This ensures consistency in the QA review process and office procedures.

- The QA Reconsideration Review Board continues to provide resolutions on any regional office's request for reconsideration of decisions made during a review. This auxiliary review process clarifies implementation of VR&E policies and regulatory guidelines.

- The QA review results for national and local reviews have been made available through the VA Intranet Web site. These data enable regional offices to assess individual quality and to identify training needs.

- The revision of the Site Visit Protocol now includes the review of contracting activities.

- The QA Review Team currently works with the Training Team to assist in providing further clarifications on administration of Chapter 31 benefits.

Summary of Findings and Trends – Loan Guaranty (Housing)

The Loan Guaranty housing program reviewed 12,800 cases under its statistical quality control program during 2007. The defect rate equaled 1.0 percent, with the current national accuracy index being 99.0 percent. This is an improvement from 2006.

The housing quality assurance program includes elements beyond the review of cases. The VBA Lender Monitoring Unit performed 42 on-site audits and 35 in-house audits of lenders participating in VA's home loan program. VA audits of lenders during 2007 amounted to approximately $3,250,000 in liability avoidance via indemnification agreements. VA has also collected $1,024,844 in 2007 as a result of having indemnification agreements in place.

The Portfolio Loan Oversight Unit (PLOU) conducts two types of reviews: in-house and on-site. PLOU reviewed 124 billing invoices and completed 9,750 associated invoice reviews of the portfolio services contractor, as well as 7,790 non-invoice reviews related to contract compliance. PLOU also conducted special detailed analyses and research on 182 portfolio loans and Real Estate Owned properties, with a total of $89,251 in associated dollar adjustments. Additionally, PLOU conducted research and tracking on funds due the Department based on monies flowing through the Department of Justice to VA. The amount traced and recovered for VA in 2007 is $1,644,109.

Loan Guaranty staff conducted 6 on-site reviews of VA Regional Loan Centers and an on-site review of the Winston-Salem Eligibility Center. On-site performance reviews are conducted by VA Quality Control Staff.

In 2007 the reviews by Loan Management/PLOU recovered excessive contractor charges in the amount of $29,867. PLOU also discovered approximately $19,001 of potentially recoverable amounts from GI lenders in connection with title issues.

Actions Taken to Improve Quality – Loan Guaranty (Housing)

The Loan Guaranty Service disseminates the results of statistical quality control (SQC) reviews to field offices on a monthly basis. The Service prepares and releases trend reports that

identify negative trends and action items found during surveys. The reports are published to assist field personnel in identifying frequent problems facing loan guaranty management. Additionally, summaries of best practices employed by individual field stations are disseminated to all field stations with loan guaranty activity.

National training is provided to enhance the quality of service provided to veterans and to increase lender compliance with VA policies. Lenders who significantly fail to comply with policies are either required to enter into indemnification agreements with VA or immediately repay the agency for its losses.

VA awarded a property management services contract to Ocwen Loan Servicing, LLC (Ocwen) in August 2003. Under this contract, Ocwen manages and sells all VA-acquired properties as a result of foreclosure or termination of GI and portfolio loans. These assets are currently worth approximately $600 million. VA began transitioning properties to Ocwen in early December 2003. Loan Guaranty established the Property Management Oversight Unit (PMOU) in 2004 to monitor the management and marketing of the properties by Ocwen. The PMOU monitors Ocwen's performance by inspecting properties nationwide to ensure compliance with the contract requirements and performs on-site case reviews at Ocwen's operations center on a quarterly basis. The PMOU is also responsible for reviewing and certifying all payments made to Ocwen, including reimbursement of out-of-pocket expenses on VA properties as well as the service provider fee due when the property is sold. This requires quality assurance checks to ensure that Ocwen is entitled to the claimed reimbursement.

Summary of Findings and Trends – Insurance

The Insurance program's principal quality assurance tool is the SQC review. It assesses the ongoing quality and timeliness of work products by reviewing a random sample of completed or pending work products. These work products are generally grouped into two broad categories based on the operating divisions in which they are performed – Policyholders Services or Insurance Claims Divisions.

Policyholders Services, whose work products deal with the maintenance of active insurance policies, had an overall accuracy rate of 97.5 percent for 2006. Work products included correspondence, applications, disbursements, record maintenance, refunds, and telephone inquiries. Insurance Claims Divisions are responsible for the payment of death and disability awards, the issuance of new coverage, and the processing of beneficiary designations. The accuracy rate for Insurance Claims work products was 99 percent. Work products included death claims, awards maintenance, beneficiary and option changes, disability claims, and medical applications. In total, 98.2 percent of all 2006 insurance work products were accurate.

Over 98 percent of the work measured in Policyholders Services and 97.5 percent in Insurance Claims was within accepted timeliness standards. In all, 97.8 percent of 2006 insurance work products were timely.

The insurance quality assurance program also includes internal control reviews and individual employee performance reviews. The internal control staff reviews 100 percent of all employee-prepared disbursements and also reviews insurance operations for fraud through a variety of reports. Reports are generated daily and identify death claims based on specific criteria that indicate possible fraud. Primary end products processed by employees in the operating divisions are evaluated based on the elements identified in the Individual Employee Performance Requirements. As a result of these controls, insurance disbursements are 98.4 percent accurate.

Actions Taken to Improve Quality – Insurance

The Insurance Service uses SQC and employee performance review programs to measure quality and timeliness on an overall and individual basis. Both programs are valuable as training tools because they identify trends and problem areas. When a reviewer finds an error or discrepancy during a review, he or she prepares an exception sheet that clearly describes how the item was processed incorrectly. The noted item is then reviewed with the person who incorrectly processed the form.

SQC reviews are based on random samples of key work products and evaluate how well these work products are processed in terms of both quality and timeliness. Exceptions are brought to the attention of the insurance operations division chiefs, unit supervisors, and employees who worked the case.

VBA's Insurance Service evaluates the SQC programs periodically to determine if they are functioning as intended. The Insurance Service recently updated error and discrepancy codes to correspond with changing processes.

Individual performance reviews are conducted monthly. The performance levels – critical and non-critical elements – are identified in the Individual Employee Performance Requirements. These reviews are based on a random sampling of the primary end products turned out by employees in the operating divisions. Those items found to have errors are returned to the employee for correction. At the end of the month, supervisors inform employees of their error rates and timeliness percentages as compared to acceptable standards.

The Insurance program has successfully implemented a dozen job aids under the initiative called "Skills, Knowledge and Insurance Practices and Procedures Embedded in Systems." This program captures "best practices" for processing various work items and makes them available on each employee's desktop. It is expected that the job aids will further reduce error rates and improve timeliness.

In addition to the actions above, the Internal Control Staff records and returns work with any errors detected while conducting reviews. The records are continuously analyzed, and corrective training and other steps are taken to reduce/eliminate such errors.

Key Measures Data Table

Sorted by Owner, by Strategic Objective

Key Performance Measure Sorted by *Strategic Objective*	Definition	Data Source
Objective 1.2 **Compensation: National accuracy rate (core rating work)**	Processing accuracy for compensation claims that normally require a disability or death rating determination. Review criteria include: addressing all issues, Veterans Claims Assistance Act (VCAA)-compliant development, correct decision, correct effective date, and correct payment date if applicable. Accuracy rate is determined by dividing the total number of cases with no errors in any of these categories by the number of cases reviewed.	Findings from Compensation and Pension (C&P) Service Systematic Technical Accuracy Review (STAR) are entered in an Intranet database maintained by the Philadelphia LAN Integration Team and downloaded monthly to the Performance Analysis and Integrity (PA&I) information storage database.
Objective 1.2 **Compensation and Pension: Rating-related actions - average days to process**	The average elapsed time (in days) it takes to complete compensation and pension claims that require a rating decision is measured from the date the claim is received by VA to the date the decision is completed. Includes the end products (EPs): Original Compensation, with 1-7 issues (EP110); Original Compensation, 8 or more issues (EP010); Original Service Connected Death Claim (EP140); Reopened Compensation Claims (EP020); Review Examination (EP310); Hospitalization Adjustment (EP320); Original Disability Pension (EP180); and Reopened Pension (EP120). The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of cases completed.	Data source is the Benefits Delivery Network (BDN). The data are manually input by VBA employees during the claims process. Results are extracted from BDN by VA managers. VBA's C&P Service owns the data and is therefore responsible for validation of data accuracy.
Objective 1.2 **Compensation: Rating-related actions - average days pending**	The measure is calculated by counting the number of days for all pending compensation claims that require a rating decision from the date each claim is received through the current reporting date. The total number of days is divided by the total number of pending claims. Includes the end products (EPs): EP110, EP010, EP140, EP020, EP310, and EP320.	BDN

Frequency	Data Limitations	Data Verification and Measure Validation
Case reviews are conducted daily. The review results are tabulated monthly on a 12-month rolling basis.	None	**Verification:** C&P STAR quality reviews by individual reviewers are routinely validated by C&P managers as part of individual performance. Additionally, when a regional office (RO) disagrees with an error call, it is reviewed as part of a formal process requiring the concurrence of the service director. **Validation:** This measure assesses the quality of claims processing and assists VBA management in identifying improvement opportunities and training needs.
Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.	None	**Verification:** Data are analyzed weekly and results are recorded quarterly by VBA's Central Office-based C&P Service, which performs quality and consistency reviews on cases from the ROs. **Validation:** This measure improves the focus on service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.
The element is a snapshot of the age of the inventory at the end of each processing day.	None	**Verification:** Data are analyzed weekly and results are recorded quarterly by VBA's Central Office-based C&P Service, which performs quality and consistency reviews on cases from the ROs. **Validation:** This measure improves the focus on service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.

Key Performance Measure Sorted by *Strategic Measure*	Definition	Data Source
Objective 1.3 **Vocational Rehabilitation and Employment (VR&E) Rehabilitation rate**	The rehabilitation rate calculation is as follows: (a) the number of disabled veterans who successfully complete VA's vocational rehabilitation program and acquire and maintain suitable employment and veterans with disabilities for which employment is infeasible but who obtain independence in their daily living with assistance from the program divided by (b) the total number leaving the program—both those rehabilitated plus discontinued cases with a plan developed in one of three case statuses (Independent Living, Rehabilitation to Employability, or Employment Services) minus those individuals who benefited from but left the program and have been classified under one of three "maximum rehabilitation gain" categories: (1) the veteran accepted an employment position incompatible with disability limitations, (2) the veteran is employable but has informed VA that he/she is not interested in seeking employment, or (3) the veteran is not employed and not employable for medical or psychological reasons.	VR&E management reports
Objective 1.4 **Compensation: Average days to process - DIC actions**	The average length of time (in days) it takes to process a Dependency and Indemnity Compensation (DIC) claim from the date the claim is received by VA to the date the claim is completed. The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of claims completed. DIC actions are all Original Service Connected Death Claims (EP140) processed.	BDN
Objective 2.2 **Average days to complete original and supplemental education claims**	Elapsed time, in days, from receipt of a claim in the regional processing office (RPO) to closure of the case by issuing a decision. Original claims are those for first-time use of this benefit. Any subsequent school enrollment is considered a supplemental claim.	Education claims processing timeliness is measured by using data captured automatically through VBA's BDN. This information is reported through VBA's data warehouse using the Distribution of Operational Resources (DOOR) system.

Frequency	Data Limitations	Data Verification and Measure Validation
Quality Assurance Reviews evaluate the accuracy and reliability of data and are conducted twice a month.	None	**Verification:** QA reviews are completed by each station and VR&E Service. The QA program was set up to review samples of cases for accuracy and to provide scoring at the RO level. The VR&E service reviews 76 cases per station each year, and all field stations conduct local QA Reviews on 10 percent of their caseload. **Validation:** The primary goal of the VR&E program is to assist service-disabled veterans in becoming employable. The rehabilitation rate is the key indicator of the program's success in meeting this goal, as it illustrates the number of veterans successfully reentering the workforce following completion of their VR&E program.
Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.	None	**Verification:** Data are analyzed weekly and results are recorded quarterly by VBA's Central Office-based C&P Service, which performs quality and consistency reviews on cases from the ROs. **Validation:** This measure improves the focus on service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.
Monthly	None	**Verification:** The Education Service staff in VA Central Office confirms reported data through ongoing quality assurance reviews conducted on a statistically valid sample of cases. Dates of claims are reviewed in the sample cases to ensure they are reported accurately. Each year, Central Office staff reviews a sample of cases from each of the four RPOs. Samples are selected randomly from a database of all quarterly end products. The results are valid at the 95 percent confidence level. **Validation:** Timeliness is directly related to the volume of work received, the resources available to handle the incoming work, and the efficiency with which the work can be completed, and is thus the best quantifying measure for education processing.

Key Performance Measure Sorted by *Strategic Objective*	Definition	Data Source
Objective 3.1 **Percent of patients rating VA health care service as very good or excellent: Inpatient and Outpatient**	Data are gathered for these measures via a VA survey that is applied to a representative sample of inpatients and a sample of outpatients. The denominator is the total number of patients sampled who answered the question, "Overall, how would you rate your quality of care?" The numerator is the number of patients who respond 'very good' or 'excellent.'	Survey of Health Experiences of Patients
Objective 3.1 **Percent of primary care appointments scheduled within 30 days of desired date**	This measure tracks the time between when the primary care appointment request is made (entered into the computer) and the date for which the appointment is actually scheduled. The percent is calculated using the numerator, which is all appointments scheduled within 30 days of desired date (includes both new and established patient experiences), and the denominator, which is all appointments in primary care clinics posted in the scheduling software during the review period.	VistA scheduling software
Objective 3.1 **Percent of specialty care appointments scheduled within 30 days of desired date**	This measure tracks the time between when the specialty care appointment request is made (entered into the computer) and the date for which the appointment is actually scheduled. This includes both new and established specialty care patients. The percent is calculated using the numerator, which is all appointments scheduled within 30 days of desired date, and the denominator, which is all appointments posted in the scheduling software during the review period in selected high volume/key specialty clinics.	VistA scheduling software

Frequency	Data Limitations	Data Verification and Measure Validation
Surveys are conducted as follows: Inpatient - Semi-annually Outpatient - Quarterly.	None	**Verification:** Routine statistical analyses are performed to evaluate the data quality, survey methodology, and sampling processes. Responses to questions are routinely analyzed to determine which areas of VA's health care delivery system should be focused upon in order to positively impact the quality of health care delivered by VA. **Validation:** Satisfaction surveys are the most effective way to determine patient expectations and provide a focused critique on areas for improvement.
Monthly	None	**Verification:** The VistA scheduling software requires minimal interpretation from an employee to ensure accuracy of data collected. **Validation:** Provides a reliable measure of timeliness of access to care as well as responsiveness to the patient's stated needs.
Monthly	None	**Verification:** The VistA scheduling software requires minimal interpretation from an employee to ensure accuracy of data collected. **Validation:** Provides a reliable measure of timeliness of access to care as well as responsiveness to the patient's stated needs.

Key Performance Measure Sorted by Strategic	Definition	Data Source
Objective 3.1 **Clinical Practice Guidelines Index II**	The Clinical Practice Guidelines Index is a composite measure comprised of the evidence and outcomes-based measures for high-prevalence and high-risk diseases that have significant impact on overall health status. The indicators within the Index are comprised of several clinical practice guidelines in the areas of ischemic heart disease, hypertension, diabetes mellitus, major depressive disorder, schizophrenia, and tobacco use cessation. The percent compliance is an average of the separate indicators. As clinical indicators become high performers, they are replaced with more challenging indicators. The Index is now in Phase II.	VHA biostatisticians design and obtain a statistically valid random sample of medical records for review. The findings of the review are used to calculate the index scores.
Objective 3.1 **Prevention Index III**	The Prevention Index is an average of nationally recognized primary prevention and early detection interventions for nine diseases or health factors that significantly determine health outcomes. The nine diseases or health factors include: rate of immunizations for Influenza and Pneumococcal pneumonia; screening for tobacco consumption, alcohol abuse, breast cancer, cervical cancer, colorectal cancer, and cholesterol levels; and prostate cancer education. Each disease has an indicator. Each indicator's numerator is the number of patients in the random sample who actually received the intervention they were eligible to receive. The denominator is the number of patients in the random sample who were eligible to receive the intervention. As prevention indicators become high performers, they are replaced with more challenging indicators. This Index is now in Phase III.	VHA biostatisticians design and obtain a statistically valid random sample of medical records for review. The findings of the review are used to calculate the index scores.

Frequency	Data Limitations	Data Verification and Measure Validation
Data are reported quarterly with a cumulative average determined annually.	None	**Verification:** Review is performed by an external contractor to ensure accuracy of findings. In addition, the reliability of the collected data is evaluated using accepted statistical methods along with inter-rater reliability assessments that are performed each quarter. **Validation:** The CPGI II demonstrates the degree to which VHA provides evidence-based clinical interventions to veterans seeking care in VA. The measure targets elements of care that are known to have a positive impact on the health of our patients who suffer from commonly occurring acute and chronic illnesses.
Data are reported quarterly with a cumulative average determined annually.	None	**Verification:** Review is performed by an external contractor to ensure accuracy of findings. In addition, the reliability of the collected data is evaluated using accepted statistical methods along with inter-rater reliability assessments that are performed each quarter. **Validation:** The Prevention Index III demonstrates the degree to which VHA provides evidence-based clinical interventions to veterans seeking preventive care in VA. The measure targets elements of preventive care that are known to have a positive impact on the health and well-being of our patients.

Frequency	Definition	Data Source
Objective 3.1 **Annual percent increase of non-institutional, long-term care average daily census using 2006 as the baseline**	The percentage increase is based on the Average Daily Census (ADC) of veterans enrolled in Home and Community-Based Care programs (e.g., Home-Based Primary Care, Contract Home Health Care, Adult Day Health Care (VA and Contract), and Homemaker/Home Health Aide Services). The percentage increase is also based on the number of veterans being cared for under the Care Coordination/Home Telehealth settings.	The ADC data are obtained from VHA workload reporting databases designed to capture both VHA-provided care and VHA-paid (fee-based or contracted) care.
Objective 3.2 **Compensation and Pension: Rating-related actions - average days to process**	The average elapsed time (in days) it takes to complete compensation and pension claims that require a rating decision is measured from the date the claim is received by VA to the date the decision is completed. Includes the end products (EPs): Original Compensation, with 1-7 issues (EP110); Original Compensation, 8 or more issues (EP010); Original Service Connected Death Claim (EP140); Reopened Compensation Claims (EP020); Review Examination (EP310); Hospitalization Adjustment (EP320); Original Disability Pension (EP180); and Reopened Pension (EP120). The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of cases completed.	Data source is the BDN. The data are manually input by VBA employees during the claims process. Results are extracted from BDN by VA managers. VBA's C&P Service owns the data and is therefore responsible for validation of data accuracy.
Objective 3.2 **Pension: Non-rating actions - average days to process**	The average length of time (in days) it takes to process a pension claim that does not require a rating decision from the date the claim is received by VA to the date the claim is completed. The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of claims completed. Includes the end products (EPs): Disability and Death Dependency Claims (EP 130); Income, Estate and Election Issues (EP 150); Income Verification Match Cases (EP 154); Eligibility Verification Report Referrals (EP 155); and Original Death Pension Claims (EP 190).	Data source is the BDN. The data are manually input by VBA employees during the claims process. Results are extracted from BDN by VA managers. VBA's C&P Service owns the data and is therefore responsible for validation of data accuracy.

Key Performance Measure Sorted by Strategic Objective	Data Limitations	Data Verification and Measure Validation
Quarterly	None	**Verification:** VHA data quality/accuracy standards are applied, and data undergo audits and ongoing verification to ensure accuracy. This is critical as data are used for budgeting, workload planning, etc. **Validation:** The measure captures the expansion of access to non-institutional care within VHA programs and/or contracted services. Non-institutional care is deemed to be more desirable and cost efficient for those veterans that are appropriate for this level of care. The measure drives both expansion of the variety of services and expansion of geographic access.
Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.	None	**Verification:** Data are analyzed weekly and results are recorded quarterly by VBA's Central Office-based C&P Service, which performs quality and consistency reviews on cases from the ROs. **Validation:** This measure improves the focus on service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.
Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.	None	**Verification:** Data are analyzed weekly and results are recorded quarterly by VBA's Central Office-based C&P Service, which performs quality and consistency reviews on cases from the ROs. **Validation:** This measure improves the focus on service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.

Key Performance Measure Sorted by Strategic Objective	Definition	Data Source
Objective 3.2 **Pension: National accuracy rate (authorization work)**	Processing accuracy for pension claims that normally do not require rating decisions (i.e., determinations and verifications of income as well as dependency and relationship matters). Review criteria include: correct decision, correct effective date, and correct payment date when applicable and Veterans Claims Assistance Act (VCAA)-compliant development. Accuracy rate is determined by dividing the total number of cases with no errors in any of these categories by the number of cases reviewed.	Findings from C&P Service STAR are entered in an Intranet database maintained by the Philadelphia LAN Integration Team and downloaded monthly to the PA&I information storage database.
Objective 3.3 **Average number of days to process TSGLI disbursements**	TSGLI is a disability rider to the SGLI program that provides automatic traumatic injury coverage to all servicemembers covered under the SGLI program who suffer losses due to traumatic injuries. TSGLI payments range from $25,000 to a maximum of $100,000 depending on the type and severity of injury. Processing time, calculated as days, begins when the veteran's claim is complete and ends when the internal controls staff approves the disbursement.	Data on processing time are collected and stored through the Life Claims Management System (LCMS) maintained by the Office of Servicemembers' Group Life Insurance (OSGLI).
Objective 3.4 **Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence**	The measure is the number of veterans served by a burial option divided by the total number of veterans, expressed as a percentage. A burial option is defined as a first family member interment option (whether for casketed remains or cremated remains, either in-ground or in columbaria) in a national or state veterans cemetery that is available within 75 miles of the veteran's place of residence.	For 2003 through 2005, the number of veterans and the number of veterans served were extracted from a revised VetPop2000 model using 2000 census data. For 2006, 2007, and projected targets, the number of veterans and the number of veterans served were extracted from the VetPop2004 version 1.0 model using 2000 census data.

Frequency	Data Limitations	Data Verification and Measure Validation
Case reviews are conducted daily. The review results are tabulated monthly and annually	None	**Verification:** C&P STAR quality reviews by individual reviewers are routinely validated by C&P managers as part of individual performance. Additionally, when an RO disagrees with an error call, it is reviewed as part of a formal process requiring the concurrence of the service director. **Validation:** This measure assesses the quality of claims processing and assists VBA management in identifying improvement opportunities and training needs.
Monthly	None	**Verification:** The Insurance Service will periodically evaluate the calculation of average processing time for TSGLI disbursements made by OSGLI. **Validation:** The purpose of TSGLI is to provide rapid financial assistance to traumatically injured servicemembers so that their families can be with them during an often extensive recovery and rehabilitation process. The timeliness of disbursements is the primary reflection of this purpose and provides a clear indication of the ability to process the workload in a quality, timely manner.
Recalculated annually or as required by the availability of updated veteran population census data. Projected openings of new national or state veterans cemeteries and changes in the service delivery status of existing cemeteries also determine the veteran population served.	Provides performance data at specific points in time as veteran demographics change.	**Verification:** In 1999, the OIG performed an audit assessing the accuracy of the data used for this measure. Data were revalidated in the 2002 report entitled Volume 1: Future Burial Needs, prepared by an independent contractor as required by the Veterans Millennium Health Care and Benefits Act, P.L. 106-117. **Validation:** Reasonable access to a burial option means that a first interment option (whether for casketed remains or cremated remains, either in-ground or in columbaria) in a national or state veterans cemetery is available within 75 miles of the veteran's place of residence. VA established a 75-mile service area standard because NCA data show that more than 80 percent of persons interred in national cemeteries resided within 75 miles of the cemetery at the time of death.

Key Performance Measure Sorted by Strategic Objective	Definition	Data Source
Objective 3.4 **Percent of respondents who rate the quality of service provided by the national cemeteries as excellent**	The number of survey respondents who agree or strongly agree that the quality of service received from national cemetery staff is excellent divided by the total number of survey respondents, expressed as a percentage.	NCA's Survey of Satisfaction with National Cemeteries. The survey collects data from family members and funeral directors who have recently received services from a national cemetery.
Objective 3.5 **Percent of graves in national cemeteries marked within 60 days of interment**	The number of graves in national cemeteries for which a permanent marker has been set at the grave or the reverse inscription completed within 60 days of the interment divided by the number of interments, expressed as a percentage.	NCA'S Burial Operations Support System (BOSS) as input by field stations.
Objective 3.6 **Foreclosure avoidance through servicing (FATS) ratio**	The FATS ratio measures the effectiveness of VA supplemental servicing of defaulted guaranteed loans. The ratio measures the extent to which foreclosures would have been greater had VA not pursued alternatives to foreclosure.	Data are extracted from the Loan Service and Claims (LS&C) System. This system is used to manage defaults and foreclosures of VA-guaranteed loans.

Frequency	Data Limitations	Data Verification and Measure Validation
Annually	The mail-out survey provides statistically valid performance data at the national and MSN levels and at the cemetery level for cemeteries having at least 400 interments per year.	**Verification:** VA Headquarters staff oversees the data collection process and provides an annual report at the national level that describes the sampling plan and survey methodology. In addition, MSN and cemetery level reports are provided to NCA management. **Validation:** NCA strives to provide high-quality, courteous, and responsive service in all of its contacts with veterans and their families and friends. These contacts include scheduling the committal service, arranging for and conducting interments, and providing information about the cemetery and the location of specific graves.
Monthly	None	**Verification:** VA Headquarters staff oversees the data collection process to validate its accuracy and integrity. Monthly and fiscal-year-to-date reports are provided at the national, MSN, and cemetery levels. **Validation:** The headstone or marker is a lasting memorial that serves as a focal point not only for present-day survivors but also for future generations. In addition, it may bring a sense of closure to the grieving process to see the grave marked. The amount of time it takes to mark the grave after an interment is important to veterans and their family members.
Data are collected on a monthly basis.	There are five components that make up the FATS ratio. The four involving financial transactions are auditable. The fifth component, successful interventions, is based on employee interpretation of established criteria.	**Verification:** Data for the FATS ratio are validated on a monthly basis by the Regional Loan Center field review of all components of the ratio, followed by Central Office review of a percentage of successful interventions. **Validation:** The primary goal of Loan Guaranty Service is to assist veterans in obtaining home ownership. The FATS ratio measures VA's ability to assist veterans in maintaining home ownership during periods of personal financial hardship.

Key Performance Measure Sorted by *Strategic Objective*	Definition	Data Source
Objective 4.2 **Progress towards development of one new treatment for PTSD (Five milestones to be achieved over four years)**	PTSD is an anxiety disorder that can develop after a person has been exposed to a terrifying event or ordeal in which physical harm occurred or was threatened, as in the example of combat. PTSD related to combat exposure is a major concern in the health of the veteran population. The long-term goal of this research is to develop at least one new effective treatment for PTSD and publish the results by 2011.	Data are obtained from (1) the written annual research progress reports, which are submitted electronically through the Office of Research and Development's ePROMISE system; (2) personal communications with the investigator in relation to this performance goal, which will be noted and filed; and (3) submission of an application for VA research funding by the Principal Investigator, which will include a summary of progress.
Objective 4.5 **Percent of respondents who rate national cemetery appearance as excellent**	The number of survey respondents who agree or strongly agree that the overall appearance of the national cemetery is excellent divided by the total number of survey respondents, expressed as a percentage.	NCA's Survey of Satisfaction with National Cemeteries. The survey collects data from family members and funeral directors who have recently received services from a national cemetery.

Frequency	Data Limitations	Data Verification and Measure Validation
Annually	None	**Verification:** Milestones for completing four clinical trials and publishing findings have been identified and published as part of the VHA Performance Plan. **Validation:** The results from the clinical trials will be published in peer-reviewed scientific journals, providing an evidence base for clinical practice generally and for Clinical Practice Guidelines specifically.
Annually	The mail-out survey provides statistically valid performance data at the national and MSN levels and at the cemetery level for cemeteries having at least 400 interments per year.	**Verification:** VA Headquarters staff oversees the data collection process and provides an annual report at the national level that describes the sampling plan and survey methodology. In addition, MSN and cemetery level reports are provided to NCA management. **Validation:** NCA will continue to maintain the appearance of national cemeteries as national shrines so that bereaved family members are comforted when they come to the cemetery for the interment, or later to visit the grave(s) of their loved one(s). Our Nation's veterans have earned the appreciation and respect not only of their friends and families, but also of the entire country and our allies. National cemeteries are enduring testimonials to that appreciation and should be places to which veterans and their families are drawn for dignified burials and lasting memorials.

Performance Measures Tables

By Strategic Goal and by Program

The following tables display our key and supporting measures both by strategic goal and objective (see Table 1), and by organization and program (see Table 2).

For each measure, we show available trend data for 5 years. **The actual 2007 result as compared to the 2007 target is designated as follows:**

- **Green or G**: Target was met or exceeded.
- **Yellow or Y**: Target was not met, but the deviation did not significantly impact program performance.
- **Red or R**: Target was not met, but the deviation did significantly impact program performance.

For measure coded "red", we provide a brief explanation of why there was a significant deviation between the actual and planned performance level and briefly identify the steps being taken to ensure goal achievement in the future. Please see the Performance Shortfalls tables beginning on page 86 for this information.

For those measures where 2007 results are partial or estimated, we will publish final data in the FY 2009 Congressional Budget and/or the FY 2008 Performance and Accountability Report.

The table showing measures by organization and program includes the total amount of resources (FTE and obligations) for each program. The GPRA program activity structure is somewhat different from the program activity structure shown in the program and financing (P&F) schedules of the President's budget. However, all of the P&F schedules have been aligned with one or more of our programs to ensure all VA program activities are covered.
The program costs (obligations) represent the estimated total resources available for each of the programs, regardless of which organizational element has operational control of the resources. The performance measures and associated data for each major program apply to the entire group of schedules listed for that program.

VA uses the balanced measures concept to monitor program and organizational performance. We examine and regularly monitor several different types of measures to provide a more comprehensive and balanced view of how well we are performing. Taken together, the measures demonstrate the balanced view of performance we use to assess how well we are doing in meeting our strategic goals, objectives, and performance targets.

VA continues working to ensure the quality and integrity of our data. The Key Measures Data Table starting on page 204 provides the definition, data source, frequency of collection, any data limitations, and data verification and measure validation for each of VA's 23 key measures. The Assessment of Data Quality beginning on page191 provides an overall view of how our programs verify and validate data for all of the measures. Definitions for the key as well as supporting measures are located in Part IV.

Table 1 – FY 2007 Performance Measures by Strategic Goal and Objective

(G=Green, Y=Yellow; R=Red)

Strategic Goal/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	FY 2007 Target	
Strategic Goal 1: Restore the capability of veterans with disabilities to the greatest extent possible, and improve the quality of their lives and that of their families.							
Objective 1.1: Maximize the physical, mental, and social functioning of veterans with disabilities and be a leader in providing specialized health care services.							
Percent of Specially Adapted Housing (SAH) grant recipients who indicate that grant-funded housing adaptations increased their independence (1) New measure; first year that Housing survey data are reported for this measure.	N/A	N/A	N/A	(1) Avail. 11/2007	TBD	98.0%	99.0%
Objective 1.2: Provide timely and accurate decisions on disability compensation claims to improve the economic status and quality of life of service-disabled veterans.							
National accuracy rate (core rating work) % (Compensation) (through July)	86%	87%	84%	88%	* 88% Y	89%	98%
Rating-related compensation actions - average days pending	114	120	122	130	135 R	127	100
Compensation & Pension rating-related actions - average days to process	182	166	167	177	183 R	160	125
Overall satisfaction rate % (Compensation) (1) No customer satisfaction survey was performed for 2006.	58%	59%	58%	(1) N/A	TBD	63%	90%
National accuracy rate % (compensation authorization work) (through July)	88%	90%	90%	91%	* 91% Y	93%	98%
Percent of veterans in receipt of compensation whose total income exceeds that of like circumstanced veterans	N/A	N/A	N/A	N/A	TBD**	TBD **	50%
Percent of compensation recipients who were kept informed of the full range of available benefits (1) No customer satisfaction survey was performed for 2006.	42%	43%	44%	(1) N/A	TBD	49%	60%
Percent of compensation recipients who perceive that VA compensation redresses the effect of service-connected disability in diminishing the quality of life	N/A	N/A	N/A	N/A	TBD**	TBD **	70%
National accuracy rate (fiduciary work) % (Compensation & Pension) (through July)	77%	81%	85%	83%	* 83% Y	87%	98%
Productivity Index % (Compensation and Pension)	N/A	N/A	N/A	90%	88% Y	94%	100%
Deficiency-free decision rate (BVA)	89.0%	93.0%	89.0%	93.0%	94.0% G	92.0%	92.0%
Appeals resolution time (Number of Days) (Joint BVA-VBA Compensation and Pension measure)	633	529	622	657	660 G	685	675

***** These are partial or estimated data. Final data will be published in the FY 2009 Congressional Budget and/or the FY 2008 Performance and Accountability Report.

Table 1 – FY 2007 Performance Measures by Strategic Goal and Objective

(G=Green, Y=Yellow; R=Red)

Strategic Goal/Measure (Key Measures in Bold)	Results FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	Target FY 2007 Target	Strategic Target
BVA Cycle Time (Days)	135	98	104	148	136 R	105	104
Appeals decided per Veterans Law Judge (BVA)	604	691	621	698	721 G	630	752
Cost per case (BVA time only)	$1,493	$1,302	$1,453	$1,381	$1,337 G	$1,580	$1,627
** Pending review of the Veterans' Disability Benefits Commission's recommendations of October 2007 to determine whether a program outcome study is necessary.							

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

Rehabilitation rate % (VR&E)	59%	62%	63%	73%	73% G	73%	80%
Speed of entitlement decisions in average days (VR&E) (1) Corrected	63	57	62	(1) 54	54 Y	53	40
Accuracy of decisions (Services) % (VR&E)	82%	86%	87%	82%	77% Y	85%	96%
Customer satisfaction (Survey) % (VR&E) (1) No customer satisfaction survey was performed for 2003, 2005, 2006, or 2007.	(1) N/A	79%	(1) N/A	(1) N/A	(1) N/A	82%	92%
Accuracy of Vocational Rehabilitation program completion decisions % (VR&E)	81%	94%	97%	95%	93% Y	97%	99%
Serious Employment Handicap (SEH) Rehabilitation Rate % (VR&E)	58%	N/A	N/A	73%	73% Y	74%	80%
Common Measures**							
Percent of participants employed first quarter after program exit (VR&E)	N/A	N/A	N/A	TBD	N/A	70%	80%
Percent of participants still employed three quarters after program exit (VR&E)	N/A	N/A	N/A	TBD	N/A	70%	85%
Percent change in earnings from pre-application to post-program employment (VR&E)	N/A	N/A	N/A	TBD	N/A	TBD	TBD
Average cost of placing participant in employment (VR&E)	N/A	N/A	N/A	TBD	$8,856 Y	$8,000	$6,500
** These are designated as "common measures" because they are also used by other agencies that manage vocational rehabilitation programs. They also support the Performance Improvement Initiative of the President's Management Agenda. Targets shown above are estimates and may change. First set of data is projected to be received in January 2008.							

Objective 1.4: Improve the standard of living and income status of eligible survivors of service-disabled veterans through compensation, education, and insurance benefits.

Average days to process - DIC actions (Compensation)	153	125	124	136	132 R	125	90
Percent of DIC recipients above the poverty level (Compensation)	N/A	99%	100%	100%	100% G	100%	100%
Percent of DIC recipients who are satisfied that VA recognized their sacrifice (Compensation)	N/A	80%	N/A	N/A	TBD**	TBD **	90%
** Pending review of the Veterans' Disability Benefits Commission's recommendations of October 2007 to determine whether a program outcome study is necessary.							

***** These are partial or estimated data. Final data will be published in the FY 2009 Congressional Budget and/or the FY 2008 Performance and Accountability Report.

Table 1 – FY 2007 Performance Measures by Strategic Goal and Objective

(G=Green, Y=Yellow; R=Red)

Strategic Goal/Measure (Key Measures in Bold)	Results					Target	
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	FY 2007 Target	Strategic Target
Strategic Goal 2: Ensure a smooth transition for veterans from active military service to civilian life.							
Objective 2.1: Ease the reentry of new veterans into civilian life by increasing awareness of, access to, and use of VA health care, benefits, and services.							
Percent of severely-injured or ill OEF/OIF servicemembers/veterans who are contacted by their assigned VA case manager within 7 calendar days of notification of transfer to the VA system as an inpatient or outpatient (through August)	N/A	N/A	N/A	Baseline	* 90% G	90%	95%
Percent of veterans returning from a combat zone who respond "yes completely" to survey questions regarding how well they perceive that their VA provider listened to them and if they had trust and confidence in their VA provider	N/A	N/A	N/A	Baseline	TBD	68%	72%
Percent of appointments for primary care scheduled within 30 days of desired date for veterans and servicemembers returning from a combat zone	N/A	N/A	N/A	Baseline	TBD	90%	94%
Out of all original claims filed within the first year of release from active duty, the percentage filed at a BDD site prior to a servicemember's discharge (Compensation) (1) The 2006 result was recalculated to capture workload not included in the initial calculation. This result is a more accurate depiction of BDD participation as VBA moved to a new automated data collection methodology in 2006.	N/A	N/A	55%	(1) 46%	TBD	48%	65%
Number of outpatient visits at Joint Ventures and significant sites. (Facilities providing 500 or more outpatient visits and/or admissions per year)	N/A	N/A	N/A	121,229	TBD	123,654	133,845
Objective 2.2: Enhance the ability of veterans and servicemembers to achieve educational and career goals by providing timely and accurate decisions on education claims and continuing payments at appropriate levels.							
Average days to complete original education claims	23	26	33	40	32.4 G	35	10
Average days to complete supplemental education claims	12	13	19	20	13.2 G	15	7
Montgomery GI Bill usage rate (%): All program participants (through July) (1) Corrected	58%	65%	(1) 66%	(1) 67%	* 68% G	68%	75%
Montgomery GI Bill usage rate (%): Veterans who have passed their 10-year eligibility period (through July) (1) Corrected	66%	71%	(1) 71%	(1) 70%	* 72% G	72%	80%
Percent of Montgomery GI Bill participants who successfully completed an education or training program Measure under development	N/A	N/A	N/A	TBD	TBD	TBD	TBD

* These are partial or estimated data. Final data will be published in the FY 2009 Congressional Budget and/or the FY 2008 Performance and Accountability Report.

Table 1 – FY 2007 Performance Measures by Strategic Goal and Objective

(G=Green, Y=Yellow; R=Red)

Strategic Goal/Measure (Key Measures in Bold)	Results					Target	
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	FY 2007 Target	Strategic Target
Percentage of beneficiaries that believe their VA educational assistance has been either very helpful or helpful in the attainment of their educational or vocational goal Measure under development	N/A	N/A	N/A	TBD	TBD	TBD	TBD
Customer satisfaction-high rating (Education) (1) No customer satisfaction survey was performed for 2005, 2006, or 2007.	89%	86%	(1) N/A	(1) N/A	(1) N/A	88%	95%
Telephone Activities - Blocked call rate (Education) % (1) Corrected	13%	20%	38%	(1) 43%	32% Y	25%	10%
Telephone Activities - Abandoned call rate (Education) % (1) Corrected	7%	10%	17%	(1) 20%	11% G	15%	5%
Payment accuracy rate (Education) % (1) Corrected	94%	94%	96%	(1) 94%	95% Y	96%	97%

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

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

Percent of patients rating VA health care service as very good or excellent:							
Inpatient (through May)	74%	74%	77%	78%	* 77% Y	78%	80%
Outpatient (through May)	73%	72%	77%	78%	* 77% Y	78%	80%
Percent of primary care appointments scheduled within 30 days of desired date (through August)	93%	94%	96%	96%	* 97.2% G	96%	96%
Percent of specialty care appointments scheduled within 30 days of desired date (1) reflects cum. for year, (2) henceforth, eight clinical areas included instead of five (through August)	(1) 89%	(2) 93%	93%	94%	* 95% G	95%	95%
Clinical Practice Guidelines Index II (through May)	N/A	N/A	N/A	83%	* 83% Y	84%	87%
Prevention Index III (through May)	N/A	N/A	N/A	88%	* 87% Y	88%	88%
Annual percent increase of non-institutional, long-term care average daily census using 2006 as the baseline (1) Baseline = 43,325 (2) through June	N/A	N/A	N/A	(1) Baseline	* 6.5% R	26.3%	9.5%
Number of new enrollees waiting to be scheduled for their first appointment (electronic waiting list) (through August)	N/A	N/A	N/A	10,000	* 117 G	7,500	fewer than 500

***** These are partial or estimated data. Final data will be published in the FY 2009 Congressional Budget and/or the FY 2008 Performance and Accountability Report.

Table 1 – FY 2007 Performance Measures by Strategic Goal and Objective

(G=Green, Y=Yellow; R=Red)

Strategic Goal/Measure (Key Measures in Bold)	Results FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	Target FY 2007 Target	Strategic Target
Percent of patients who report being seen within 20 minutes of scheduled appointments at VA health care facilities	67%	69%	73%	74%	TBD	76%	90%
Percent of admission notes by residents that have a note from attending physician within one day of admission:							
Surgery	N/A	N/A	75%	86%	TBD	88%	95%

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

Non-rating pension actions - average days to process	67	58	68	92	104 R	96	60
National accuracy rate (authorization pension work) % (through July)	81%	84%	86%	88%	* 91% G	89%	98%
Compensation & Pension rating-related actions - average days to process	182	166	167	177	183 R	160	125
National accuracy rate (core rating-related pension work) % (through July)	91%	93%	90%	90%	* 91% Y	92%	98%
Rating-related pension actions - average days pending	98	77	83	90	89 Y	85	65
Overall satisfaction rate % (Pension) (1) No customer satisfaction survey was performed for 2006.	66%	66%	65%	(1) N/A	TBD	71%	90%
Percent of pension recipients who were informed of the full range of available benefits (1) No customer satisfaction survey was performed for 2006.	39%	40%	41%	(1) N/A	TBD	43%	60%
Percent of pension recipients who said their claim determination was very or somewhat fair (1) No customer satisfaction survey was performed for 2006.	62%	64%	65%	(1) N/A	TBD	68%	75%
Percent of VA beneficiaries receiving financial assistance for medical expenses** (Pension)	N/A	N/A	N/A	TBD	TBD	TBD	TBD
Percent of pension recipients who believe that the processing of their claim reflects the courtesy, compassion, and respect due to a veteran** (1) No customer satisfaction survey was performed for 2006.	N/A	N/A	78%	(1) N/A	TBD	80%	95%
National accuracy rate (fiduciary work) % (Compensation & Pension) (through July)	77%	81%	85%	83%	* 83% Y	87%	98%

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Table 1 – FY 2007 Performance Measures by Strategic Goal and Objective

(G=Green, Y=Yellow; R=Red)

Strategic Goal/Measure (Key Measures in Bold)	Results					Target	
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	FY 2007 Target	Strategic Target
Appeals resolution time (Number of Days) (Joint Compensation and Pension measure with BVA)	633	529	622	657	660 G	685	675
Productivity Index % (Compensation and Pension)	N/A	N/A	N/A	90%	88% Y	94%	100%
** New measures added during Pensions PART review.							

Objective 3.3: Maintain a high level of service to insurance policyholders and their beneficiaries to enhance the financial security of veterans' families.

Average number of days to process TSGLI disbursements (Insurance)	N/A	N/A	N/A	3.8	3.0 G	5	5
Percent of servicemembers covered by SGLI (Insurance)	N/A	N/A	98%	99%	99% G	98%	98%
Conversion rate of disabled SGLI members to VGLI (%) (Insurance)	N/A	N/A	35%	41%	40% Y	45%	50%
Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average enlisted servicemember (Insurance)	N/A	N/A	1.9	1.8	1.8 G	1.7	1.0
Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average officer (Insurance)	N/A	N/A	1.0	0.9	0.9 G	0.9	1.0
Ratio of premium rates charged per $1,000 by other organizations compared to the SGLI premium rates charged per $1,000 by VA for similar coverage (Insurance)	N/A	N/A	1.4	1.3	1.2 G	1.0	1.0
Ratio of premium rates charged per $1,000 by other organizations compared to the VGLI premium rates charged per $1,000 by VA for similar coverage (Insurance)	N/A	N/A	0.9	0.9	0.9 Y	1.0	1.0
Rate of high veterans' satisfaction ratings on services delivered % (Insurance)	95%	96%	96%	96%	96% G	95%	95%
Number of disbursements (death claims, loans, and cash surrenders) per FTE (Insurance)	N/A	N/A	1,692	1,697	1,724 G	1,702	1,750

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Table 1 – FY 2007 Performance Measures by Strategic Goal and Objective

(G=Green, Y=Yellow; R=Red)

Strategic Goal/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	FY 2007 Target	
Objective 3.4: Ensure that the burial needs of veterans and eligible family members are met.							
Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence	75.2%	75.3%	77.1%	80.2%	83.4% Y	83.8%	90.0%
Percent of respondents who rate the quality of service provided by the national cemeteries as excellent	94%	94%	94%	94%	94% Y	97%	100%
Percent of funeral directors who respond that national cemeteries confirm the scheduling of the committal service within 2 hours	73%	73%	73%	74%	72% Y	80%	93%
Average number of days to process a claim for reimbursement of burial expenses	42	48	57	72	91 R	60	21
National Accuracy Rate for burial claims processed % (through July)	92%	94%	93%	94%	* 94% Y	95%	98%
Objective 3.5: Provide veterans and their families with timely and accurate symbolic expressions of remembrance.							
Percent of graves in national cemeteries marked within 60 days of interment	72%	87%	94%	95%	94% G	90%	92%
Percent of applications for headstones and markers for the graves of veterans who are not buried in national cemeteries processed within 20 days	N/A	N/A	13%	62%	38% R	70%	90%
Percent of headstones and markers ordered by national cemeteries for which inscription data are accurate and complete	N/A	98%	99%	99%	99% G	99%	99%
Percent of headstones and markers that are undamaged and correctly inscribed	97%	97%	96%	96%	96% Y	98%	98%

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Table 1 – FY 2007 Performance Measures by Strategic Goal and Objective

(G=Green, Y=Yellow; R=Red)

Strategic Goal/Measure (Key Measures in Bold)	Results					Target	
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	FY 2007 Target	Strategic Target
Objective 3.6: Improve the ability of veterans to purchase and retain a home by meeting or exceeding lending industry standards for quality, timeliness, and foreclosure avoidance.							
Foreclosure avoidance through servicing (FATS) ratio % (Housing)	45.0%	44.0%	48.0%	54.0%	57.0% G	51.0%	51.0%
Veterans satisfaction level % (Housing) (1) No Housing survey was completed for 2004 or 2005.	95.0%	(1) N/A	(1) N/A	Avail. 11/2007	TBD	95.0%	97.0%
Percent of lenders who indicate that they are satisfied with the VA Loan Guaranty Program (1) No Housing survey was completed for 2004 or 2005.	92.0%	(1) N/A	(1) N/A	Avail. 11/2007	TBD	94.0%	95.0%
Statistical quality index % (Housing)	98.0%	98.0%	98.0%	99.0%	99.2% G	98.0%	98.0%
E-FATS - Ratio of dollars saved through successful loan interventions, to dollars spent by VA on Loan Administration FTE who perform intervention work (Housing)	N/A	N/A	N/A	7.0:1	6.8:1 Y	8.0:1	8.0:1
Strategic Goal 4: Contribute to the public health, emergency management, socioeconomic well-being, and history of the Nation.							
Objective 4.1: Improve the Nation's preparedness for response to war, terrorism, national emergencies, and natural disasters by developing plans and taking actions to ensure continued service to veterans, as well as to support national, state, and local emergency management and homeland security efforts.							
Percent of Under Secretaries, Assistant Secretaries, and other key officials who self-certify their teams "ready to deploy" to their COOP site (OS&P)	N/A	N/A	85%	85%	90% Y	100%	100%
Objective 4.2: Advance VA medical research and develop programs that address veterans' needs – with an emphasis on service-connected injuries and illnesses – and contribute to the Nation's knowledge of disease and disability.							
Progress towards development of one new treatment for post-traumatic stress disorder (PTSD) (through August) (Five milestones to be achieved over 4 years)	N/A	33%	40%	47%	* 67% G	67%	100%
Progress towards development of a standard clinical practice for pressure ulcers (through August) (Six milestones to be achieved over 5 years)	N/A	43%	52%	61%	* 65% Y	74%	100%
Percentage of study sites that reach 100% of the recruitment target for each year of each clinical study (Measure description changed for clarification purposes only)	N/A	N/A	29%	40%	* 33% Y	35%	50%

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Table 1 – FY 2007 Performance Measures by Strategic Goal and Objective

(G=Green, Y=Yellow; R=Red)

Strategic Goal/Measure (Key Measures in Bold)	Results					Target	
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	FY 2007 Target	Strategic Target
Objective 4.3: Enhance the quality of care to veterans and provide high-quality educational experiences for health profession trainees, created internally in VA and via partnerships with the academic community.							
Medical residents' and other trainees' scores on a VHA survey assessing their clinical training experience	83	84	84	85	86 G	86	89
Objective 4.4: Enhance the socioeconomic well-being of veterans, and thereby the Nation and local communities, through veterans benefits; assistance programs for small, disadvantaged, and veteran-owned businesses; and other community initiatives.							
Attainment of statutory minimum goals for service-disabled veteran-owned small businesses expressed as a percent of total procurement dollars (OSDBU) (through August)	0.49%	1.25%	2.15%	3.58%	* 5.59% G	3.00%	3.00%
Objective 4.5: Ensure that national cemeteries are maintained as shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made.							
Percent of respondents who rate national cemetery appearance as excellent	97%	98%	98%	97%	97% Y	99%	100%
Percent of respondents who would recommend the national cemetery to veteran families during their time of need	97%	97%	98%	98%	98% Y	99%	100%
Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment	N/A	64%	70%	67%	69% Y	70%	90%
Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations	N/A	76%	72%	77%	75% Y	79%	90%
Percent of gravesites that have grades that are level and blend with adjacent grade levels	N/A	79%	84%	86%	83% Y	88%	95%

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Table 1 – FY 2007 Performance Measures by Strategic Goal and Objective

(G=Green, Y=Yellow; R=Red)

Strategic Goal/Measure (Key Measures in Bold)	Results					Target	
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	FY 2007 Target	Strategic Target
Enabling Goal: Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes, and financial resources.							
Objective E-1: Recruit, develop, and retain a competent, committed, and diverse workforce that provides high-quality service to veterans and their families.							
Percentage of VA employees who are veterans (HR&A)	24.0%	26.0%	28.0%	30.6%	31% Y	32.0%	33.0%
Objective E-2: Improve communication with veterans, employees, and stakeholders about VA's mission, goals, and current performance, as well as benefits and services that the Department provides.							
Percentage of title 38 reports that are submitted to Congress within the required timeframe (OCLA)	70% w/i 30 days	54% w/i 15 days	21% by due date	13% by due date	40% Y	45% by due date	100%
Percentage of testimony submitted to Congress within the required timeframe (OCLA)	N/A	N/A	N/A	N/A	75% G	65%	100%
Percentage of responses to pre- and post-hearing questions that are submitted to Congress within the required timeframe (OCLA)	N/A	N/A	21%	15%	27% Y	35%	100%
Objective E-3: Implement a One-VA information technology framework that enables the consolidation of IT solutions and the creation of cross-cutting common services to support the integration of information across business lines and provides secure, consistent, reliable, and accurate information to all interested parties.							
Number of distinct data exchanges between VA and DoD (OI&T) DMDC is Defense Manpower Data Center	N/A	N/A	N/A	20 from DMDC to VA; 8 from VA to DMDC	11 from DMDC to VA; 6 from VA to DMDC Y	8 from DMDC to VA; 1 from VA to DMDC	1 from DMDC to VA; 1 from VA to DMDC

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Table 1 – FY 2007 Performance Measures by Strategic Goal and Objective

(G=Green, Y=Yellow; R=Red)

Strategic Goal/Measure (Key Measures in Bold)	Results FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	Target FY 2007 Target	Strategic Target
Objective E-4: Improve the overall governance and performance of VA by applying sound business principles; ensuring accountability; employing resources effectively through enhanced capital asset management, acquisition practices, and competitive sourcing; and linking strategic planning to budgeting and performance.							
Gross Days Revenue Outstanding (GDRO) for third party collections (VHA)	N/A	N/A	Baseline	54	59 Y	58	54
Dollar value of 1st party and 3rd party collections (VHA):							
1st Party ($ in millions) (through August)	$685	$742	$772	$863	* $916 Y	$985	$1,019
3rd Party ($ in millions) (through August)	$804	$960	$1,056	$1,096	* $1,232 G	$1,173	$1,695
Total annual value of joint VA/DoD procurement contracts for high-cost medical equipment and supplies** (1) Corrected **Beginning in 2007, medical supplies were added to this measure.	N/A	N/A	Baseline	(1) $152M	$180M G	$170M	$220M
Obligations per unique patient user (VHA) (Estimate)	$5,202	$5,493	$5,597	$5,799	* $6,210 Y	$5,686	TBD
Percent of tort claims decided accurately at the administrative stage (OGC)	86.0%	89.0%	88.4%	92.2%	92.6% G	90.0%	90.0%
Cumulative % of FTEs (compared to total planned) included in Management Analysis/Business Process Reengineering studies initiated (OP&P)	N/A	N/A	0%	0%	33% G	33%	100%
Number of audit qualifications identified in the auditor's opinion on VA's Consolidated Financial Statements (OM)	0	0	0	0	0 G	0	0
Number of material weaknesses identified during the annual independent financial statement audit or separately identified by management (OM) (a) VA's material weaknesses identified during the annual independent financial statement audit are also considered weaknesses under FMFIA.	5	4	4	3	(a) 4 Y	3	0
Percent of space utilization as compared to overall space (owned and direct-leased) (OAEM) (through August) (1) Corrected	N/A	80% Baseline	98%	(1) 104%	* 112% G	95%	95%
Percent Condition Index (owned buildings) (OAEM) (through August)	N/A	N/A	82% Baseline	79%	* 78% Y	84%	87%
Ratio of non-mission dependent assets to total assets (OAEM) (through August)	N/A	N/A	22% Baseline	15%	* 13% G	16%	10%
Ratio of operating costs per gross square foot (GSF) (OAEM) (through August) (Targets and results were adjusted to conform with Federal Real Property Council Tier 1 definitions)	N/A	$4.52 Baseline	$4.85	$5.59	* $5.11 Y	$4.52	$4.52

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Table 1 – FY 2007 Performance Measures by Strategic Goal and Objective

(G=Green, Y=Yellow; R=Red)

Strategic Goal/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	FY 2007 Target	
Cumulative percentage decrease in facility traditional energy consumption per gross square foot from the 2003 baseline (OAEM) (1) Corrected (2) Changed per Executive Order 13423 issued in January 2007	Baseline	N/A	N/A	(1) 4.4%	TBD	(2) 6%	(2) 30%
Number of arrests, indictments, convictions, administrative sanctions, and pretrial diversions	N/A	N/A	N/A	2,241	2,061 G	1,900	2,204
Percentage of successful prosecutions	N/A	N/A	N/A	96%	95% G	85%	87%
Number of reports issued that identify opportunities for improvement and provide recommendations for corrective action	N/A	N/A	N/A	150	217 G	132	164
Number of CAP reports issued that include relevant health care delivery pulse points	N/A	N/A	N/A	64	45 G	45	57
Monetary benefits gained from review of VA activities and processes (dollars in millions)	N/A	N/A	N/A	$900	$670 G	$600	$1,033
Number of international and domestic benefit reviews conducted to determine the appropriateness of monetary benefits processing for claimants	N/A	N/A	N/A	0	1 G	1	3
Maintain unqualified audit opinion of financial statements containing no material weaknesses or reportable conditions (Yes/No)	N/A	N/A	N/A	Yes	Yes G	Yes	Yes
Percentage of recommendations implemented to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural changes in VA (a) Corrected	N/A	N/A	N/A	(a) 93%	86% G	82%	90%1
Percentage of preaward recommendations sustained during contract negotiations	N/A	N/A	N/A	70%	66% G	61%	65%

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Table 1 – FY 2007 Performance Measures by Strategic Goal and Objective

(G=Green, Y=Yellow; R=Red)

Strategic Goal/Measure (Key Measures in Bold)	Results					Target	
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	FY 2007 Target	Strategic Target
Achieve adoption of recommendations relative to IT systems in compliance with FISMA, regulations, and policies within one year from issuance of a report	N/A	N/A	N/A	0%	19% R	90%	100%
Achieve a professional, competent, and credible reputation as a result of work performed (based on a scale of 0 to 5, where 5 is high):							
Investigations	N/A	N/A	N/A	4.9	4.9 Y	5.0	5.0
Audit	N/A	N/A	N/A	4.3	3.7 R	4.8	5.0
Healthcare Inspections	N/A	N/A	N/A	4.6	4.4 Y	4.6	5.0
CAP Reviews	N/A	N/A	N/A	4.7	4.7 G	4.7	5.0

[1] VA OIG intends that VA will implement all recommendations. This goal recognizes that some complex implementation actions may go beyond 2010, which is the out-year for OIG's Strategic Plan.

Table 2 – FY 2007 Performance Measures by Program

(G=Green, Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	Target FY 2007 Target	Strategic Target
Veterans Health Administration							
		P&F ID Codes:	36-0152-0-1-703		36-0160-0-1-703		
		36-0162-0-1-703	36-0181-0-1-703		36-5358-0-1-703		
Medical Care Programs		36-4014-0-3-705	36-8180-0-7-705		36-0165-0-1-703		
Resources							
FTE	187,049	194,055	197,650	197,900	207,615		
Total Program Costs ($ in millions)	$27,654	$30,772	$31,668	$33,468	$36,433		
Performance Measures							
Percent of patients rating VA health care service as very good or excellent:							
Inpatient (through May)	74%	74%	77%	78%	* 77% Y	78%	80%
Outpatient (through May)	73%	72%	77%	78%	* 77% Y	78%	80%
Percent of primary care appointments scheduled within 30 days of desired date (through August)	93%	94%	96%	96%	* 97.2% G	96%	96%
Percent of specialty care appointments scheduled within 30 days of desired date **(1) reflects cum. for year, (2) henceforth, eight clinical areas included instead of five (through August)**	(1) 89%	(2) 93%	93%	94%	* 95% G	95%	95%
Clinical Practice Guidelines Index II (through May)	N/A	N/A	N/A	83%	* 83% Y	84%	87%
Prevention Index III (through May)	N/A	N/A	N/A	88%	* 87% Y	88%	88%
Number of new enrollees waiting to be scheduled for their first appointment (electronic waiting list) (through August)	N/A	N/A	N/A	10,000	* 117 G	7,500	fewer than 500
Percent of patients who report being seen within 20 minutes of scheduled appointments at VA health care facilities	67%	69%	73%	74%	TBD	76%	90%
Percent of veterans returning from a combat zone who respond "yes completely" to survey questions regarding how well they perceive that their VA provider listened to them and if they had trust and confidence in their VA provider	N/A	N/A	N/A	Baseline	TBD	68%	72%
Number of outpatient visits at Joint Ventures and significant sites. (Facilities providing 500 or more outpatient visits and/or admissions per year)	N/A	N/A	N/A	121,229	TBD	123,654	133,845

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Table 2 – FY 2007 Performance Measures by Program

(G=Green, Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	FY 2007 Target	
Gross Days Revenue Outstanding (GDRO) for third party collections (VHA)	N/A	N/A	Baseline	54	59 Y	58	54
Dollar value of 1st party and 3rd party collections (VHA):							
1st Party ($ in millions) (through August)	$685	$742	$772	$863	* $916 Y	$985	$1,019
3rd Party ($ in millions) (through August)	$804	$960	$1,056	$1,096	* $1,232 G	$1,173	$1,695
Total annual value of joint VA/DoD procurement contracts for high-cost medical equipment and supplies** (1) Corrected **Beginning in 2007, medical supplies were added to this measure.	N/A	N/A	Baseline	(1) $152M	$180M G	$170M	$220M
Common Measures							
Obligations per unique patient user (VHA) (Estimate)	$5,202	$5,493	$5,597	$5,799	* $6,210 Y	$5,686	TBD
Special Emphasis Programs							
Annual percent increase of non-institutional, long-term care average daily census using 2006 as the baseline **(1) Baseline = 43,325 (2) through June**	N/A	N/A	N/A	(1) Baseline	* 6.5% R	26.3%	9.5%
Percent of severely-injured or ill OEF/OIF servicemembers/veterans who are contacted by their assigned VA case manager within 7 calendar days of notification of transfer to the VA system as an inpatient or outpatient (through August)	N/A	N/A	N/A	Baseline	* 90% G	90%	95%
Percent of appointments for primary care scheduled within 30 days of desired date for veterans and servicemembers returning from a combat zone	N/A	N/A	N/A	Baseline	TBD	90%	94%
Medical residents' and other trainees' scores on a VHA survey assessing their clinical training experience	83	84	84	85	86 G	86	89
Percent of admission notes by residents that have a note from attending physician within one day of admission:							
Surgery	N/A	N/A	75%	86%	TBD	88%	95%

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Table 2 – FY 2007 Performance Measures by Program

(G=Green, Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	Target FY 2007 Target	Strategic Target
Medical Research	P&F ID Codes:			36-0161-0-1-703 36-4026-0-3-703		36-0160-0-1-703	
Resources							
FTE	3,206	3,206	3,206	3,193	3,175		
Total Program Costs ($ in Millions)	$1,022	$1,067	$851	$831	$867		
Performance Measures							
Progress towards development of one new treatment for post-traumatic stress disorder (PTSD) (through August) **(Five milestones to be achieved over 4 years)**	N/A	33%	40%	47%	* 67% G	67%	100%
Progress towards development of a standard clinical practice for pressure ulcers (through August) (Six milestones to be achieved over 5 years)	N/A	43%	52%	61%	* 65% Y	74%	100%
Percentage of study sites that reach 100% of the recruitment target for each year of each clinical study (through August) (Measure description changed for clarification purposes only)	N/A	N/A	29%	40%	* 33% Y	35%	50%

Veterans Benefits Administration

Compensation	P&F ID Codes:			36-0102-0-1-701		36-0151-0-1-705	
Resources							
FTE	7,525	7,568	7,538	7,725	8,410		
Total Program Costs ($ in millions)	$25,550	$27,261	$29,626	$31,802	$35,306		
Performance Measures							
National accuracy rate (core rating work) % (Compensation) (through July)	86%	87%	84%	88%	* 88% Y	89%	98%
Compensation & Pension rating-related actions - average days to process	182	166	167	177	183 R	160	125
Rating-related compensation actions - average days pending	114	120	122	130	135 R	127	100
Average days to process - DIC actions (Compensation)	153	125	124	136	132 R	125	90
Overall satisfaction rate % (Compensation) (1) No customer satisfaction survey was performed for 2006.	58%	59%	58%	(1) N/A	TBD	63%	90%
National accuracy rate % (compensation authorization work) (through July)	88%	90%	90%	91%	* 91% Y	93%	98%

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Table 2 – FY 2007 Performance Measures by Program

(G=Green, Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	FY 2007 Target	
Out of all original claims filed within the first year of release from active duty, the percentage filed at a BDD site prior to a servicemember's discharge (Compensation) (1) The 2006 result was recalculated to capture workload not included in the initial calculation. This result is a more accurate depiction of BDD participation as VBA moved to a new automated data collection methodology in 2006.	N/A	N/A	55%	(1) 46%	TBD	48%	65%
Percent of veterans in receipt of compensation whose total income exceeds that of like circumstanced veterans	N/A	N/A	N/A	N/A	TBD**	TBD **	50%
Percent of compensation recipients who were kept informed of the full range of available benefits (1) No customer satisfaction survey was performed for 2006.	42%	43%	44%	(1) N/A	TBD	49%	60%
Percent of compensation recipients who perceive that VA compensation redresses the effect of service-connected disability in diminishing the quality of life	N/A	N/A	N/A	N/A	TBD**	TBD **	70%
Percent of DIC recipients above the poverty level (Compensation)	N/A	99%	100%	100%	100% G	100%	100%
Percent of DIC recipients who are satisfied that VA recognized their sacrifice (Compensation)	N/A	80%	N/A	N/A	TBD**	TBD **	90%
Appeals resolution time (Number of Days) (Joint Compensation and Pension measure with BVA)	633	529	622	657	660 G	685	675
Productivity Index % (Compensation and Pension)	N/A	N/A	N/A	90%	88% Y	94%	100%
National accuracy rate (fiduciary work) % (Compensation & Pension) (through July)	77%	81%	85%	83%	* 83% Y	87%	98%
Average number of days to process a claim for reimbursement of burial expenses	42	48	57	72	91 R	60	21
National Accuracy Rate for burial claims processed % (through July)	92%	94%	93%	94%	* 94% Y	95%	98%

** Pending review of the Veterans' Disability Benefits Commission's recommendations of October 2007 to determine whether a program outcome study is necessary.

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Table 2 – FY 2007 Performance Measures by Program

(G=Green, Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	Target FY 2007 Target	Strategic Target
Pension	P&F ID Codes:		36-0151-0-1-705			36-0200-0-1-701	
Resources							
FTE	1,827	1,535	1,540	1,561	1,515		
Total Program Costs ($ in millions)	$3,378	$3,495	$3,569	$3,722	$3,823		
Performance Measures							
Non-rating pension actions - average days to process	67	58	68	92	104 R	96	60
National accuracy rate (authorization pension work) % (through July)	81%	84%	86%	88%	* 91% G	89%	98%
Compensation & Pension rating-related actions - average days to process	182	166	167	177	183 R	160	125
National accuracy rate (core rating-related pension work) % (through July)	91%	93%	90%	90%	* 91% Y	92%	98%
Rating-related pension actions - average days pending	98	77	83	90	89 Y	85	65
Overall satisfaction rate % (Pension) (1) No customer satisfaction survey was performed for 2006.	66%	66%	65%	(1) N/A	TBD	71%	90%
Percent of pension recipients who were informed of the full range of available benefits (1) No customer satisfaction survey was performed for 2006.	39%	40%	41%	(1) N/A	TBD	43%	60%
Percent of pension recipients who said their claim determination was very or somewhat fair (1) No customer satisfaction survey was performed for 2006.	62%	64%	65%	(1) N/A	TBD	68%	75%
Percent of VA beneficiaries receiving financial assistance for medical expenses** (Pension)	N/A	N/A	N/A	TBD	TBD	TBD	TBD
Percent of pension recipients who believe that the processing of their claim reflects the courtesy, compassion, and respect due to a veteran** (1) No customer satisfaction survey was performed for 2006.	N/A	N/A	78%	(1) N/A	TBD	80%	95%
Appeals resolution time (Number of Days) (Joint Compensation and Pension measure with BVA)	633	529	622	657	660 G	685	675

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Table 2 – FY 2007 Performance Measures by Program

(G=Green, Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	FY 2007 Target	
Productivity Index % (Compensation and Pension)	N/A	N/A	N/A	90%	88% Y	94%	100%
National accuracy rate (fiduciary work) % (Compensation & Pension) (through July)	77%	81%	85%	83%	* 83% Y	87%	98%
** New measures added during Pensions PART review.							

The indicators below are the component end-products for the measure on average days to complete rating-related actions. We do not establish separate performance goals for these indicators. For a detailed discussion of VA's performance regarding timeliness of rating-related actions processing, refer to pages 118-122.

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Claims Completed in FY 2007
Average days to process rating-related actions	**182**	**166**	**167**	**177**	183	824,844
Initial disability compensation	207	186	185	196	208	220,795
Initial death compensation/DIC	153	125	124	136	132	29,437
Reopened compensation	193	178	179	191	196	441,501
Initial disability pension	93	94	98	113	118	35,185
Reopened pension	101	101	103	120	123	52,384
Reviews, future exams	95	87	95	79	82	38,899
Reviews, hospital	54	54	55	53	56	6,643

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Table 2 – FY 2007 Performance Measures by Program

(G=Green, Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	Target FY 2007 Target	Strategic Target
		P&F ID Codes:		36-0137-0-1-702 36-0151-0-1-705		36-8133-0-7-702	
Education							
Resources							
FTE	866	841	852	889	958		
Total Program Costs ($ in millions)	$2,189	$2,495	$2,690	$2,844	$3,080		
Performance Measures							
Average days to complete original education claims	23	26	33	40	32.4 G	35	10
Average days to complete supplemental education claims	12	13	19	20	13.2 G	15	7
Montgomery GI Bill usage rate (%): All program participants (through July) (1) Corrected	58%	65%	(1) 66%	(1) 67%	* 68% G	68%	75%
Montgomery GI Bill usage rate (%): Veterans who have passed their 10-year eligibility period (through July) (1) Corrected	66%	71%	(1) 71%	(1) 70%	* 72% G	72%	80%
Percent of Montgomery GI Bill participants who successfully completed an education or training program Measure under development	N/A	N/A	N/A	TBD	TBD	TBD	TBD
Percentage of beneficiaries that believe their VA educational assistance has been either very helpful or helpful in the attainment of their educational or vocational goal Measure under development	N/A	N/A	N/A	TBD	TBD	TBD	TBD
Customer satisfaction-high rating (Education) (1) No customer satisfaction survey was performed for 2005, 2006, or 2007.	89%	86%	(1) N/A	(1) N/A	(1) N/A	88%	95%
Telephone Activities - Blocked call rate (Education) % (1) Corrected	13%	20%	38%	(1) 43%	32% Y	25%	10%
Telephone Activities - Abandoned call rate (Education) % (1) Corrected	7%	10%	17%	(1) 20%	11% G	15%	5%
Payment accuracy rate (Education) % (1) Corrected	94%	94%	96%	(1) 94%	95% Y	96%	97%

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Table 2 – FY 2007 Performance Measures by Program

(G=Green, Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	Target FY 2007 Target	Strategic Target
Vocational Rehabilitation and Employment	P&F ID Codes:	36-0135-0-1-702		36-0151-0-1-705			
Resources							
FTE	1,091	1,105	1,115	1,110	1,187		
Total Program Costs ($ in millions)	$631	$676	$706	$702	$771		
Performance Measures							
Rehabilitation rate % (VR&E)	59%	62%	63%	73%	73% G	73%	80%
Speed of entitlement decisions in average days (VR&E) (1) Corrected	63	57	62	(1) 54	54 Y	53	40
Accuracy of decisions (Services) % (VR&E)	82%	86%	87%	82%	77% Y	85%	96%
Customer satisfaction (Survey) % (VR&E) (1) No customer satisfaction survey was performed for 2003, 2005, 2006, or 2007.	(1) N/A	79%	(1) N/A	(1) N/A	(1) N/A	82%	92%
Accuracy of Vocational Rehabilitation program completion decisions % (VR&E)	81%	94%	97%	95%	93% Y	97%	99%
Serious Employment Handicap (SEH) Rehabilitation Rate % (VR&E)	58%	N/A	N/A	73%	73% Y	74%	80%
Common Measures **							
Percent of participants employed first quarter after program exit (VR&E)	N/A	N/A	N/A	TBD	N/A	70%	80%
Percent of participants still employed three quarters after program exit (VR&E)	N/A	N/A	N/A	TBD	N/A	70%	85%
Percent change in earnings from pre-application to post-program employment (VR&E)	N/A	N/A	N/A	TBD	N/A	TBD	TBD
Average cost of placing participant in employment (VR&E)	N/A	N/A	N/A	TBD	$8,856 Y	$8,000	$6,500

** These are designated as "common measures" because they are also used by other agencies that manage vocational rehabilitation programs. They also support the Performance Improvement Initiative of the President's Management Agenda. Targets shown above are estimates and may change. First set of data is projected to be received in January 2008.

* These are partial or estimated da
Performance and Accountability R

Table 2 – FY 2007 Performance Measures by Program

(G=Green, Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	Target FY 2007 Target	Strategic Target
Housing		P&F ID Codes: 36-0128-0-1-704 36-4130-0-3-704		36-1119-0-1-704 36-4127-0-3-704 36-0151-0-1-705		36-4025-0-3-704 36-4129-0-3-704	
Resources							
FTE	1,404	1,256	1,049	1,042	983		
Total Program Costs ($ in millions)	$1,520	$389	$2,072[a]	$210 [b]	$240		

(a) Includes positive subsidy, administrative expenses, and upward reestimates, which are required to comply with Credit Reform Act guidelines.
b) The total program costs do not include any subsidy costs due to a negative subsidy of the Loan Guarantee program.

Performance Measures							
Foreclosure avoidance through servicing (FATS) ratio % (Housing)	45.0%	44.0%	48.0%	54.0%	57.0% G	51.0%	51.0%
Veterans satisfaction level % (Housing) (1) No Housing survey was completed for 2004 or 2005.	95.0%	(1) N/A	(1) N/A	Avail. 11/2007	TBD	95.0%	97.0%
Percent of lenders who indicate that they are satisfied with the VA Loan Guaranty Program (1) No Housing survey was completed for 2004 or 2005.	92.0%	(1) N/A	(1) N/A	Avail. 11/2007	TBD	94.0%	95.0%
Statistical quality index % (Housing)	98.0%	98.0%	98.0%	99.0%	99.2% G	98.0%	98.0%
Percent of Specially Adapted Housing (SAH) grant recipients who indicate that grant-funded housing adaptations increased their independence (1) New measure; first year that Housing survey data are reported for this measure.	N/A	N/A	N/A	(1) Avail. 11/2007	TBD	98.0%	99.0%
E-FATS - Ratio of dollars saved through successful loan interventions, to dollars spent by VA on Loan Administration FTE who perform intervention work (Housing)	N/A	N/A	N/A	7.0:1	6.8:1 Y	8.0:1	8.0:1

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Table 2 – FY 2007 Performance Measures by Program

(G=Green, Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	FY 2007 Target	
Insurance		P&F ID Codes: 36-4010-0-3-701 36-8150-0-7-701		36-0120-0-1-701 36-4009-0-3-701 36-8455-0-8-701		36-4012-0-3-701 36-8132-0-7-701 36-0151-0-1-705	
Resources							
FTE	493	490	488	482	451		
Total Program Costs ($ in millions)	$2,695	$2,580	$2,580	$3,344	$3,192		
Performance Measures							
Average number of days to process TSGLI disbursements (Insurance)	N/A	N/A	N/A	3.8	3.0 G	5	5
Percent of servicemembers covered by SGLI (Insurance)	N/A	N/A	98%	99%	99% G	98%	98%
Conversion rate of disabled SGLI members to VGLI (%) (Insurance)	N/A	N/A	35%	41%	40% Y	45%	50%
Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average enlisted servicemember (Insurance)	N/A	N/A	1.9	1.8	1.8 G	1.7	1.0
Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average officer (Insurance)	N/A	N/A	1.0	0.9	0.9 G	0.9	1.0
Ratio of premium rates charged per $1,000 by other organizations compared to the SGLI premium rates charged per $1,000 by VA for similar coverage (Insurance)	N/A	N/A	1.4	1.3	1.2 G	1.0	1.0
Ratio of premium rates charged per $1,000 by other organizations compared to the VGLI premium rates charged per $1,000 by VA for similar coverage (Insurance)	N/A	N/A	0.9	0.9	0.9 Y	1.0	1.0
Rate of high veterans' satisfaction ratings on services delivered % (Insurance)	95%	96%	96%	96%	96% G	95%	95%
Number of disbursements (death claims, loans, and cash surrenders) per FTE (Insurance)	N/A	N/A	1,692	1,697	1,724 G	1,702	1,750

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Table 2 – FY 2007 Performance Measures by Program

(G=Green, Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results FY 2003	Results FY 2004	Results FY 2005	Results FY 2006	Results FY 2007 Result	Target FY 2007 Target	Strategic Target
National Cemetery Administration							
Burial Program		P&F Codes:	36-0129-0-1-705		36-0183-0-1-705		
			36-5392-0-1-705		36-0151-0-1-705		
Resources							
FTE	1,476	1,492	1,523	1,527	1,541		
Total Program Costs ($ in millions)	$348	$406	$403	$421	$465		
Performance Measures							
Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence	75.2%	75.3%	77.1%	80.2%	83.4% Y	83.8%	90.0%
Percent of respondents who rate the quality of service provided by the national cemeteries as excellent	94%	94%	94%	94%	94% Y	97%	100%
Percent of graves in national cemeteries marked within 60 days of interment	72%	87%	94%	95%	94% G	90%	92%
Percent of respondents who rate national cemetery appearance as excellent	97%	98%	98%	97%	97% Y	99%	100%
Percent of funeral directors who respond that national cemeteries confirm the scheduling of the committal service within 2 hours	73%	73%	73%	74%	72% Y	80%	93%
Percent of applications for headstones and markers for the graves of veterans who are not buried in national cemeteries processed within 20 days	N/A	N/A	13%	62%	38% R	70%	90%
Percent of headstones and markers ordered by national cemeteries for which inscription data are accurate and complete	N/A	98%	99%	99%	99% G	99%	99%
Percent of headstones and markers that are undamaged and correctly inscribed	97%	97%	96%	96%	96% Y	98%	98%
Percent of respondents who would recommend the national cemetery to veteran families during their time of need	97%	97%	98%	98%	98% Y	99%	100%

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Table 2 – FY 2007 Performance Measures by Program

(G=Green, Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	Target FY 2007 Target	Strategic Target
Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment	N/A	64%	70%	67%	69% Y	70%	90%
Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations	N/A	76%	72%	77%	75% Y	79%	90%
Percent of gravesites that have grades that are level and blend with adjacent grade levels	N/A	79%	84%	86%	83% Y	88%	95%

Board of Veterans' Appeals

P&F ID Code: 36-0151-0-1-700

Resources							
FTE	451	440	433	452	444		
Administrative costs only ($ in millions)	$47	$50	$50	$54	$54		
Performance Measures							
Deficiency-free decision rate (BVA)	89.0%	93.0%	89.0%	93.0%	94.0% G	92.0%	92.0%
Appeals resolution time (Number of Days) (Joint BVA-VBA Compensation and Pension measure)	633	529	622	657	660 G	685	675
BVA Cycle Time (Days)	135	98	104	148	136 R	105	104
Appeals decided per Veterans Law Judge (BVA)	604	691	621	698	721 G	630	752
Cost per case (BVA time only)	$1,493	$1,302	$1,453	$1,381	$1,337 G	$1,580	$1,627

Departmental Management

P&F ID Codes 36-0151-0-1-705, 36-0111-0-1-703, 36-4539-0-4-705, 36-0110-0-1-703, 36-4537-0-4-705

Total FTE and Program Costs (less BVA and OIG FTE and costs, which are identified separately)							
FTE	2,597	2,697	3,167	2,162	3,626		
Total Program Costs ($ in millions)	$617	$718	$762	$928	$1,531		
Performance Measures							
Attainment of statutory minimum goals for service-disabled veteran-owned small businesses expressed as a percent of total procurement dollars (OSDBU) (through August)	0.49%	1.25%	2.15%	3.58%	* 5.59% G	3.00%	3.00%
Percentage of VA employees who are veterans (HR&A)	24.0%	26.0%	28.0%	30.6%	31% Y	32.0%	33.0%

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Table 2 – FY 2007 Performance Measures by Program

(G=Green, Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	FY 2007 Target	
Percent of Under Secretaries, Assistant Secretaries, and other key officials who self-certify their teams "ready to deploy" to their COOP site (OS&P)	N/A	N/A	85%	85%	90% Y	100%	100%
Cumulative % of FTEs (compared to total planned) included in Management Analysis/Business Process Reengineering studies initiated (OP&P)	N/A	N/A	0%	0%	33% G	33%	100%
Percent of tort claims decided accurately at the administrative stage (OGC)	86.0%	89.0%	88.4%	92.2%	92.6% G	90.0%	90.0%
Number of audit qualifications identified in the auditor's opinion on VA's Consolidated Financial Statements (OM)	0	0	0	0	0 G	0	0
Number of material weaknesses identified during the annual independent financial statement audit or separately identified by management (OM) (a) VA's material weaknesses identified during the annual independent financial statement audit are also considered weaknesses under FMFIA.	5	4	4	3	(a) 4 Y	3	0
Number of distinct data exchanges between VA and DoD (OI&T) DMDC is Defense Manpower Data Center	N/A	N/A	N/A	20 from DMDC to VA; 8 from VA to DMDC	11 from DMDC to VA; 6 from VA to DMDC Y	8 from DMDC to VA; 1 from VA to DMDC	1 from DMDC to VA; 1 from VA to DMDC
Percentage of responses to pre- and post-hearing questions that are submitted to Congress within the required timeframe (OCLA)	N/A	N/A	21%	15%	27% Y	35%	100%
Percentage of testimony submitted to Congress within the required timeframe (OCLA)	N/A	N/A	N/A	N/A	75% G	65%	100%
Percentage of title 38 reports that are submitted to Congress within the required timeframe (OCLA)	70% w/i 30 days	54% w/i 15 days	21% by due date	13% by due date	40% Y	45% by due date	100%
Percent of space utilization as compared to overall space (owned and direct-leased) (OAEM) (through August) (1) Corrected	N/A	80% Baseline	98%	(1) 104%	* 112% G	95%	95%
Percent Condition Index (owned buildings) (OAEM) (through August)	N/A	N/A	82% Baseline	79%	* 78% Y	84%	87%
Ratio of non-mission dependent assets to total assets (OAEM) (through August)	N/A	N/A	22% Baseline	15%	* 13% G	16%	10%

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Table 2 – FY 2007 Performance Measures by Program

(G=Green, Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	Target FY 2007 Target	Strategic Target
Ratio of operating costs per gross square foot (GSF) (OAEM) (through August) (Targets and results were adjusted to conform with Federal Real Property Council Tier 1 definitions)	N/A	$4.52 Baseline	$4.85	$5.59	* $5.11 Y	$4.52	$4.52
Cumulative percentage decrease in facility traditional energy consumption per gross square foot from the 2003 baseline (OAEM) (1) Corrected (2) Changed per Executive Order 13423 issued in January 2007	Baseline	N/A	N/A	(1) 4.4%	TBD	(2) 6%	(2) 30%

Office of Inspector General

P&F ID Code: 36-0170-0-1-705

Resources							
FTE	399	434	454	510	470		
Administrative costs only ($ in millions)	$58	$66	$70	$74	$74		
Performance Measures							
Number of arrests, indictments, convictions, administrative sanctions, and pretrial diversions	N/A	N/A	N/A	2,241	2,061 G	1,900	2,204
Percentage of successful prosecutions	N/A	N/A	N/A	96%	95% G	85%	87%
Number of reports issued that identify opportunities for improvement and provide recommendations for corrective action	N/A	N/A	N/A	150	217 G	132	164
Number of CAP reports issued that include relevant health care delivery pulse points	N/A	N/A	N/A	64	45 G	45	57
Monetary benefits gained from review of VA activities and processes (dollars in millions)	N/A	N/A	N/A	$900	$670 G	$600	$1,033
Number of international and domestic benefit reviews conducted to determine the appropriateness of monetary benefits processing for claimants	N/A	N/A	N/A	0	1 G	1	3
Maintain unqualified audit opinion of financial statements containing no material weaknesses or reportable conditions (Yes/No)	N/A	N/A	N/A	Yes	Yes G	Yes	Yes
Percentage of recommendations implemented to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural changes in VA (a) Corrected	N/A	N/A	N/A	(a) 93%	86% G	82%	90%[1]
Percentage of preaward recommendations sustained during contract negotiations	N/A	N/A	N/A	70%	66% G	61%	65%

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Table 2 – FY 2007 Performance Measures by Program

(G=Green, Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Result	FY 2007 Target	
Achieve adoption of recommendations relative to IT systems in compliance with FISMA, regulations, and policies within one year from issuance of a report	N/A	N/A	N/A	0%	19% R	90%	100%
Achieve a professional, competent, and credible reputation as a result of work performed (based on a scale of 0 to 5, where 5 is high):							
Investigations	N/A	N/A	N/A	4.9	4.9 Y	5.0	5.0
Audit	N/A	N/A	N/A	4.3	3.7 R	4.8	5.0
Healthcare Inspections	N/A	N/A	N/A	4.6	4.4 Y	4.6	5.0
CAP Reviews	N/A	N/A	N/A	4.7	4.7 G	4.7	5.0

[1] VA OIG intends that VA will implement all recommendations. This goal recognizes that some complex implementation actions may go beyond 2010, which is the out-year for OIG's Strategic Plan.

* These are partial or estimated data. Final data will be published in the FY 2009 Congressional Budget and/or the FY 2008 Performance and Accountability Report.

Dropped Performance Measures Where Final Results Were not Reported in the FY 2006 PAR

Veterans Health Administration	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Final	FY 2006 Target
Clinical Practice Guidelines Index	Baseline	70%	77%	87%	(1) 83%	77%
Prevention Index II	82%	83%	88%	90%	(2) 88%	88%
Percent of appointments scheduled within 30 days of desired appointment date	N/A	N/A	N/A	93.7%	(3)	93.7%
Percent of outpatient encounters that have electronic progress notes signed within 2 days	N/A	N/A	84%	85%	86%	86%
Average number of appointments per year per FTE	2,719	2,856	2,356	2,533	(3) 2,573	2,678
Number of patients under non-institutional long-term care as expressed by average daily census	24,126	24,413	25,523	27,469	(4)	32,105
Prevention Index II (Special Populations)	N/A	80%	86%	87%	(5) 87%	86%
Percent of admission notes by residents that have a note from attending physician within one day of admission:						
Medicine	N/A	N/A	N/A	95%	(6) 97%	85%
Psychiatry	N/A	N/A	N/A	95%	(6) 97%	85%
Number of peer-reviewed publications authored by VA investigators within the fiscal year	N/A	N/A	2,557	2,793	(7) 2,824	2,655

Footnotes for why measures were dropped:

(1) Measure was changed to CPGI II.

(2) Measure was changed to PI III.

(3) Measures are now captured as part of other wait time measures.

(4) Measure was redefined and now includes a different, larger population. Moreover, it is now expressed as the annual percent increase of non-institutional, long-term care average daily census using 2006 as the redefined baseline.

(5) In FY 2005, this index was composed of 6 measures. By 2006, this index was modified primarily due to changes in the National Center for Quality Assurance (NCQA) Healthcare Effectiveness Data and Information Sets (HEDIS) measure definitions and composed of 9 (instead of 6) measures. The old index was "dropped" and revitalized as PI III. The addition of three measures, related to breast and cervical cancer as well as immunizations, made trending PI II no longer applicable.

(6) Measures for Medicine and Psychiatry were dropped in 2006, but Surgery continues to be monitored.

(7) Measure was dropped and replaced by the key measure to monitor progress towards development of a new treatment for PTSD.

Major Management Challenges Identified by the OIG

The Department's Office of Inspector General (OIG), an independent entity, evaluates VA's programs and operations. The OIG submitted the following update of the most serious management challenges facing VA.

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

- ***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)	Page #
No.	Description		
Strategic Goal 3: Honoring, Serving, and Memorializing Veterans			
OIG 1	**Health Care Delivery**		**254**
1A	Quality of Care	2008 and beyond	254
1B	Electronic Medical Records	2008 and beyond	257
1C	New and Significantly-Increased Health Problems Associated with OIF/OEF	2008 and beyond	260
1D	Research	2008 and beyond	263
Strategic Goal 1: Restoration and Improved Quality of Life for Disabled Veterans			
OIG 2	**Benefits Processing**		**264**
2A	Pending Claims and Estimated Receipts	2008	264
2B	Appeals	2009	266
2C	Accuracy and Variance	2008	267
Enabling Goal: Applying Sound Business Principles			
OIG 3	**Financial Management**		**268**
3A	Lack of an Integrated Financial Management System	2012	269
3B	Operational Oversight	2009	271
OIG 4	**Procurement Practices**		**274**
4A	Procurement Failures	2009	274
4B	Lack of Corporate Knowledge	2009	276
OIG 5	**Information Management**		**278**
5A	Confusion of Rules and Guidance	2009	278
5B	Material Weakness in IT Security Controls	2010	280
5C	VA Information Security Program Reviews	2010	281
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Memorandum

Department of Veterans Affairs

Date: July 12, 2007

From: Inspector General (50)

Subj: FY 2007 Performance and Accountability Report

To: Secretary of Veterans Affairs (00)

1. Attached is the Office of Inspector General (OIG) update of the most serious management problems facing VA, for use as part of the FY 2007 Performance and Accountability Report (PAR). Our staff have coordinated this year so that VA may publish the full OIG report on major management challenges in the PAR.

2. The *Reports Consolidation Act of 2000*, Public Law 106-531, requires OIG annually to submit this statement to the Department. The law also states the agency may comment on, but may not modify, the OIG statement. Please ensure that all suggested changes made by the Department are provided to OIG for review prior to incorporating the changes in the PAR.

3. In the past year, the work you, the Deputy Secretary, and I have undertaken to resolve difficult and important problems has forged a strong and cooperative working relationship that has helped us in accomplishing our respective missions. I look forward to working with both of you to complete the implementation of key OIG recommendations in the next year.

George J. Opfer

GEORGE J. OPFER
Inspector General

Attachment

Department of Veterans Affairs
Office of Inspector General
Washington, DC 20420

Foreword

America depends on VA. At the same time that thousands of men and women returning from the war being fought in Afghanistan and Iraq are turning to VA for health care and benefits to help them get on with their lives, nearly two-thirds of American men over 85 are now veterans, relying more than ever on VA. VA health care and benefits delivery must be made as effective and efficient as possible, which requires that VA support services—financial management, procurement practices, and information management—must also be strong and secure.

The Office of Inspector General (OIG) seeks to help VA become the best-managed service delivery organization in Government. OIG audits, inspections, investigations, and Combined Assessment Program (CAP) reviews recommend improvements in VA programs and operations, and act to detect and deter waste, fraud, and abuse. Each year, as required by the *Reports Consolidation Act of 2000*, Public Law 106-531, OIG provides VA with an update summarizing the most serious management problems identified by OIG work and other relevant Government reports, as well as an assessment of the Department's progress in addressing them.

This report contains the updated summation of major management challenges organized by the five OIG strategic goals—health care delivery, benefits processing, financial management, procurement practices, and information management—with indications of VA's progress on implementing OIG recommendations.

OIG will continue working with VA to address each of these issues. Together we can ensure that the Department will provide the best possible service to the Nation's veterans and their dependents, and that OIG recommendations continue to assist VA in becoming a Government leader in sound management.

George J. Opfer

GEORGE J. OPFER
Inspector General

FY 2007 MAJOR MANAGEMENT CHALLENGES

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MAJOR MANAGEMENT CHALLENGES

The Office of Inspector General identified the major management challenges currently facing VA. Left uncorrected, these challenges have the potential to impede VA's ability to fulfill its program responsibilities and ensure the integrity of operations. For the most part, these challenges are not amenable to simple, near-term resolution and can only be addressed by a concerted, persistent effort, resulting in progress over a long period of time.

OIG's strategic planning process is designed to identify and address the key issues facing VA. OIG focused on the key issues of health care delivery, benefits processing, financial management, procurement practices, and information management in its *2005–2010 OIG Strategic Plan*. The flexibility and long-range vision in the OIG Strategic Plan are essential in a period of expanding need for VA programs and services. Although the Nation's newest and oldest veterans both face a growing need for VA health care and benefits programs, many of the specific services they need differ, and all of them must be the best possible.

The following summaries present the most serious management problems facing VA in each area and assess the Department's progress in overcoming them. While these issues guide our oversight efforts, we continually reassess our goals and objectives to ensure that our focus remains relevant, timely, and responsive to changing priorities. *(On these pages, the words "we" and "our" refer to OIG. OIG comments in this report are up-to-date as of November 1, 2007; VA responses were submitted in September 2007. Years are fiscal years (FY) unless stated otherwise.)*

OIG CHALLENGE #1: HEALTH CARE DELIVERY

-Strategic Overview-

Most critical among the many challenges VA faces is the transition and quality of health care for veterans, literally a life-and-death concern. In 2008, VA expects to treat 5.8 million unique patients, including Operation Iraqi Freedom/Operation Enduring Freedom (OIF/OEF) veterans, as well as increasing numbers of older World War II, Korea, and Vietnam veterans. The Veterans Health Administration (VHA) 2008 budgetary resources request of $36.6 billion for medical care programs provides health care for an increase of 125,000 Priority 1 through 6 veterans, which is 3.3 percent above 2007 estimates. OIG will continue to assess the quality of care at delivery points throughout VA, with a special emphasis on returning OIF/OEF veterans and the transition of care from military service to VA.

VA is justly proud of its strong reputation in health care and medical research, and OIG is equally proud of its own contributions to helping VA maintain and improve these capabilities. OIG oversight focuses on a variety of management and program controls, and the medical care system infrastructure. At a time when the adequacy of VA health care funding is debated, the management of health care delivery is as important a focus for OIG as the issues of quality of care.

OIG Challenge #1A: Quality of Care

Overall, the quality of VA health care is very high and higher than its private sector counterpart. This commendable level, however, is not without continuing challenges. For example, OIG reviews have shown unacceptably high waiting times and delays remain in obtaining subspecialty procedures and subspecialty medical diagnoses. OIG continues to identify inaccurate reporting of

waiting times and patient waiting lists, a problem on which OIG reported and sought corrective action since 2005. OIG will continue to review medical outcomes and quality of care issues in its health care inspections and CAP reviews. VHA has generally responded promptly to correct quality of care deficiencies identified by OIG work, but ensuring high quality health care through the vast VA system in varied settings will remain a challenge. OIG will continue its oversight of care provided in all settings to ensure, for example, that eldercare and Community Based Outpatient Clinics (CBOCs) care are of the same high quality as inpatient medical center care. Analogously, we will continue to evaluate whether care in medical centers in rural, urban, and suburban locations is consistent and of consistently high quality.

VA's Program Response to OIG Challenge #1A: Quality of Care

ESTIMATED RESOLUTION TIMEFRAME: FY 2008 AND BEYOND

Measuring the Quality of Health Care Provided	
Key FY 2007 Actions	Anticipated Impacts
Conducted year-end **assessment** of the **quality of care provided in CBOCs and VA medical centers.** Results indicate that the same high quality of care was provided in both care settings.	Ensure that patients treated in CBOCs receive the same quality of care as those treated in VA medical centers. Identify areas in need of improvement as well as areas of high performance to continuously improve the quality of care throughout VA medical facilities and become a high performance organization. Ensure the quality of care provided to patients and compliance with selected VA directives and accreditation standards.
Compared **quality of care between patients living in urban versus rural areas**. Of 51 clinical quality measures used, there was no meaningful difference in the scores of almost all measures between the two patient groups.	Ensure that patients living in rural areas receive the same access to and quality of care as those living in urban areas. Identify areas in need of improvement as well as areas of high performance to continuously improve the quality of care throughout VA medical facilities and become a high performance organization. Ensure the quality of care provided to patients and compliance with selected VA directives and accreditation standards.
Analyzed **more than 100 quality measures** on a quarterly basis, with focus in such areas as access, prevention/health promotion, cardiovascular disease, mental health, and OIF/OEF servicemembers and veterans.	Identify areas in need of improvement as well as areas of high performance to continuously improve the quality of care throughout VA medical facilities and become a high performance organization. Ensure the quality of care provided to patients and compliance with selected VA directives and accreditation standards.

Measuring the Quality of Health Care Provided	
Key FY 2007 Actions	Anticipated Impacts
Quality is also evaluated in **special veteran populations** such as women, mentally ill, spinal cord injury, OIF/OEF, and others.	Ensure that special veteran populations have access to VA health care, and VA programs are responsive to their unique circumstances and special needs. Identify areas in need of improvement as well as areas of high performance to continuously improve the quality of care throughout VA medical facilities and become a high performance organization. Ensure the quality of care provided to patients and compliance with selected VA directives and accreditation standards.
Surveyed patient satisfaction that included an expanded sample of **10,000 OIF/OEF veterans**.	Initiate patient satisfaction improvement efforts in areas needing improvement, such as access to care and seamless transition of OIF/OEF patients from DoD to VA care.

Improving the Processes of Care	
Key FY 2007 Actions	Anticipated Impacts
Continued efforts to **reduce delays** in completing subspecialty diagnoses and procedures. Progress was made to improve **processes of care** for colorectal cancer, among others. The National Colorectal Cancer Diagnosis Improvement Project facilitated measurement and improvement efforts through sharing of information on a national listserve, monthly national conference calls, and the Systems Redesign Web site. Also initiated a Colorectal Cancer Care Treatment Collaborative to measure and improve timeliness and reliability of treatment.	Improve access to care and quality of care. Reduce wait times.

Measuring the Quality of Health Care Provided	
Key FY 2008 Actions	Anticipated Impacts
Continue using strategies described above for 2007.	Identify areas in need of improvement as well as areas of high performance to continuously improve the quality of care throughout VA medical facilities and become a high performance organization. Ensure the quality of care provided to patients and compliance with selected VA directives and accreditation standards.

Improving Access to Care	
Key FY 2008 Actions	Anticipated Impacts
Complete an analysis of VA's scheduling processes, including **electronic waiting lists** and waiting times reporting, and develop an action plan. Continue to take other important actions: o Take steps to implement a proposed new patient scheduling software package. o Improve waiting time metrics. o Develop standardized tools to improve reporting accuracy systemwide. o Address training and career development issues for facility scheduling clerks.	Improve access to care and quality of care. Reduce wait times.

OIG Challenge #1B: Electronic Medical Records

VA has deservedly received recognition for establishing the gold standard in medical care in its electronic medical records system. The system is not perfect, however, as OIG reviews frequently find local business rules which permit editing of information in patient records after they have been signed, rather than leaving the official record as is and simply appending updates or corrections. We continue to report in CAP reviews the need to comply with applicable VHA policies designed to ensure complete and accurate medical records. With the increased attention on data security and the centralization of resources and authority under the Department's Chief Information Officer (CIO)—which OIG acknowledges were needed—we will continue our oversight of VA's electronic medical records to ensure this cutting edge technology remains innovative and flexible to adapt to VA's health care and benefits needs while maintaining high quality care for veterans.

Related to the VA electronic medical records issue is VA's access to military medical records of the veterans VA treats. Due to the importance and volume of OIF/OEF veterans being transitioned from military to VA health care, any problems the Department of Defense (DoD) experiences pose significant challenges to VA in caring for these new veterans. These DoD issues, although outside VA's exclusive control to change, create a management challenge to VA when VA assumes the responsibility for the veteran's care. Problems include access to the DoD records in real time as well as the lack of standardized medical records among the uniformed services. The President and Congress have emphasized the need to coordinate VA and DoD programs and systems, and the problem is perhaps most acute at VA points of care where the VA provider is unable to access the veteran patient's prior or concurrent military medical records. We encourage VA's efforts to work with DoD and the Congress to overcome any interdepartmental obstacles in VA and DoD that hinder the delivery of world-class care that veterans deserve.

VA's Program Response to OIG Challenge #1B: Electronic Medical Records

ESTIMATED RESOLUTION TIMEFRAME: FY 2008 AND BEYOND

Background

In 2006 VA's model system of electronic health records, developed with extensive involvement of front-line health-care providers, won the prestigious "Innovations in American Government Award." The annual award, sponsored by Harvard University's Ash Institute for Democratic Governance and Innovation at the Kennedy School of Government and administered in partnership with the Council for Excellence in Government, honors excellence and creativity in the public sector.

Electronic health records provide numerous benefits in cost, quality, and access to care. The cost of maintaining the system is $80 per patient per year, less than the cost of one unnecessarily repeated lab test. In the last 10 years, the efficiencies of the Veterans Health Information Systems and Technology Architecture (VistA) have offset cost increases associated with a 100 percent increase in the number of veterans receiving VA care. For example, VistA has helped VA save 6,000 lives by improving rates of pneumonia vaccination among veterans with emphysema, cutting pneumonia hospitalizations in half, and reducing costs by $40 million per year. Patient waiting times have declined while customer service improved, and access to care has increased because of on-line availability of health information.

Patient Data Exchange With DoD	
Key FY 2007 Actions	Anticipated Impacts
Completed an interface to permit all VA and DoD facilities to have **bidirectional access** to inpatient and outpatient pharmacy data, laboratory results, radiology report data, and allergy information.	Provide better health care for shared patients (that is, those who receive care from both departments) through the real-time, two-way view of inpatient and outpatient health data from existing systems at all VA and DoD sites. Develop a common health information architecture between VA and DoD facilities that would allow the two-way exchange of health information through the development of modern health information systems.
Developed the ability for the four Level 1 Polytrauma facilities to **access DoD scanned inpatient paper records** and digital radiology images from key OIF/OEF military treatment facilities at Walter Reed and Brooke Army Medical Centers and National Naval Medical Center in Bethesda, Maryland.	Improve quality of care and care coordination between VA and DoD.
DoD began sending VA **electronic Pre-and Post-Deployment Health Assessment and Post-Deployment Health Reassessment** information on separated servicemembers and National Guard and Reserve members who have been deployed and are now demobilized.	Improve access to care for servicemembers, National Guard, and Reserve members, especially for those with possible PTSD.
VA can now **track servicemembers from the battlefield** through Landstuhl, Germany, **to military treatment facilities in America through** a new application, known as the Veterans Tracking Application (VTA). VTA is a Web-based patient tracking and management tool that collects, manages, and reports on patients arriving at military treatment facilities from forward-deployed locations.	Improve access to complete medical records, coordination of care between DoD and VA, and quality of care for servicemembers.

Patient Data Exchange With DoD	
Key FY 2007 Actions	Anticipated Impacts
Developed capability to **share discharge summaries** between VA facilities and ten key military treatment facilities.	Improve quality of care for shared patients (that is, those who receive care from both departments) through the capability to share discharge summaries. Develop a common health information architecture between VA and DoD facilities that would allow the two-way exchange of health information through the development of modern health information systems.

Patient Data Exchange With DoD	
Key FY 2008 Actions	Anticipated Impacts
VA and DoD will begin the **bidirectional sharing of additional viewable electronic health data**, including viewable encounter and clinical notes, procedures, problem lists, history, questionnaires, and forms.	Improve quality of care for shared patients (that is, those who receive care from both departments) through the real-time, two-way view of inpatient and outpatient health data from existing systems at all VA and DoD sites. Develop a common health information architecture between VA and DoD facilities that would allow the two-way exchange of health information through the development of modern health information systems.
VA and DoD will develop a joint plan to define the capability to share **bidirectional digital radiology images** enterprise-wide.	Improve quality of care for shared patients (that is, those who receive care from both departments) through the real-time, two-way view of inpatient and outpatient health data from existing systems at all VA and DoD sites. Develop a common health information architecture between VA and DoD facilities that would allow the two-way exchange of health information through the development of modern health information systems.
VA plans to **integrate the VTA with VA's computerized patient record system (CPRS)** to enable wider visibility of DoD's medical information on patients evacuated from the combat theater.	Improve data sharing and coordination and quality of care. Enhance the seamless transition of active-duty servicemembers to veteran status, as well as making inpatient health-care data on shared patients immediately accessible to both DoD and VA.

OIG Challenge #1C:
New and Significantly-Increased Health Problems Associated with OIF/OEF

The two sentinel injuries associated with the OIF/OEF conflict are the blast-induced traumatic brain injury (TBI) caused by explosion shock waves and post-traumatic stress disorder (PTSD). TBI was often hidden from doctors by more obvious injuries before the advent of modern body armor that protects most of a soldier's internal organs, but not the brain. TBI issues include not only the direct physical damage associated with concussive trauma, but many other problems that are only now becoming apparent, such as depression and mental health issues. Secretary Nicholson announced June 11, 2007, that all OIF/OEF veterans seeking treatment at VA are being screened for brain injuries and PTSD.

In a July 2006 report,[1] OIG determined that VHA has enhanced case management for TBI patients, but long-term case management needs further improvement. VA recognizes the need to ensure lifelong care for the veteran and support for his or her family, and is working within the scope of its legal authorities to ensure a network of seamless and effective transition of care for veterans after they leave active duty and after they leave specialized military and VA TBI facilities for local VA or fee-basis facilities near their homes.

According to VA testimony, from the start of OIF/OEF through the first quarter of 2007, a third of discharged service members sought VA care and almost 84,000 or 37 percent of those veterans who sought VA care raised mental health concerns. The most common concerns are PTSD, nondependent abuse of drugs, and depressive disorders. Further evidence of the impact of PTSD on VA is that the number of service-connected disabilities for mental disorders doubled from 2001 to 2005, the last year reported, with mental disorders accounting for more than half of all 100% service-connected disabilities.

Today VHA's nationwide network of facilities provides an array of PTSD treatments ranging from outpatient services at Vet Centers and VA medical centers (VAMC) to full-time hospitalization. While the layman may confuse the specific diagnosis of PTSD with broader mental health issues such as depression, substance abuse, and suicidality that also exist within the returning war veteran population, VA will face in both the short-term and the long-term the challenge of providing effective mental health services to OIF/OEF veterans. Furthermore, because self-injury and substance abuse are not uncommon in veterans with PTSD, OIG has discussed the need for dual-diagnosis treatment programs for returning veterans in several reports.

While we believe that the quality of medical care in VHA facilities is generally excellent, VA is challenged to deliver mental health services and seamless transition of care to veterans who live in areas distant from VA facilities.

[1] The Appendix lists this report, as well as other selected reports pertinent to the five key challenges discussed. The Appendix is not intended to encompass all OIG work in an area.

VA's Program Response to OIG Challenge #1C: New and Significantly-Increased Health Problems Associated with OIF/OEF

ESTIMATED RESOLUTION TIMEFRAME: FY 2008 AND BEYOND

Focusing on OIF/OEF Veterans	
Key FY 2007 Actions	Anticipated Impacts
Mandated that all **OIF/OEF veteran**s who come to VA for care are **screened for TBI**. If veterans have positive screens, follow-up evaluations are provided by staff with training and expertise in TBI.	Improve quality and coordination of care for veterans with TBI, from mild to severe cases. Improve patient outcomes by implementing early treatment.
Allocated more than $4 million to **enhance staffing** at the **PTSD Clinics** to provide appropriate treatment for veterans with both PTSD and substance abuse problems. Expanded number of **mental health specialists** in Community-based Outpatient Clinics (CBOCs).	Increase access to mental health care and substance abuse services.
Designated a **nurse** or **social worker** to serve as the **OIF/OEF program manager** to coordinate care provided to these veterans at each medical facility and independent outpatient clinic. This position functions as the facility's point of contact for the VA liaisons at the military treatment facilities.	Expedite and facilitate the transfer and care coordination of injured servicemembers to VA medical facilities. Improve communication with family members and care coordinators.
Vet Centers have taken the following actions: o Initiated an aggressive **outreach campaign** to OIF/OEF veterans who return from combat. o **Hired 100 OIF/OEF veteran returnees** to provide outreach services to their fellow combatants.	Meet increased workload associated with the need to provide outreach services and proper case coordination of OIF/OEF veterans. Aid the seamless transition of servicemembers.
Implemented a **seamless transition performance measure** that measures the percentage of severely injured OIF/OEF servicemembers/veterans who are contacted by their assigned VA case manager within 7 calendar days of notification of transfer to the VA system.	Expedite the transfer and care coordination of injured servicemembers to VA medical facilities. Ensure that the injured OIF/OEF servicemember/veteran is properly transferred to the VA system and knows that he/she will be receiving the necessary medical care. Improve support and care coordination for family members.
Established a **Suicide Prevention Hotline.** Suicide Prevention Coordinators have also been designated in all medical centers.	Increase access to care for veterans at risk for suicide and enhance suicide prevention options. Improve VA staff awareness of veteran-related issues and services concerning suicide and suicide prevention.

Focusing on OIF/OEF Veterans	
Key FY 2007 Actions	Anticipated Impacts
Expanded the Polytrauma-TBI System of Care to include 76 facilities across the country, with specially-trained Polytrauma support clinical teams at each site. **Expanded specialty areas**, including military sexual trauma services, suicide prevention initiatives, transitional housing, and psychosocial rehabilitation and recovery.	Provide additional services, including intensive psychological support treatment for both patient and family, and intensive case management. Ensure that polytrauma-TBI patients receive the right level of care at the right type of facility. Allow lifelong coordination of care in the veteran's chosen community.

Focusing on OIF/OEF Veterans	
Key FY 2008 Actions	Anticipated Impacts
VA will assess **whether to increase the number of VA liaisons** stationed at the existing medical treatment facilities to handle the increased volume of OIF/OEF servicemembers/veterans transitioning to VA, and how to address the concerns of the **Army's Warrior in Transition population** at additional military installations.	Maximize staffing resources to meet the volume of care anticipated. Address the concerns of the **Army's Warrior in Transition population** at additional military installations.
VA will establish a **fifth Polytrauma Rehabilitation Center** and enhance services currently available to families and caregivers of veterans with polytrauma and TBI to include delivery of direct medical and mental health care.	Provide additional services, including intensive psychological support treatment for both patient and family, and intensive case management. Allow lifelong coordination of care in the veteran's chosen community.
By the end of FY 2008, VA will increase access to **non-institutional care by 41 percent** and develop programs for areas of greatest need through community-based outreach programs and tele-health services.	Meet the non-institutional care needs of veterans. Provide non-institutional care services to a greater range of eligible veterans.
VA and DoD will **improve bidirectional access to medical records**, by including more data such as vital sign data, family history, social history, other history, and questionnaires/forms available to VA and DoD providers. Discharge summaries, operative reports, inpatient consults and histories, and physicals will also be made available to VA on shared patients at **Landstuhl Regional Medical Center, Germany.**	Provide better health care for shared patients (that is, those who receive care from both departments) through the real-time, two-way view of inpatient and outpatient health data from existing systems at all VA and DoD sites. Develop common health information architecture between VA and DoD facilities that would allow the two-way exchange of health information through the development of modern health information systems.
Increased efforts will be made to devise a long-term solution to **identify high-risk mental health patients in the electronic medical record**, possibly through use of national reminders and flagging of special cases.	Increase effectiveness of identifying high-risk mental health patients and improve access and coordination of care for those patients identified.
The **Veterans Health Education and Information Office** will work with content experts to develop materials for OIF/OEF patients and family members.	Improve awareness of OIF and OEF servicemembers, veterans, and their families on VA health care services.

OIG Challenge #1D: Research

VHA's research component, which has made major advances in medicine in the past half-century, has requested 2008 resources of $1.8 billion. Research, however, poses inherent challenges. Beyond the obvious fiscal accountability issues, VA research must have oversight and boundaries that keep research from harming patients or getting in the way of needed treatment. Congressional hearings and OIG criminal investigations have spotlighted concerns about the suitability of using specific veterans in specific research programs. OIG plans to expand its efforts to ensure that patient safety is not eclipsed by scientific zeal. Areas of continuing OIG concern in recent reports are the credentialing and privileging of research assistants and informed consent by patients.

VA's Program Response to OIG Challenge #1D: Research

ESTIMATED RESOLUTION TIMEFRAME: FY 2008 AND BEYOND

Strengthening Research Protocols	
Key FY 2007 Actions	Anticipated Impacts
Developed two major handbooks to enhance existing policies on the **protection of human subjects** in research.	Reduce the risk for violations of all applicable regulatory and policy requirements pertaining to human subject research. Ensure that all VHA facilities are fully aware of the laws and policies concerning human subject research conducted or supported by VA and fully compliant with the requirements specified in the Federal Policy (Common Rule) for the Protection of Human Subjects, 56 Federal Register 28001, June 18, 1991, as codified at 38 CFR Part 16. The handbooks are a written commitment by VHA to protect human subjects participating in research.
Required each VA medical facility conducting research to provide appropriate certification of **compliance with regulatory and policy requirements**.	
Published Web site checklists for **human research protections** and **research privacy** to be used by the VA research community.	
Issued guidance to all research offices requiring that **only licensed personnel** with appropriate clinical privileges conduct clinical procedures on research subjects. Also issued a requirement that VA's system-wide credentialing database, VetPro, be used for all health professionals assigned to research, regardless of licensure status.	Allow local research offices and the Research and Development Committees to better track non-licensed personnel and ensure that they are not performing inappropriate or unauthorized procedures on human research subjects.

Strengthening Research Protocols	
Key FY 2008 Actions	Anticipated Impacts
Expand educational programs to include an updated curriculum on human subjects protections, information security, and research compliance.	Reduce the risk for violations of all applicable regulatory and policy requirements pertaining to human subject research. Ensure that all VHA facilities are fully aware of the laws and policies concerning human subject research conducted or supported by VA and fully compliant with the requirements specified in the Federal Policy (Common Rule) for the Protection of Human
Develop additional online training on VA research information privacy and security.	
Ensure that all facilities conducting human subjects research undergo accreditation of their human protection programs.	

Strengthening Research Protocols	
Key FY 2008 Actions	Anticipated Impacts
	Subjects, 56 Federal Register 28001, June 18, 1991, as codified at 38 CFR Part 16.
Issue additional regulatory guidance on financial conflict of interest in VA research.	Reduce the risk for violations of financial conflict in VA research. Ensure that all VHA facilities are fully aware of and compliant with the laws and policies concerning financial conflict of interest in VA research.

OIG Challenge #2: BENEFITS PROCESSING

-Strategic Overview-

VA faces an increasing disability claims workload from returning OIF/OEF veterans, reopened claims from veterans with chronic progressive conditions, and additional claims from an aging veteran population. New laws have expanded benefits eligibility, encouraging more veterans to apply for assistance, a trend which is ongoing in wartime. These factors will continue to present VA with major challenges in timely and accurate processing of disability claims for monetary benefits. In addition, due to factors such as the increasing complexity of the claims veterans file, the complicated rules that the Veterans Benefits Administration (VBA) must follow in deciding disability claims, and the loss of seasoned claims processing staff, VA will face continuing challenges in the accuracy and consistency of benefits decisions.

The President's 2008 budget request for the VA includes $45.3 billion for entitlement costs, which includes monetary benefits for 3.2 million recipients of compensation benefits. VBA estimates receiving 800,000 disability claims again in 2008, which, in the face of estimated pending balances of about 400,000 rating and almost 180,000 non-rating claims, present serious program management challenges. Benefits claims—including appeals and lawsuits involving denied claims—are increasing while VBA staffing remains near pre-Iraq war levels.
OIG audits and investigations identify actions VBA can take to improve the timeliness and quality of claims processed, minimize its exposure to fraud, and reduce the amount of improper payments.

OIG CHALLENGE #2A: Pending Claims and Estimated Receipts

Large inventories of pending claims for compensation and pension (C&P) benefits have been a problem for many years, and they continue to be the focus of congressional hearings and press accounts. VBA has said making headway is proving difficult because veterans are filing new and reopened claims faster than VBA generates decisions on pending claims. In 2006, VA received 806,382 claims, and expects 811,000 in 2007. VBA's internal difficulties in handling the workload—compounded by the loss of experienced rating personnel—are further aggravated by differences between DoD and VA disability rating rules and systems. This is one of the areas addressed in recommendations by the Task Force on Returning Global War on Terror Heroes, and under review by the Veterans' Disability Benefits Commission, established by the National Defense Authorization Act for 2004, and which issued its report and recommendations on October 3, 2007. For example, examinations performed by DoD for purposes of determining fitness for continued service are generally not adequate for application of the VA Schedule of Rating Disabilities in determining, for VA disability compensation purposes, the average

impairment in earning capacity. Unless a service member is participating in the Benefits Delivery at Discharge program, VA must wait until he or she is discharged and files a claim before obtaining service medical records, including any medical or physical board proceedings, prior to determining if additional examinations are needed. This contributes to the lengthy claims process faced by veterans.

VA's Program Response to OIG Challenge #2A: Pending Claims and Estimated Receipts

ESTIMATED RESOLUTION TIMEFRAME: FY 2008

Improving Claims Processing Business Operations	
Key FY 2007 Actions	Anticipated Impacts
Increased **overtime** funding for claims processing staff. **Added** approximately 1,000 claims processing FTE. Used 50 **rehired annuitants** to provide training and mentorship and to assist the **Tiger Team** with claims processing.	Increase the number of completed rating-related claims.
Increased the minimum RVSR **national production requirement** to 3.5 weighted actions per day.	
Increased **training initiatives** to improve technical and management abilities for **new managers**.	Improve technical and managerial skills for new managers.
Began **consolidation of death pension claims processing** to the three VBA Pension Maintenance Centers (PMCs).	Improve efficiency and effectiveness in processing disability rating claims.

Improving Claims Processing Business Operations	
Key FY 2008 Actions	Anticipated Impacts
Implement two initiatives designed to increase the productivity of new hires. o Modify the Veteran Service Representative (VSR) training protocols to immediately **focus new hires on processing burial and dependency claims** to allow them to become productive very quickly. o Hire new VSRs at the three PMCs and continue the **consolidation of death pension claims** to the PMCs. The consolidation is expected to be completed by late FY 2008 or early FY 2009.	Free other more experienced regional office staff for assignment to disability claims processing. Improve efficiency and effectiveness in processing disability rating claims.
Consolidate original disability pension claims processing to the three PMCs and evaluate consolidation of dependency and indemnity compensation claims processing.	Improve efficiency and effectiveness in processing disability rating claims.
Conduct a joint VA and Department of Defense **Disability Evaluation System pilot**.	Improve the interaction and data sharing between VA and DoD and services to separating servicemembers with disabilities.

OIG CHALLENGE #2B: Appeals

The growing number of veterans' claims for disability benefits entering the appellate processes also contribute to the challenge VA faces and draws attention to timeliness from all stakeholders, including service organizations, Congress, and the media.

The appeal rate on disability determinations has increased since 2000 more than 50 percent, from approximately 7 percent to 11 percent. Over 130,000 appeals are currently pending in VA regional offices and VBA's Appeals Management Center, including cases requiring processing prior to transfer to the Board of Veterans' Appeals (BVA) and cases remanded to VBA offices by BVA or the U.S. Court of Appeals for Veterans Claims (CAVC) following an appeal. There are over 30,000 additional appeals now pending at BVA.

The chief judge of CAVC testified before a House Committee on Veterans' Affairs subcommittee on May 22, 2007, that the Court is facing its highest caseload ever, averaging 300 appeals per month, a figure that does not yet include appeals by OIF/OEF veterans. In the first half of 2007, CAVC received 2,542 new appeals, compared to 3,729 for all of 2006. The judge attributed this in part to the sharp increase in denial of claims by BVA, which virtually doubled in a 2-year span, going from 9,299 in 2004 to 18,107 in 2006. All of these processes—initial decisions by VBA, pre-appellate reviews in VA regional offices, actions by VBA's Appeals Management Center, consideration at BVA, and ultimately consideration by CAVC—present VA with a formidable challenge in terms of timeliness in providing monetary benefits to veterans.

VA's Program Response to OIG Challenge #2B: Appeals

ESTIMATED RESOLUTION TIMEFRAME: FY 2009

Improving Claims Processing Business Operations	
Key FY 2007 Actions	Anticipated Impacts
As a result of joint VBA/BVA training on reducing avoidable remands, **reduced the remand rate** from 56.8% in 2004 to 35.7% by mid-year 2007	Increase the number of appeals decided, and reduce the number of pending appeals.
Used **overtime** for writing and dispatching decisions.	
Used **mentoring and training** on efficient case review and decision writing with an emphasis on writing clear, concise, coherent, and correct decisions.	Increase the quality of decisions, and increase the number of appeals decided.
Expanded the **flexi-place program** to include 88 high-achieving attorneys who have committed to an increased production goal of 170 cases per year.	Increase the number of appeals decided.
Began evaluating the possible consolidation of **appellate workload** and added additional FTE to address appellate workload.	

Improving Claims Processing Business Operations	
Key FY 2008 Actions	Anticipated Impacts
Continue using strategies described above for 2007.	Increase the number of appeals decided, reduce the number of pending appeals, and increase the quality of decisions.

OIG CHALLENGE #2C: Accuracy and Variance

VBA's long-term efforts to improve the quality—the accuracy and consistency—of claims decisions have resulted in some improvements. VBA conducts accuracy reviews through its Systematic Technical Accuracy Review (STAR) program. In 2005, VBA assigned 18 employees, who reviewed 15,200 cases. The rating and authorization reviews focus on benefit entitlement decisions, and on filed documentation and notice to claimants. One element of STAR determines if the decision was correct, while the other ensures file documentation supports the decision and that proper notice occurred. In a joint hearing on April 12, 2007, before the Senate Committee on Veterans' Affairs and the Senate Committee on Armed Services, the Under Secretary for Benefits stated efforts to address this challenge include "an aggressive and comprehensive program of quality assurance and oversight to assess compliance with VBA claims processing policy and procedures and assure consistent application." He stated that STAR trending of the rating decision quality has resulted in an increase in accuracy over the last 4 years from 81 percent to 89 percent. However, this means that 1 decision in 10 is still inaccurate by VBA's own measure.

A 2005 OIG report on variances in VA disability compensation payments concluded that some veterans' disabilities are more susceptible than others are to variations in ratings. This is due in part to the fact that some diagnostic conditions, such as PTSD, lend themselves to more subjective decision-making practices and that some result from using a disability rating schedule based on a 60-year-old model. In confirming OIG concerns about variance, the National Academy of Sciences study, *A 21st Century System for Evaluating Veterans for Disability Benefits (2007),* conducted under contract with VA, concluded that STAR sampling does not address accuracy at the body system or diagnostic code level, and it does not measure consistency across regional offices. Furthermore, we understand the Rating Schedule under study by the Veterans' Disability Benefits Commission will address a number of concerns coming from use of VA's rating schedule. In recognition of the OIG-identified challenge, VBA has begun taking steps to address the controllable variation. According to the April 12, 2007, testimony of the Under Secretary for Benefits, in addition to the STAR program, VBA's Compensation and Pension Service is identifying unusual patterns of variance in claims adjudication by diagnostic code and VBA is conducting site surveys of regional offices to measure compliance, with particular emphasis on current consistency issues. VA also has received a contract study on removing, to the extent possible, variance in disability decisions across regional offices.

VA's Program Response to OIG Challenge #2C: Accuracy and Variance

ESTIMATED RESOLUTION TIMEFRAME: FY 2008

Improving Quality, Accuracy, and Consistency of Claims Processing	
Key FY 2007 Actions	Anticipated Impacts
Conducted a pilot project to monitor **consistency of decision-making** for rating-related claims. Conducted a consistency review focusing on grants and evaluations of **post-traumatic stress disorder (PTSD) claims** from a regional office identified during the pilot as a statistical outlier.	Allow for better management of the compensation and pension programs' accuracy, timeliness, and consistency of decision-making for rating-related claims.
Developed a plan to reorganize and expand the STAR staff to enable **increased** regional office accuracy review **sampling**, expanded **rating data analysis**, and focused disability decision consistency reviews. STAR reviewers conducted approximately 15,385 reviews in 2007, compared to 13,696 reviews in 2006**.**	

Improving Quality, Accuracy, and Consistency of Claims Processing	
Key FY 2008 Actions	Anticipated Impacts
Begin routine quarterly monitoring of compensation and pension rating decisions by diagnostic code.	Allow for better management of the compensation and pension programs' accuracy, timeliness, and consistency of decision-making for rating-related claims.
Expand the STAR staff to accomplish additional reviews.	
Complete the pilot project mentioned above by conducting **consistency reviews** focused on **individual unemployability** (IU) decisions from a regional office identified as a statistical outlier.	Use results from the pilot project to identify unusual patterns of variance in claims decisions and incorporate focused case reviews into routine quality oversight by STAR.

OIG Challenge #3: FINANCIAL MANAGEMENT

-Strategic Overview-

Sound financial management is not only the stewardship that makes the best use of limited public resources, but also the ability to collect, analyze, and report reliable data on which resource use and allocation decisions depend. OIG oversight assists VA in providing its program managers with accurate, reliable, and timely information for sound oversight and decision making, while identifying opportunities to improve the quality, management, and efficiency of VA's financial management systems.

Although VA has received unqualified ("clean") opinions in the annual consolidated financial statements (CFS) audits since 1999, these audits continue to report the lack of an integrated financial management system, financial operations oversight, and IT security controls as material weaknesses. This report discusses IT security controls in the next section.

OIG CHALLENGE #3A: Lack of an Integrated Financial Management System

While VA has addressed some OIG concerns, including the corrective action in 2005 to eliminate the judgments and claims reportable condition identified in the 2004 audit, the CFS audits continue to report the lack of an integrated financial management system as a material weakness. This is an area of VA noncompliance with the *Federal Financial Management Improvement Act of 1996* (FFMIA), Public Law 104-208. It increases the risk of materially misstating financial information.

The 2005-2006 CFS audit noted, for example, that reconciliations of property records in the loan guaranty programs continued to identify significant differences from non-interfaced systems. Because a number of C&P and education programs did not directly interface with the general ledger or do so at various intervals, numerous adjusting entries had to be made to reconcile balances and ensure that amounts are properly stated. In the life insurance programs, the lack of system interface with VA's general ledger created a need for a significant number of adjusting entries, with the result that some were not posted to the general ledger, nor were reconciling items identified and posted timely.

VA's 4-year remediation program to address this material weakness—the Financial and Logistics Integrated Technology Enterprise (FLITE)—aims to correct financial and logistics deficiencies throughout the Department. FLITE is the successor to the VA's failed CoreFLS program, which was halted after VA had spent $342 million on it. However, in its report to the Committee on the Budget, the House Committee on Veterans' Affairs recommended decreases in funding for FLITE, commenting, "there is much the VA must accomplish first before it should be spending $35 million on this program."

VA's Program Response to OIG Challenge #3A: Lack of an Integrated Financial Management System[2]

ESTIMATED RESOLUTION TIMEFRAME: FY 2012

[2] The responsibility for remediating this major management challenge is a joint effort of VA's Chief Information Officer and Chief Financial Officer.

Steps toward an Integrated Financial Management System	
Key FY 2007 Actions	Anticipated Impacts
As part of the **Financial Reporting Data Warehouse (FRDW)** efforts, VA did the following: • Put into production the PAID (Payroll system) to Financial Management System (FMS) interface. • Put into production the Loan Guarantee – Loan Service & Claims (LS&C) interface.	Simplified reconciliation between program system interfaces (PAID, LS&C) and FMS, as well as providing an audit trail. FRDW is being implemented to remediate a portion of the Lack of an Integrated Financial Management System (LIFMS) material weakness.

Steps toward an Integrated Financial Management System	
Key FY 2007 Actions	Anticipated Impacts
As part of the FLITE efforts, VA did the following: • Established and implemented the FLITE governance framework. • Developed the FLITE Program baseline cost estimates. • Developed a **high-level master plan** for integrating logistics and financial programs under the FLITE Program Office. • Conducted a **FLITE Stakeholder Analysis and Communications Needs Assessment** and developed the Organizational Change Management Strategy. • Developed **functional logistical and financial requirements** and business processes documents. • Determined the COTS solution for the Strategic Asset Management (SAM) component of the program. • Conducted a technical evaluation of financial software. • Awarded a contract to complete the Integrated Financial Accounting System (IFAS) financial requirements and business processes. • Developed a FLITE Acquisition Strategy. • Performed a full analysis on lessons learned from CoreFLS to monitor during the FLITE program lifecycle.	Sound FLITE Program plans, SAM and IFAS requirements documents, technical evaluation, and contract support for change management activities supported by all stakeholders will ensure success of the FLITE program, which will remediate LIFMS.

Steps toward an Integrated Financial Management System	
Key FY 2008 Actions	Anticipated Impacts
FRDW-related work resulted in the establishment of **three key system interfaces**: • Loan Guarantee – Centralized Property Tracking System to FMS interface. • VistA Accounts Receivable, Loan Guarantee – Countrywide Home Loans, and Loan Guarantee – Funding Fee Payment System interface. • Fee Program, Veterans Education Benefits, and Vocational Rehabilitation interface.	Simplified reconciliation between program system interfaces (PAID, LS&C) and FMS, as well as providing an audit trail. FRDW is being implemented to remediate a portion of the Lack of an Integrated Financial Management System (LIFMS) material weakness.
FLITE-related work will consist of the following: • Initiate request for proposal (RFP) and award the SAM Implementation contract. • Initiate SAM pilot at Milwaukee VA Medical Center to attain initial operating capability of the SAM system. • Initiate RFP and award the IFAS component of FLITE following OMB financial management line of business (FMLoB) guidance. • Take steps to initiate IFAS pilot. • Continue change management and communication activities targeted to VA stakeholders.	FLITE program success will result in establishing a fully integrated financial management system for VA.

OIG CHALLENGE #3B: Operational Oversight

The CFS audits also found a material weakness in VA's operational oversight over accounting and financial reporting. Key internal controls and reconciliation processes were performed inconsistently and incompletely, sometimes failing to assure appropriate management review. This caused a variety of problems. Extended amounts of time were required to obtain requested details of transactions for audit testing. Support for certain note disclosures were difficult to obtain, and unreconciled differences continued to exist at year's end for tort claims. Auditors also found no evidence that certain non-Medical Care Collections Fund receivables reconciliations were being performed or completed in a timely manner—medical centers stated they did not have the staff to perform all the reconciliations. Delinquent receivables were not consistently followed up for collection.

Combined with the lack of an integrated financial management system, noted above, these weaknesses complicate VA's ability to prepare and report financial statements on time, impairing its ability to meet its deadline. Financial statements were provided late and required a number of iterations before completion of the audit. A significant number of adjustments needed to be proposed by the auditor. Many of the problems found by the audit process should have been discovered by management through routine operational oversight.

VA's Program Response to OIG Challenge #3B: Operational Oversight

ESTIMATED RESOLUTION TIMEFRAME: FY 2009

Operational Oversight	
Key FY 2007 Actions	Anticipated Impacts
Completed full implementation of a **financial management reporting system** to produce the annual as well as quarterly financial statements. Enhanced the system to produce a majority of required **footnote disclosures** accompanying the financial statements, ensuring **consistency of data** between the principle statements and footnotes as well as significantly improving the timeframe needed to generate the statements.	Improved timeliness and accuracy of financial statements preparation and reporting, including footnotes. Staff will shift focus to analysis and review of financial data and statements, as extensive manual efforts will no longer be required.
Implemented key components of **remediation plans** related to findings in the cash management and financial reporting key business process reviewed under OMB Circular A-123, Appendix A.	These actions will strengthen the system of internal controls, thereby further mitigating fraud, waste, abuse, or mismanagement and improve the accuracy of VA financial reports.
Initiated a multi-year project, the **Financial Policy Improvement Initiative (FPII)**, to update all financial policies and procedures.	Departmentwide standardization of financial management policies and procedures to ensure they are uniform, consistent, and accurate, as well as comply with, and reference where appropriate, all financial management laws and regulations. The "new" financial policies and procedures will ensure key internal controls and reconciliation processes are performed consistently and completely, as well as ensure appropriate management review of the detail and support for the financial statements. New VA financial policy will be drafted where none exists or is outdated, ensuring it complies with FASAB standards, financial management laws and regulations, and OMB and Treasury financial management guidance.
Increased oversight of **field compliance** with the Department's policies and procedures by adding additional audit steps related to findings in the CFS audits to field reviews conducted by VA's Office of Business Oversight (OBO).	The additional audit steps will report on field compliance with issues identified as a lack of operational oversight in a broader range of VHA facilities. The broader scope will assist VHA managers in identifying and ultimately correcting the non-compliance issues at the facility level.
The VHA Chief Business Office worked closely with the Chief Financial Officer (CFO), the Office of Compliance and Business Integrity, and Health Information Management to develop strategies to assist medical center staff in understanding guidance and to provide training related to the **Medical Care Collections Fund (MCCF) accounts receivable** follow-up procedures for the medical center staff.	Improved accuracy and timeliness in collection, reconciliation, and follow-up of accounts receivables.

Operational Oversight	
Key FY 2008 Actions	Anticipated Impacts
Implement an Intragovernmental reporting and **reconciliation system** to improve the quality and consistency of reporting.	Improved quality of VA data reported in the Governmentwide Financial Report.
Continue FPII to update all **financial policies** and **procedures**.	Departmentwide standardization of financial management policies and procedures to ensure they are uniform, consistent, and accurate, as well as comply with, and reference where appropriate, all financial management laws and regulations. The "new" financial policies and procedures will ensure key internal controls and reconciliation processes are performed consistently and completely, as well as ensure appropriate management review of the detail and support for the financial statements. New VA financial policy will be drafted where none exists or is outdated, ensuring it complies with FASAB standards, financial management laws and regulations, and OMB and Treasury financial management guidance.
Continue increased oversight of **field compliance** with the Department's policies and procedures.	The additional audit steps will ensure field compliance with issues identified as a lack of operational oversight in a broader range of VHA facilities. The broader scope will assist VHA managers in identifying and ultimately correcting the non-compliance issues at the facility level.
Complete **OMB Circular A-123, Appendix A**, review of key business processes and develop remediation processes and plans to correct findings.	An assessment of the internal controls over financial reporting for all key business processes will be performed. Internal control weaknesses will be identified and remediation plans to correct the deficiencies will be developed. Remediation actions will have been completed or begun and an ongoing monitoring and verification program will be implemented.
Provide additional updated guidance and continued training to medical center staff.	Consistent implementation and adherence to established VA and VHA policies.
Implement a **quality improvement program** to address the needs to share better practices among all facilities and establish a quality improvement entity to ensure field implementation of better practices.	
Continue site assist visits for the lower performing sites.	

OIG Challenge #4: PROCUREMENT PRACTICES

-Strategic Overview-

Procurement is the acquisition of goods and services needed to meet VA's mission. VA must maintain a procurement program that can provide quality products, services, and expertise that must be delivered in a timely fashion, for a reasonable price, and to the right place. VA spends over $6 billion each year purchasing pharmaceuticals, medical/surgical supplies and equipment, and health care services needed to provide quality health care to veterans. VA also purchases goods and services needed to maintain its IT infrastructure and to conduct studies to improve programs and operations.

OIG has three critical roles in evaluating VA's procurement programs and operations: oversight of procurement practices both at Central Office and in the field to ensure compliance with applicable laws and regulations, investigations to detect and prevent illegal activity, and conducting preaward and postaward reviews of VA's Federal Supply Schedule (FSS) contracts and contracts for health care resources awarded by VA medical facilities.

Since 2001, OIG audits, investigations, and reviews have identified significant and persistent deficiencies in the planning, solicitation/award, and administration of contracts throughout VA that have resulted in the loss of hundreds of millions of dollars. Preaward and postaward reviews of FSS and health care resource contracts have resulted in the recovery of $130 million and the identification of potential cost savings of $2 billion, of which over $1.4 billion was realized. Criminal investigations also have identified violations of law involving fraud, bribery, and theft in VA's procurement programs. The lack of oversight, particularly in purchases made using the Government credit card, makes VA's procurement programs vulnerable for illegal activity.

OIG CHALLENGE #4A: Procurement Failures

VA's most costly procurement failures involved the development and implementation of IT systems intended to provide better visibility and oversight of VA's programs and operations, including its financial activities. These include the failure of CoreFLS, a system that was intended to capture and monitor how VA spends its resources. OIG's 2004 review of the failed deployment of CoreFLS found inadequacies with the planning, award, and administration of the contract. These inadequacies and the failure by VHA to implement the legacy systems needed to integrate the software led to the project's failure and the loss of over $200 million. As noted in a 2007 review, similar problems led to the failure of a contract to upgrade VA's Patient Financial Services System and the loss of $30 million. Inadequate planning and poor contract administration resulted in the demise of a Central Incident Response Capability contract which left VA's IT infrastructure vulnerable. The contract, which was valued at $102.7 million over a 10-year period, was allowed to expire after 2½ years due to lack of funding. Changes to the contract and the lack of internal controls and oversight resulted in the expenditure of $91.8 million (89.4 percent of the total value) in the 2 ½ year time period.

Poor procurement practices are not limited to Central Office contracts or IT contracts. OIG audits and reviews have consistently identified procurement deficiencies in VHA medical facilities. A recent audit of financial irregularities at the VA Boston Health Care System identified significant violations of procurement and financial laws and regulations that would have gone undetected but for a complaint to the OIG Hotline. A 2005 OIG report identified problems in the award and administration of sole-source contracts with affiliated institutions to purchase health care

resources. Although VA concurred with the report and issued a nationwide directive to implement the recommendations, subsequent reviews show that the problems persist and there is a lack of compliance with the Directive.

VA's Program Response to OIG Challenge #4A: Procurement Failures

ESTIMATED RESOLUTION TIMEFRAME: FY 2009

Procurement Failures	
Key FY 2007 Actions	Anticipated Impacts
Began to use Integrated Product Teams (IPTs) and Contract Review Boards (CRBs) for VA acquisitions over $5 million. VA attorneys served on CRBs to **provide guidance on potential terminations of contracts**.	This approach leads to better defined and more useful requirements definitions.
Began to develop the **Contract Administration Program** for VA acquisitions estimated to exceed $5 million.	Implemented to improve contract administration, with contracting and program offices working together to manage contracts throughout their life cycle.
Provided oversight of **field compliance** with federal and Departmental acquisition policies and procedures, including three VISN-wide contract inspections.	Oversight programs, such as contract inspections, identify areas of non-compliance with rules and regulations as well as recommendations for corrective actions. The information allows managers at both the field station level and VA Central Office to correct deficiencies in internal controls to prevent future recurrence of non-compliance. Provides local management with recommendations to improve their acquisition activities.
Engaged an independent third party to conduct a **cost-benefit analysis** to recommend a strategy for replacement of the current Veterans Health Information Systems and Technology Architecture (VistA) **billing and accounts receivable system**.	Improve the oversight and internal controls of the Contract Administration Program within the Department.

Procurement Failures	
Key FY 2008 Actions	Anticipated Impacts
Expand IPTs and CRBs for VA acquisitions over $5 million.	Will continue to improve the acquisition process and improve requirements definitions.
Fully implement the Contract Administration Program for VA acquisitions estimated to exceed $5 million.	Will continue to manage and improve the contract administration process.
Hire VA **contract attorneys** to be strategically placed in VHA networks.	
Continue oversight of field compliance with federal and Departmental acquisition policies and procedures by conducting at least **one VISN-wide contract inspection**.	Oversight programs, such as contract inspections, identify areas of non-compliance with rules and regulations as well as recommendations for corrective actions. The information allows managers at both the field station level and VA Central Office to correct deficiencies in internal

Procurement Failures	
Key FY 2008 Actions	Anticipated Impacts
	controls to prevent future recurrence of non-compliance. Will continue to conduct reviews and provide local management with recommendations to improve their acquisition activities.
Develop a comprehensive **education training** program for **Enhanced Medical Sharing Contracts**.	Improve the oversight and internal controls of the Contract Administration Program within the Department.
Begin **random audits of IT contracts** greater than $1 million to ensure compliance with applicable directives.	Enable VA to identify any deviations from directives and policy, insufficient acquisition planning, and inadequate contract administration. Identification of these issues and subsequent analysis would enable VA to develop and implement processes that ensure early access to acquisition staff for improved acquisition planning and rigorous contract administration to ensure that review and proper payment of vendor invoices and modifications remain within scope. Help VA identify areas where increased or improved training for contracting and project management staff would improve the planning, implementation, and administration of contracts.

OIG CHALLENGE #4B: Lack of Corporate Knowledge

At the present time, VA has no corporate database identifying contracts that have been awarded, individual purchase orders, credit card purchases, or the amount of money spent on goods and services. Lacking a corporate database, the Department does not know what is purchased, from whom, whether purchases are through a contract or open market, or whether prices paid are fair and reasonable. As just one example, VA spends billions of dollars annually using purchase cards with little oversight because the relevant information is maintained only in databases at each facility. Because the procurement program is decentralized and there is no corporate database or effective internal controls, including an oversight program, VA cannot provide assurance that the taxpayer dollars have been spent effectively and without waste.

VA recently implemented a nationwide program, eCMS, to capture contracting actions at both Central Office and in the field. The effectiveness of this program will depend on whether VA contracting entities comply with the policy and whether the data entered into the system is accurate and complete. Although compliance will provide VA with more information regarding the number and type of contracts awarded, it will not provide sufficient information regarding compliance with procurement laws and regulations, whether the contracts were necessary or in the best interest of the Government, and, more importantly, it will not capture individual purchases. In addition to developing information systems needed to capture procurement data, VA also must develop metrics as well as standards to monitor and measure acquisition workload, performance, and purchasing throughout the Department.

There is a clear need to improve the quality and timeliness of legal, technical, and other reviews to guarantee that all contracts are in the best interest of the Government and can withstand legal challenge.

VA's Program Response to OIG Challenge #4B: Lack of Corporate Knowledge

ESTIMATED RESOLUTION TIMEFRAME: FY 2009

Lack of Corporate Knowledge	
Key FY 2007 Actions	Anticipated Impacts
Began to implement the **Electronic Contract Management System (eCMS)** throughout VA and use it to facilitate Federal Procurement Data System (FPDS) reporting and generation of management reports.	Mandated for all procurement actions estimated over $25,000. Existing contracts will now be recorded into eCMS, and any resultant actions throughout the contract life cycle will be processed in eCMS.
Initiated Federal Acquisition Certification-Contracting (FAC-C) **certification of VA acquisition workforce**.	Implemented to bring VA's acquisition workforce into compliance with Federal Acquisition Regulation 1.602-1(a).
Exercised acquisition oversight over field acquisition activities through contract inspections and acquisition audits. Conducted **quarterly data mining of VA purchase card activity** to detect and report violations of federal and Departmental policies and procedures.	Oversight programs, such as contract inspections and purchase card data mining, identify areas of non-compliance with rules and regulations as well as recommendations for corrective actions. The information allows managers at both the field station level and VA Central Office to correct deficiencies in internal controls to prevent future recurrence of non-compliance.
Developed and implemented the Contracting Officer Technical Representative (COTR) Web-based training program.	Improve and promote continuing education of VA COTRs.

Lack of Corporate Knowledge	
Key FY 2008 Actions	Anticipated Impacts
Publish the VA Acquisition Regulation (VAAR) as a final rule in the Federal Register.	It is expected that issuance of the VAAR rewrite will lead to more proactive acquisition planning, well-drafted contracts, and effective contract administration.
Complete the initial phase of certifying the VA acquisition workforce.	Satisfy VA's compliance with federal regulations.
Evaluate the acquisition system and organizational structure.	Improve the oversight and internal controls of the Contract Administration Program within the Department.
Conduct a spend analysis of VA expenditures.	
Continue program improvements of eCMS.	Continue to record and track contracts throughout their life cycle.
Implement and monitor the use of **procurement** and **contracting standard operating procedures**.	Improve the oversight and internal controls of the Contract Administration Program within the Department.

OIG Challenge #5: INFORMATION MANAGEMENT

-Strategic Overview-

The multimillion-dollar failure of VA's CoreFLS system development underscored the challenge of effective IT governance—an organizational structure with well-defined roles and responsibilities to ensure that IT investments cost-effectively support the Department's mission and mitigate the risks associated with IT. For the past several years, OIG reports have repeatedly recommended that VA pursue a more centralized IT governance approach, applying appropriate resources and establishing a clear chain of command and accountability structure to implement and enforce IT internal controls. VA has moved to consolidate IT resources and authority under the Department's CIO, transferring employees from VA administrations to the direct control of the Assistant Secretary. This integration, in which the CIO will be in charge of all VA information technology development and operations, will take several months to complete.

VA has made greater progress in IT governance than in IT security, but until the Department succeeds at IT governance, it will continue to have problems with IT security. The January 2007 Birmingham data loss, VA's second major failure of this scope in a year, demonstrates the point. Information systems within VA must be adequately managed and protected to ensure information availability, integrity, authentication, and confidentiality. These systems must also be cost-effective and used in a lawful and ethical manner, while meeting the needs of the user. OIG work will help assess VA efforts to address information security control weaknesses and to establish a comprehensive integrated security management program.

OIG CHALLENGE #5A: Confusion of Rules and Guidance

Numerous separate pre-consolidation IT policies and guidance are still in effect in VA's various administrations and offices. There has also been an understandable rush to issue new directives and training requirements. The result is that most VA employees find themselves in a morass of highly-detailed and yet often unclear directives, memoranda, and training and certification mandates. This tangle has commendably raised awareness of IT security issues, but has not resulted in better information handling. It also concerns OIG that much of VA's monitoring and remediation efforts since opening the National Security Operations Center in August 2006 involve relatively minor breaches in e-mails among VA employees, rather than focusing on large unencrypted data sets at rest, which present the greatest risks.

Furthermore, these policies have created confusion as to what is required, and in some cases failed to provide technical tools to protect information. The initial 2007 draft of a VA handbook on IT security, for example, was approximately 300 single-spaced pages that was expected to be widely read. It was prepared to address OIG's recommendation for a single comprehensive policy, but instead was a single unwieldy and confusing handbook. VA is making real progress at improving its IT governance and security, but it needs to resist the temptation to paper over real problems. The focus for making IT security policy work must be making it understandable to the employees who must use it.

VA's Program Response to OIG Challenge #5A: Confusion of Rules and Guidance

ESTIMATED RESOLUTION TIMEFRAME: FY 2009

Confusion of Rules and Guidance	
Key FY 2007 Actions	Anticipated Impacts
Required all new employees to sign a **statement of commitment and understanding** regarding their responsibilities for protecting sensitive and confidential VA information.	Ensure that employees understand not only their obligations and responsibilities for protecting VA sensitive information but also the penalties for non-compliance.
Issued numerous IT memorandums, directives, and policies addressing several high-risk areas involving the **use of sensitive information**.	Strengthen controls over the protection of VA sensitive information.
Updated and improved **VA Cyber Security and Privacy Awareness** training modules.	Increase user awareness of the requirements associated with information security and the protection of VA sensitive information.
Issued procedures for reporting and handling of **computer security incidents**.	Improve the Department's capability to quickly and effectively respond to IT security incidents, which will help ensure the confidentiality, integrity, and availability of VA sensitive information.
Established an **Incident Resolution Core Team** consisting of key management officials including the Chief Information Officer, Chief Technology Officer, Privacy Officer, and other senior officials from VA's Offices of Information Technology, General Counsel, Cyber Security, Congressional Relations, Public Affairs, and Human Resources.	
Deployed Rights Management Services (RMS) software to handle email encryption as well as **file and document encryption for data at rest.**	Better safeguard sensitive data within VA through encryption and controlling what authorized recipients can do with sensitive data.
Encrypted over 18,000 VA laptops out of a total of 26,700 laptops.	Help ensure the confidentiality, integrity, and availability of VA data by providing stronger controls over the data stored on mobile computing devices.

Confusion of Rules and Guidance	
Key FY 2008 Actions	Anticipated Impacts
All new employees will sign a **statement of commitment and understanding** regarding their responsibilities for protecting sensitive and confidential VA information.	Ensure that all new employees understand not only their obligations and responsibilities for protecting VA sensitive information but also the penalties for non-compliance.
Deploy **tape encryption** throughout VA. This is for backup tapes that are carried off-site, in an effort to **encrypt large data sets at rest**.	Help ensure the confidentiality, integrity, and availability of VA sensitive data by providing stronger controls over the transmission, processing, and/or storage of sensitive data.
Complete the roll-out of **port security and host integration software** to secure large data sets.	
Develop plans to integrate evolving technology and other best practices into the **encryption management program**.	

OIG CHALLENGE #5B: Material Weakness in IT Security Controls

For several years, OIG reports have also identified serious weaknesses in IT security controls—controls to protect the integrity of VA data and guarantee the privacy of veterans and their families. OIG's annual CFS audits, for example, continue to report IT security controls as a material weakness. Although the 2006 and 2005 CFS audit noted that management of data centers and several program offices have taken actions to remediate previously reported elements of IT control weaknesses, VA program and financial data continue to be at risk due to serious weaknesses related to lack of effective implementation and enforcement of agency-wide security programs in a coordinated manner. The audit found that these weaknesses placed sensitive information, including financial data and veterans' medical and benefit information, at risk of misuse, improper disclosure, theft, or destruction, possibly occurring without detection. The audit's assessment of the general and application controls of VA's key financial systems identified significant areas of control weaknesses. Since this audit was conducted, VA has begun the integration of the Austin, Hines, and Philadelphia data centers into its Corporate Franchise Data Center.

VA's Program Response to OIG Challenge #5B: Material Weakness in IT Security Controls

ESTIMATED RESOLUTION TIMEFRAME: FY 2010

Material Weakness in IT Security Controls	
Key FY 2007 Actions	Anticipated Impacts
Began to implement the Data Security, Assessment and Strengthening of Controls Program (DS-ASC) to **centrally manage** implementation, enforcement, and **remediation of IT security controls** throughout the Department.	Consistent and more effective management and remediation of IT security deficiencies.
Established the Office of IT Oversight & Compliance, which consolidated existing IT security inspection/compliance program activities into one office to assist the CIO in **centralized enforcement of VA IT security controls.**	Improve ways to monitor and enforce compliance with existing laws and regulations regarding IT security.

Material Weakness in IT Security Controls	
Key FY 2008 Actions	Anticipated Impacts
Certify and accredit over **600 Department information systems**.	Allow officials to better understand and manage the risks associated with the operation of VA information systems.
Centralize enforcement and **remediate IT security deficiencies** via the DS-ASC.	More effective and timely remediation of IT security deficiencies.
Inspect IT controls at VA facilities.	Improve IT security controls.

OIG CHALLENGE #5C: VA Information Security Program Reviews

For the past several years, OIG has reported vulnerabilities with IT security controls in our CFS audit reports; *Federal Information Security Management Act* (FISMA), Public Law 107-347, reports; and CAP reviews. Each year, OIG continues to identify repeat deficiencies and repeat recommendations that remain unimplemented. All five FISMA reviews have found major problems that have never been corrected and made recommendations that have never been implemented. OIG's 2004 FISMA Audit reported that inadequate IT security controls for VA's financial management systems continued to place VA program and financial information at risk. The audit found inadequate implementation and enforcement of access controls to financial management systems and data, improper segregation of duties for the staff that operate and maintain key IT systems, inadequate continuity planning for IT services, and inconsistent development and implementation of system change controls. OIG's 2005 FISMA Audit reaffirmed all the unimplemented recommendations, and added another VA action, but two of the older recommendations were subsequently closed as being implemented. The 2006 FISMA Audit added additional recommendations in September 2007. OIG has reported IT security as a major management challenge for the Department each year for the past 6 years.

OIG's 2006 review of circumstances surrounding the theft of a personally-owned laptop computer and external hard drive containing personal information on veterans and military personnel also recommended that VA take several steps to improve policy and training to protect information and information systems. Some recommendations remain open. The review also noted security problems with contracting for services, which give the contractor access to protected VA systems and systems of records. Sensitivity level designations for contractor personnel in VHA are determined by each Veterans Integrated Service Network (VISN) office, which has resulted in inconsistent and inaccurate designations. Many contracts reviewed did not include certain provisions to protect the information or the systems, and as a result, contracting personnel were given access without proper training or clearances.

VA's Program Response to OIG Challenge #5C: VA Information Security Program Reviews

ESTIMATED RESOLUTION TIMEFRAME: FY 2010

VA Information Security Program Reviews	
Key FY 2007 Actions	Anticipated Impacts
Began to implement the Data Security, Assessment and Strengthening of Controls Program (DS-ASC) to **centrally manage** implementation, enforcement, and remediation of **IT security controls** throughout the Department.	Establish accountability for compliance with privacy and information security requirements and help prevent breaches of confidentiality and unauthorized use of veterans' sensitive and protected information.
Established the Office of IT Oversight & Compliance, which consolidated existing IT security inspection/compliance program activities into one office to assist the CIO in **centralized enforcement of VA IT security controls**.	Better compliance with existing laws and regulations regarding IT security.

VA Information Security Program Reviews	
Key FY 2007 Actions	Anticipated Impacts
Issued draft **VA Handbook 6500 Information Security Program,** which contains language specifying that contractor personnel are to be held to the same standards as VA employees and that information accessed, stored, or processed on non-VA automated systems are to be safeguarded.	Help ensure that sensitive data outside of VA's span of control are adequately protected.
Completed movement of the VA Central Office Data Center, which fully remediates **one of the 17 recommendations** contained in the FY 2005 FISMA Audit Report.	Decrease risk of environmental damage to VA Central Office Data Center assets.
Issued numerous IT memorandums, directives, and policies addressing several high-risk areas involving the **use of sensitive information.**	Establish and/or strengthen controls over the protection of VA sensitive information.
Updated and improved VA Cyber Security and Privacy Awareness **training modules.**	Increase user awareness of the requirements associated with information security and the protection of VA sensitive information.
Updated system security plans for over **600 VA systems** to reflect existing and planned security controls.	Allow managers to document and remediate shortcomings in existing controls. In addition, prepare systems for certification and accreditation.
Implemented actions to address recommendations in the OIG report concerning "Loss of VA Information, at the VA Medical Center, Birmingham, Alabama," such as posting a **research privacy checklist** on the Web for use by the VHA Office of Research Oversight staff and the VA research community.	Provide specific application of VA information privacy requirements in the research setting and enable research facilities to conduct self-assessments to ensure continuing compliance and improvement.
Developed a checklist for **research information security** that is used by VA research facilities as well as IT review teams.	Strengthen controls over the use, storage, and transmission of VA research data.
Conducted **site visits** at VA medical facilities; facilities must develop a remedial action plan to address any issues of noncompliance.	Provide direct oversight and independent evaluation of compliance with research information privacy and security requirements and ensure prompt correction of identified deficiencies. Prospect of on-site inspections motivates facilities to ensure continuous compliance. Improve IT security controls at VA medical facilities.
Collaborated with the wider academic community and other federal agencies that support biomedical research to create alignment with **federal information security managemen**t requirements for research involving veterans.	Help ensure that veterans' information is afforded the highest standard of security nationwide.
Handbook 1200.12, "Use of Data and Data Repositories in VA Research," placed more stringent requirements on the use and storage of VA research data.	Establish a baseline set of controls that will better protect the use, transmission, and storage of veterans' sensitive research data.

VA Information Security Program Reviews	
Key FY 2007 Actions	Anticipated Impacts
Over 20,000 VA research staff completed mandatory training on privacy and security requirements developed specifically to address the complex needs of the research environment.	Provide specific application of VA information privacy and security requirements to long-term storage and use of veterans' information for research, thereby helping prevent breaches of confidentiality and unauthorized use of veterans' sensitive and protected health information. Increase awareness of the requirements for protection of VA sensitive information located in research facilities.

VA Information Security Program Reviews	
Key FY 2008 Actions	Anticipated Impacts
Certify and accredit over 600 Department information systems.	Allow officials to better understand and manage the risks associated with the operation of VA information systems.
Centralize enforcement and remediate IT security deficiencies via the DS-ASC.	More effective and timely remediation of IT security deficiencies.
Inspect IT controls at VA facilities.	Improve IT security controls.
Install PKI for all medical care staff and develop a plan to have PKI implemented for medical care contractors.	Help ensure the confidentiality, integrity, and availability of VA sensitive data by providing stronger controls over the transmission and/or storage of sensitive data.
All medical care employees and contractors will complete **annual privacy and security training**.	Help ensure the confidentiality, integrity, and availability of veterans' data through better awareness of the security and privacy requirements associated with the protection of VA sensitive medical and research information.
Institute a requirement for **nationwide certification** of all active research protocols for compliance with security standards. Continue mandatory education of the VA research community on privacy and security requirements.	
Finalize a directive to mandate the appointment of a Facility Information Security Officer and a Privacy Officer to the facility Institutional Review Boards (IRBs), or mandating their inclusion in the process for reviewing proposals for all external IRBs.	The draft directive provides practical guidance and appears to be executable in VHA health care facilities; however, it may be difficult to implement with external IRBs.
Establish a full-time Privacy Officer at all major VHA health care facilities.	Provide specific application of VA information security requirements in the research setting and make individual research investigators and medical facilities aware of these requirements, thus fostering accountability of individual investigators and helping prevent breaches of confidentiality and unauthorized use of veterans' sensitive and protected health information.
Centralize data access management of VA national data containing social security numbers to ensure compliance and improve oversight.	
Participate in numerous **educational** and **training** sessions to reach out to key members of the research community about the requirements for **research information security**.	

VA Information Security Program Reviews	
Key FY 2008 Actions	Anticipated Impacts
Communicate to medical facilities that they must use VHA Directive and Handbook 0710 to address sensitivity level designations.	Strengthen the security and protection of VA information systems by ensuring the suitability of personnel having access.

APPENDIX

The Appendix lists selected reports pertinent to the five key challenges discussed. However, the Appendix is not intended to encompass all OIG work in an area.

HEALTH CARE DELIVERY

Audit of VHA's Part-Time Physician Time and Attendance
(OIG Report 02-01339-85, April 23, 2003)

Healthcare Inspection, VHA's Community Residential Care (CRC) Program
(OIG Report 03-00391-138, May 3, 2004)

Healthcare Inspection, Review of Quality of Care, Department of Veterans Affairs James A. Haley Medical Center, Tampa, Florida
(OIG Report 05-00641-149, June 1, 2005)

Audit of the Veterans Health Administration's Outpatient Scheduling Procedures
(OIG Report 04-02887-169, July 8, 2005)

Review of Access to Care in the Veterans Health Administration
(OIG Report 05-03028-145, May 17, 2006)

Healthcare Inspection, Follow-Up Review of the Quality of Care at the James A. Haley Medical Center, Tampa, Florida
(OIG Report 05-00641-166, July 12, 2006)

Healthcare Inspection, Health Status of and Services for Operation Enduring Freedom/Operation Iraqi Freedom Veterans after Traumatic Brain Injury Rehabilitation
(OIG Report 05-01818-165, July 12, 2006)

Healthcare Inspection, Access to Post-Traumatic Stress Disorder Treatment, James J. Peters VA Medical Center, Bronx NY
(OIG Report 05-03571-187, August 11, 2006)

Review of Recurring and Systematic Issues Identified During Combined Assessment Program Reviews at VA Facilities January 1999 through August 2006
(OIG Report 06-03441-227, September 25, 2006)

Alleged Documentation Irregularities and Human Subjects Protection Violations at Bay Pines VA Healthcare System, Bay Pines, Florida
(OIG Report 06-01952-63, January 23, 2007)

Healthcare Inspection, Research Practices at Carl T. Hayden VA Medical Center Phoenix, Arizona
(OIG Report 07-00589-118, April 20, 2007)

Healthcare Inspection Implementing VHA's Mental Health Strategic Plan Initiatives for Suicide Prevention
(OIG Report 06-03706-126, May 10, 2007)

Administrative Investigation Loss of VA Information VA Medical Center Birmingham, Alabama
(OIG Report 07-01083-157, June 29, 2007)

Audit of the Veterans Health Administration's Outpatient Waiting Times
(OIG Report 07-00616-199, September 10, 2007)

Statement of Antonette Zeiss, Ph.D., Deputy Chief Consultant, Office of Mental Health Services
(House Committee on Oversight and Government Reform Hearing, May 24, 2007)

Veterans Benefits Administration Annual Benefits Report for Fiscal Year 2005
(September 2006)

Task Force Report to the President
(Task Force on Returning Global War on Terror Heroes, April 19, 2007)

VA and DoD Health Care: Opportunities to Maximize Resource Sharing Remain
(GAO Report GAO-06-315, March 20, 2006)

Post-Traumatic Stress Disorder: DoD Needs to Identify the Factors Its Providers Use to Make Mental Health Evaluation Referrals for Servicemembers
(GAO Report GAO-06-397, May 11, 2006)

VA and DoD Health Care: Efforts To Provide Seamless Transition of Care for OEF and OIF Servicemembers and Veterans
(GAO Report GAO-06-794R, June 30, 2006)

VA Health Care: Spending for Mental Health Strategic Plan Initiatives Was Substantially Less Than Planned
(GAO Report GAO-07-66, November 21, 2006)

VA and DoD Health Care: Challenges Encountered by Injured Servicemembers During Their Recovery Process
(GAO Report GAO-07-606T, March 8, 2007)

VA and DoD Are Making Progress in Sharing Medical Information, but Are Far from Comprehensive Electronic Medical Records
(GAO Report GAO-07-852T, May 8, 2007)

BENEFITS PROCESSING

Review of State Variances in VA Disability Compensation Payments
(OIG Report 05-00765-137, May 19, 2005)

Review of Recurring and Systematic Issues identified During Combined Assessment Program Reviews at VA Facilities January 1999 through August 2006
(OIG Report 06-03441-227, September 25, 2006)

Audit of Veterans Benefits Administration's Pension Maintenance Program Administered by the Pension Maintenance Centers
(OIG Report 05-03180-111, March 30, 2007)

Task Force Report to the President
(Task Force on Returning Global War on Terror Heroes, April 19, 2007)

Veterans' Disability Benefits: Long-Standing Claims Processing Challenges Persist
(GAO Report GAO-07-512T, March 7, 2007)

Veterans Benefits Administration: Progress Made in Long-Term Effort To Replace Benefits System, but Challenges Persist
(GAO Report GAO-07-614, April 27, 2007)

Statement of Daniel L. Cooper, Under Secretary For Benefits (Joint Hearing before the Senate Committee on Veterans' Affairs and the Senate Committee on Armed Services, April 12, 2007)

Statement of Ronald R. Aument, Deputy Under Secretary for Benefits (House Committee on Veterans' Affairs Subcommittee on Disability Assistance and Memorial Affairs Hearing, March 13, 2007)

Statement of Hon. William P. Greene, Jr., Chief Judge, U.S. Court of Appeals for Veterans Claims (House Committee on Veterans' Affairs Subcommittee on Disability Assistance and Memorial Affairs Hearing, May 22, 2007)

A 21st Century System for Evaluating Veterans for Disability Benefits
(Institute of Medicine, May 7, 2007)

FINANCIAL MANAGEMENT

Report of the Audit of the Department of Veterans Affairs Consolidated Financial Statements for Fiscal Years 2006 and 2005
(OIG Report 06-01279-24, November 14, 2006)

Report to the Committee on the Budget from the Committee on Veterans' Affairs Submitted Pursuant to Section 301 of the Congressional Budget Act of 1974 on the Budget Proposed for Fiscal Year 2008
(March 1, 2007)

PROCUREMENT PRACTICES

Issues at VA Medical Center Bay Pines, Florida, and Procurement and Deployment of the Core Financial and Logistics System (CoreFLS)
(OIG Report 04-01371-177, August 11, 2004)

Evaluation of VHA Sole-Source Contracts with Medical Schools and Other Affiliated Institutions
(OIG Report 05-01318-85, February 16, 2005)

Review of VA Implementation of the Zegato E-Travel Service
(OIG Report 04-00904-124, March 31, 2005)

Audit of VA Acquisition Practices for the National Vietnam Veterans Longitudinal Study
(OIG Report 04-02330-212, September 30, 2005)

Audit of VA Acquisitions for Other Government Agencies
(OIG Report 04-03178-139, May 5, 2006)

Audit of the Veterans Health Administration's Acquisition of Medical Transcription Services
(OIG Report 04-00018-155, June 14, 2006)

Patient Financial Services System Contract Planning, Award, and Administration Review, VA Central Office
(OIG Report 06-03285-73, January 31, 2007)

Administrative Investigation, Contract Award and Administration Irregularities, Offices of Information & Technology and Acquisition & Materiel Management, VA Central Office
(OIG Report 06-02238-84, February 12, 2007)

Review of VA Central Incident Response Capability Contract Planning, Award, and Administration
(OIG Report 04-03100-90, February 26, 2007)

Audit of Alleged Mismanagement of Government Funds at the VA Boston Healthcare System
(OIG Report 06-00931-139, May 31, 2007)

INFORMATION MANAGEMENT

FY 2005 Audit of VA Information Security Program
(OIG Report 05-00055-216, September 20, 2006)

Report of the Audit of the Department of Veterans Affairs Consolidated Financial Statements for Fiscal Years 2006 and 2005
(OIG Report 06-01279-24, November 14, 2006)

Review of Issues Related to the Loss of VA Information Involving the Identity of Millions of Veterans
(OIG Report 06-02238-163, July 11, 2006)

Administrative Investigation Loss of VA Information VA Medical Center Birmingham, Alabama
(OIG Report 07-01083-157, June 29, 2007)

FY 2006 Audit of VA Information Security Program
(OIG Report 06-00035-222, September 28, 2007)

FY 2009 Business Plan
(Corporate Franchise Data Center, May 2007)

OIG Contact and Staff Acknowledgments

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High-Risk Areas Identified by GAO

The U.S. Government Accountability Office (GAO) evaluates VA's programs and operations. In January 2007, GAO issued an update to its High-Risk Series (GAO-07-310). The GAO-identified High-Risk areas (specific to VA as well as governmentwide) are summarized below. In response, the Department has provided ***key actions taken*** in 2007 as well as ***key actions planned*** for 2008, the ***anticipated impacts*** of the key actions, and the ***estimated resolution timeframe*** (fiscal year) for each high-risk area. Some of the impact statements affect more than one key action since some actions are interrelated.

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

High-Risk Area		Estimated Resolution Timeframe (Fiscal Year)	Page #
No.	Description		
Strategic Goal 1: Restoration and Improved Quality of Life for Disabled Veterans			
GAO 1	**Modernizing Federal Disability Programs**	**2009**	**289**
Enabling Goal: Applying Sound Business Principles			
GAO 2	**Strategic Human Capital Management: A Governmentwide High-Risk Area**	**2012**	**292**
GAO 3	**Managing Federal Real Property: A Governmentwide High-Risk Area**	**2010**	**294**
GAO 4	**Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures: A Governmentwide High-Risk Area**	**2010**	**297**
GAO 5	**Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security: A Governmentwide High-Risk Area**	**Ongoing**	**299**
GAO 6	**Management of Interagency Contracting: A Governmentwide High-Risk Area**	**2009**	**300**

GAO High-Risk Area #1: Modernizing Federal Disability Programs

Background

In January 2003, GAO designated modernizing federal disability programs as a high-risk area because of challenges that continue today. For example, despite opportunities afforded by medical and technological advances and the growing expectations that people with disabilities can and want to work, federal disability programs remain grounded in outmoded concepts that equate medical conditions with work incapacity. Moreover, just as the disability programs are positioned to grow rapidly with current demographics, the Social Security Administration (SSA) and the Department of Veterans Affairs (VA) face difficult challenges in providing timely and consistent disability decisions. Modernizing federal disability programs remains a high-risk area as solutions are likely to require fundamental changes, including regulatory and legislative action.

GAO Recommendations

While SSA and VA have taken some actions in response to prior GAO recommendations, GAO continues to believe that SSA and VA should take the following actions:

- Examine the fundamental causes of program problems.
- Seek the regulatory and legislative solutions needed to transform their programs so that they are aligned with the current state of science, medicine, technology, and labor market conditions.
- Continue to develop and implement strategies to better manage the programs' accuracy, timeliness, and consistency of decision making.
- Specific open GAO recommendations are as follows:
    - Obtain complete and accurate military service records in a timely manner.
    - Prepare medical exam reports that include information needed to adjudicate claims of joint and spine disabilities.
    - Update the *VA Schedule for Rating Disabilities*.
    - Review the claims processing field structure.

VA's Program Response to GAO High-Risk Area #1: Modernizing Federal Disability Programs

ESTIMATED RESOLUTION TIMEFRAME: FY 2009

Modernizing Federal Disability Programs	
Key FY 2007 Actions	Anticipated Impacts
Conducted a pilot project to monitor **consistency of decision-making** for rating-related claims. Conducted a consistency review focusing on grants and evaluations of **post-traumatic stress disorder (PTSD) claims** from a regional office identified during the pilot as a statistical outlier.	Allow for better management of the compensation and pension programs' accuracy, timeliness, and consistency of decision-making for rating-related claims.

Modernizing Federal Disability Programs	
Key FY 2007 Actions	Anticipated Impacts
Developed a plan to reorganize and expand the STAR staff to enable **increased** regional office accuracy review **sampling**, expanded **rating data analysis**, and focused disability decision consistency reviews. STAR reviewers conducted approximately 15,385 reviews in 2007, compared to 13,696 reviews in 2006.	
To improve the **quality of the records research** done by VBA's Records Management Center, VA increased the systematic quality review program from a computerized review of Personnel Information Exchange System (PIES) responses to a review of PIES responses and associated records sent with those responses.	
To **improve timeliness in deciding PTSD claims** and reduce research requests to the Joint Services Records Research Center (JSRRC), VBA obtained a database of historical military records and additional databases from the JSRRC. This information is available to employees on the Compensation & Pension Service Intranet site.	
To address the **quality of medical exam reports**, VA deployed 58 computerized exam templates, one for each Compensation and Pension exam type, to every VHA compensation and pension exam site.	Data from VA's Compensation and Pension Examination Program Office (CPEP) show the quality of joint and spine exams has improved. The percentage of joint exams containing information addressing additional functional limitation following repetitive use improved from 67 percent in FY 2005 to 88 percent for the period of October 2006 through April 2007. Similar improvement was also noted on spine exams with 68 percent in FY 2005 to 89 percent for the period of October 2006 through April 2007.
Continuing efforts to **update the Schedule for Rating Disabilities**, VA implemented a final rule updating the rating criteria for disabilities of the cardiovascular and respiratory systems that went into effect on October 6, 2006. On March 20, 2007, VA published a large rulemaking in the Federal Register that updated Appendices A, B, and C of the Schedule for Rating Disabilities. These appendices list all VA diagnostic code numbers by regulation section, by diagnostic code number, and by type of disease or injury.	These updates provide the mechanism for ensuring that disabled veterans are properly compensated for average loss in earnings capacity as required by statute.
As part of its ongoing efforts to **streamline the claims processing field structure**, VA established a workgroup to recommend compensation activities that could be realigned more efficiently and effectively. The workgroup outlined three recommendations: (1) Establish a centralized call center for Veteran Service Center public contact	Continued efforts to streamline work processes lead to increased efficiency and effectiveness of the claims process and improved service to veterans.

Modernizing Federal Disability Programs	
Key FY 2007 Actions	Anticipated Impacts
telephone functions. (2) Restructure field examiner and legal instrument examiner activities and remove state jurisdictional boundaries. (3) Consider the consolidation of survivor benefit claim processing to Survivor Benefit Centers.	
As a result of joint VBA/BVA training on reducing avoidable remands, reduced the remand rate from 56.8 percent in 2004 to 35.7 percent by mid-year 2007.	Increase the number of appeals decided, and reduce the number of pending appeals.
Continued effective quality review of a random sample of appellate decisions to ensure quality.	Deficiency-free rate of 93.5 percent through the end of July.

Modernizing Federal Disability Programs	
Key FY 2008 Actions	Anticipated Impacts
Begin routine **quarterly monitoring of** compensation and pension rating **decisions by diagnostic code**.	Allow for better management of the compensation and pension programs' accuracy, timeliness, and consistency of decision-making for rating-related claims.
Expand the STAR staff to accomplish additional reviews.	
Continue efforts to improve the **quality and timely receipt** of **military service records**.	
Complete the pilot project mentioned above by conducting **consistency reviews** focused on **individual unemployability** (IU) decisions from a regional office identified as a statistical outlier.	Use results from the pilot project to identify unusual patterns of variance in claims decisions and incorporate focused case reviews into routine quality oversight by STAR.
Continue to improve exam worksheets, templates, and template-generated exam reports based on technical enhancements and field input. A satellite broadcast on Improving Quality of Exam Requests is scheduled for early 2008.	Improve the quality and consistency of medical exam information used in the claims process.
Complete rulemakings to update the following portions of the VA Schedule for Rating Disabilities: • Organs of Special Sense (the eye) • Neurological Conditions and Convulsive Disorders • Evaluation of Scars	Provide the mechanism for ensuring that disabled veterans are properly compensated for average loss in earnings capacity as required by statute.
Continue to evaluate **consolidation opportunities** such as the following: • Consolidation of customer service calls to nine Virtual Information Centers with an expected completion date of June 2009. • Establishment of a fiduciary hub pilot, consolidating fiduciary activities to one site. • Consolidation of survivor benefit claim processing to Survivor Benefit Centers.	Continued efforts to streamline work processes lead to increased efficiency and effectiveness of the claims process and improved service to veterans.

Modernizing Federal Disability Programs	
Key FY 2008 Actions	Anticipated Impacts
Continue efforts to **reduce avoidable remands**.	Increase the number of appeals decided, and reduce the number of pending appeals.
Implement the Expedited Claims Adjudication initiative to streamline the claims adjudication and appeal process by providing an avenue for represented claimants to voluntarily waive certain responses timelines and agree to respond quickly to VA requests for evidence and to file any desired appeals in an expedited manner.	Reduce the amount of time that a claimant has to wait for a decision on his or her claim.

GAO High-Risk Area #2: Strategic Human Capital Management

Background

GAO first added strategic human capital management as a governmentwide high-risk area in 2001 because federal agencies lacked a strategic approach to human capital management that integrates human capital efforts with agency mission and program goals. The area remains high risk because the federal government now faces one of the most significant transformations to the civil service in half a century, as momentum grows toward making governmentwide changes to agency pay, classification, and performance management systems.

Moving forward, there is still a need for a governmentwide framework to advance human capital reform in order to avoid further fragmentation within the civil service, ensure management flexibility as appropriate, allow a reasonable degree of consistency, provide adequate safeguards, and maintain a level playing field among federal agencies competing for talent.

GAO Recommendations

Agencies should do the following:

- Continue to assess their workforce needs and make use of available authorities.
- Demonstrate they have developed an institutional infrastructure that can support reform. This infrastructure should include:
    - A modern, credible performance management system that provides clear linkage between institutional, unit, and individual performance-oriented outcomes.
    - Adequate safeguards to ensure the fair, effective, credible, and nondiscriminatory implementation of the system.

VA's Program Response to GAO High-Risk Area #2: Strategic Human Capital Management

ESTIMATED RESOLUTION TIMEFRAME: FY 2012

Strategic Human Capital Management	
Key FY 2007 Actions	Anticipated Impacts
Conducted annual **succession planning and workforce analysis** and implemented additional enhancements to workforce database analysis tools.	Help VA anticipate potential workforce gaps and create action plans to achieve optimal staffing throughout the Department.
Analyzed and reported Departmental use of **hiring flexibilities** to the Office of Personnel Management on a quarterly basis.	Encourage creative use of hiring flexibilities to assist in hiring qualified candidates for hard-to-fill positions.
Continued the process of **linking SES performance to strategic goals**, cascading these models down through all levels of the organization, and reflecting these linkages in performance plans.	Ensure that VA employees at all levels are familiar with how their work helps their employing organization meet its strategic goals.
Continued to broadcast a training video on closed-circuit television addressing the development of **performance plans that directly link to and support organizational goals**.	
Converted all VA employees to a **5-level performance appraisal program** and initiated review of the effectiveness of the program.	Previously, there was no mechanism to distinguish employee performance beyond the "pass-fail" system on two levels. The new system provides a means of further distinction in performance.
Completed additional assessment tools for selected samplings of employees at various performance pilot sites to identify strengths and weaknesses of current performance appraisal programs for the purpose of making continued improvements.	Ensure that VA performance plans contain clear, meaningful, and measurable language.

Strategic Human Capital Management	
Key FY 2008 Actions	Anticipated Impacts
Revise VA's Strategic Human Capital Plan to reflect current workforce challenges and opportunities.	Updating VA's Human Capital Plan will allow for a more current assessment of the Department's present and future challenges and opportunities. This should result in improvements in recruitment, development, and retention of the Department's most critical asset: VA's workforce dedicated to serving our Nation's veterans.

Strategic Human Capital Management	
Key FY 2008 Actions	Anticipated Impacts
Begin implementation of the **Excellence in Performance Management Pilot** to demonstrate a model for excellence in performance management within the framework of the current 5-level appraisal system. Specific modifications currently proposed for the pilot program include: (1) Revisions of the performance appraisal form to clearly link organizational goals and objectives to individual performance plans. (2) Additional levels of initial achievement and the use of a weighted scoring process to further differentiate levels of performance within the current 5-level rating program and identify and recognize top performers. (3) Development of job aids for employees and raters, which will nurture a culture of meaningful two-way communication about performance results.	Improve management's ability to communicate expectations. Enable greater communication about performance between supervisors and employees.
Develop a second performance management video to provide training to supervisors and employees on monitoring, communicating, appraising, and rewarding performance in addition to effectively dealing with poor performance.	Help employees better understand the performance evaluation process.
Initiate a **limited scope pay-for-performance model** in the Veterans Health Administration for Associate/Assistant Medical Center Directors and Deputy Network Directors.	Use rewards to recruit, motivate, and retain the talent necessary to achieve organizational objectives.

GAO High-Risk Area #3: Managing Federal Real Property

Background

In January 2003, GAO designated federal real property as a high-risk area because of long-standing problems with excess and underutilized property, deteriorating facilities, unreliable real property data, and costly space challenges. Federal agencies were also facing many challenges in protecting their facilities due to the threat of terrorism. Progress has been made. Agencies have established asset management plans, standardized data reporting, and adopted performance measures. The Administration has created a Federal Real Property Council (FRPC). However, deep-rooted obstacles, including competing stakeholder interests and legal and budgetary limitations, could significantly hamper a governmentwide transformation. Agencies, including VA, report repair and maintenance backlogs for buildings and structures. There is an increased reliance on leasing. Agencies lack a standard framework for data validation.

GAO Recommendations

Agencies should do the following:

- Reduce inventories of facilities.
- Make headway in addressing the repair backlog.
- Work with the Federal Real Property Council to develop strategies to address obstacles to a successful transformation, such as competing stakeholder interests.

VA's Program Response to GAO High-Risk Area #3: Managing Federal Real Property

ESTIMATED RESOLUTION TIMEFRAME: FY 2010

Managing Federal Real Property	
Key FY 2007 Actions	Anticipated Impacts
Updated 5-Year Capital Plan.	The 5-Year Capital Plan's goal is to ensure that VA's major capital investment proposals are based upon sound business and economic principles.
Developed short and long-term plans to **improve building/facility condition** at the building and facility levels. Short-term plans included the following: a. Identified VA's total deferred maintenance backlog in excess of $5 billion. b. Identified and funded Non-Recurred Maintenance (NRM) projects to correct VA's most critical condition deficiencies using emergency supplemental funding provided by Congress. Long-term plans include: a. Track project status and impact on VA's condition deficiencies. b. Increase the NRM annual allocation to the VISNs each year (to address condition deficiencies). c. Take further steps to reduce critical condition deficiencies at VA.	Such efforts will help reduce VA's significantly large FCA-documented deferred maintenance backlog.
Completed the **Sustainability Design Manual**.	This manual will significantly impact the way VA designs its new buildings and major renovations as well as its Minor Program construction projects. By incorporating sustainable features into new VA buildings, facility operating costs can be significantly reduced, freeing up resources to devote to veteran care. Surrounding communities benefit as well from the reduced environmental impacts of such facilities. The new design manual requirements are a starting point toward meeting the mandated sustainability goal of ensuring that 15 percent of existing capital asset inventory incorporates the sustainable practices articulated in the Sustainability Model's Guiding Principles.

Managing Federal Real Property	
Key FY 2007 Actions	Anticipated Impacts
Identified Federal Asset Sales (FAS) Real Property Disposal Metrics – Buildings & Residential.	Impacts of this effort are as follows: 1. Make it easier for citizens and businesses to find and buy government assets. 2. Increase net proceeds from asset sales. 3. Decrease agencies' expenses related to asset sales. 4. Reduce time needed to dispose of assets. 5. Improve the personal property sales process.

Managing Federal Real Property	
Key FY 2008 Actions	Anticipated Impacts
Update **Asset Management Plan** and **3-Year Timeline of Capital Investments**.	The Asset Management Plan (AMP) was updated in August 2007. The AMP plan details how VA complies with Executive Order 13327 and fully reflects the Federal Real Property Council's current guiding principles and elements. The plan also details VA's best practices, strategic capital vision, life cycle approach, and capital performance metrics.
Submit VA FY 2007 end-of-year Federal Real Property Profile data.	VA's annual submission of real property data into the Federal Real Property Profile promotes sharing and the efficient and economical use of real property resources across the federal government. Through increased focus on data accuracy and reliability, VA has improved decision-making and performance accountability.
Execute/track **Facility Condition Projects**.	Manage VA's real property portfolio to provide a safe and appropriate environment for the delivery of benefits to veterans in a cost-efficient manner.
Implement standardized Federal Screening process.	Enabling improved data sharing by establishing a standard procedure for sharing information on all assets declared excess/surplus to mission needs.
Identify FY 2009 disposal targets (number and dollar amount of constructed assets).	This is required for VA to meet the Federal Real Property Asset Management Executive Order of 2004. VA has identified 81 assets for FY 2009 disposal.

GAO High-Risk Area #4: Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures

Background

Federal agencies and our nation's critical infrastructures—such as power distribution, water supply, telecommunications, national defense, and emergency services—rely extensively on computerized information systems and electronic data to carry out their missions. The security of these systems and data is essential to preventing disruptions in critical operations, fraud, and inappropriate disclosure of sensitive information. Protecting federal computer systems and the systems that support critical infrastructures—referred to as cyber critical infrastructure protection or cyber CIP—is a continuing concern. Federal information security has been on GAO's list of high-risk areas since 1997; in 2003, GAO expanded this high-risk area to include cyber CIP. The continued risks to information systems include escalating and emerging threats such as phishing, spyware, and spam; the ease of obtaining and using hacking tools; the steady advance in the sophistication of attack technology; and the emergence of new and more destructive attacks. In 2002, the Federal Information Security Management Act (FISMA) was enacted. Many agencies have not complied consistently with FISMA's overall requirement to develop, document, and implement agencywide information security programs.

GAO Recommendations

Agencies should take the following actions:

- Develop and maintain current security plans.
- Create and test contingency plans.
- Evaluate and monitor the effectiveness of security controls managed by contractors.

GAO has raised significant concerns about VA's information technology (IT) security and controls over IT equipment.

IT Security: VA needs to establish a comprehensive information security program. As part of such a program, VA needs to continue to take the following actions:

- Limit, prevent, and detect electronic access to sensitive computerized information.
- Restrict physical access to computer and network equipment to authorized individuals.
- Segregate incompatible duties among separate groups or individuals.
- Ensure that changes to computer software are authorized and timely.
- Provide continuity of computerized systems and operations.

IT Controls: VA needs to improve policies and procedures with respect to controls over IT equipment, including recordkeeping requirements, physical inventories, user-level accountability, and physical security.

VA's Program Response to GAO High-Risk Area #4: Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures

ESTIMATED RESOLUTION TIMEFRAME: FY 2010

Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures	
Key FY 2007 Actions	Anticipated Impacts
Began to implement the Data Security, Assessment and Strengthening of Controls Program (DS-ASC) to **centrally manage** implementation, enforcement, and **remediation of IT security controls** throughout the Department.	Consistent and more effective management and remediation of IT security deficiencies.
Established the Office of IT Oversight & Compliance, which consolidated existing IT security inspection/compliance program activities into one office to assist the CIO in **centralized enforcement of VA IT security controls**.	Improve ways to monitor and enforce compliance with existing laws and regulations regarding IT security.
Updated **system security plans for over 600 VA systems** to reflect existing and planned security controls.	Allow managers to document and remediate shortcomings in existing controls. Prepare systems for certification and accreditation.

Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures	
Key FY 2008 Actions	Anticipated Impacts
Certify and accredit over **600 Department information systems**.	Allow officials to better understand and manage the risks associated with the operation of VA information systems.
Centralize enforcement and **remediate IT security deficiencies** via the DS-ASC.	More effective and timely remediation of IT security deficiencies.
Issue additional Departmentwide policies and procedures involving configuration management, access controls, segregation of duties, physical security, and accountability of IT assets.	Help ensure the protection of VA IT assets by establishing and/or strengthening controls associated with access to and accountability for VA information and systems.
Inspect IT controls at VA facilities.	Improve IT security controls.

GAO High-Risk Area #5: Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security

Background

In January 2005, we designated information sharing for homeland security a high-risk area because the federal government still faces formidable challenges in analyzing and disseminating key information among federal, state, local, and private partners in a timely, accurate, and useful manner. Since 9/11, multiple federal agencies have been assigned key roles for improving the sharing of information critical to homeland protection to address a major vulnerability exposed by the attacks, and this important function has received increasing attention. However, the underlying conditions that led to the designation continue and more needs to be done to address these problems and the obstacles that hinder information sharing. As a result, this area remains high risk.

GAO Recommendations

Agencies should take the following actions:

- Assess progress made on the key steps and milestones implementing the information-sharing environment and remove barriers to implementation.
- Consolidate and consistently apply restrictions on sensitive information so they do not hinder sharing.
- Define what information agencies need from the private sector for homeland security, how they will use it, and how they will protect it.
- Provide incentives and build trusted relationships to promote sharing with these critical security partners.

VA's Program Response to GAO High-Risk Area #5: Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security

ESTIMATED RESOLUTION TIMEFRAME: ONGOING AS THE NATURE OF THE BUSINESS IS CONSTANTLY EVOLVING

Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security	
Key FY 2007 Actions	Anticipated Impacts
Continued to work with the Department of Homeland Security (DHS) and other agencies in **improving the functionality** of the **Homeland Security Information Network and the Homeland Security Data Network** (HSDN). Both have created a better common operating picture for the Department to use daily and in a crisis.	During an emergency these upgrades will enable VA to have more reliable contact with other agencies in what might be otherwise degraded conditions. This contact is essential in ensuring that VA will be able to obtain the support it needs from interagency partners to continue to provide needed services to veterans.
Expanded deployment of HSDN to the Department's primary **Continuity of Operations** site.	Permit full functionality of the system at both VA headquarters and at the Martinsburg Continuity of Operations site--a capability that previously did not exist.

Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security	
Key FY 2007 Actions	Anticipated Impacts
Worked within the framework of several interagency groups under the auspices of the Homeland Security Council and DHS to revise plans to improve the ability to **share information during crises**.	VA's robust representation on interagency groups planning for disasters helps guarantee that the Department's voice and needs will be supported during crises.
Updated **system security plans for over 600 VA systems** to reflect existing and planned security controls.	Ensure enterprise-wide compliance.
Issued VA Handbook 6500 **defining the requirements for secure use of information** within the Department.	Ensure that Department information is secure.

Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security	
Key FY 2008 Actions	Anticipated Impacts
The National Security Council approved the Department's membership in the Crisis Management System; the Department of Defense will assist with the establishment of a Top Secret capability with the construction of a Sensitive Compartmented Information Facility (SCIF) and video-teleconferencing facility, which will enable the Department to **communicate with other agencies via secure means**.	Upon completion of the SCIF, VA top leadership will be able to participate directly in the policy-making meetings. We will ensure that other policymakers understand that VA not only supports the National Response Plan but also in many cases has requirements for our veterans that will need to be supported under the plan.
Issue additional Departmentwide policies and procedures involving access controls, segregation of duties, physical security, and accountability of IT assets.	Ensure enterprise-wide compliance.
Evaluate policies and procedures to ensure that appropriate **information security and privacy requirements are met** while allowing for **effective and secure information sharing**.	

GAO High-Risk Area #6: Management of Interagency Contracting

Background

Federal agencies have increasingly turned to interagency contracting—a process by which one agency uses other agencies' contracts and contracting services—as a way to streamline the procurement process. This contracting method can offer benefits of improved efficiency and convenience, but it needs to be effectively managed. Due to continued growth in the use of these contracts, the limited expertise of some customers and service providers in using these contracts, and unclear lines of responsibility, GAO designated interagency contracting as a high-risk area in 2005. Proper use of this contracting method requires strong internal controls, clear definition of roles and responsibilities, and training for both customers and servicing agencies.

GAO's work and that of agency inspectors general has continued to find cases in which agencies have not adequately met these challenges. While agencies have taken some actions in response to GAO recommendations, specific and targeted approaches are still needed to address interagency contracting management risks.

GAO Recommendations

Agencies should take the following actions:

- Clearly define roles and responsibilities of both customers and servicing agencies.
- Continue to adopt and implement policies and processes that ensure that customer service demands do not override sound contracting practices.
- Track the use of this contracting method to assess whether it provides good outcomes.

VA's Program Response to GAO High-Risk Area #6: Management of Interagency Contracting

ESTIMATED RESOLUTION TIMEFRAME: FY 2009

Management of Interagency Contracting	
Key FY 2007 Actions	Anticipated Impacts
Reviewed all VA Office of Acquisition and Logistics (OA&L) **acquisition activities**.	Policies and processes that ensure that customer service demands do not override sound contracting practices.
Provided training to OA&L acquisition personnel on proper use of **Economy Act*** authority.	Clearly defined roles and responsibilities of both customers and servicing agencies.
Established **central review and approval** of Department Economy Act transactions in the OA&L Center for Acquisition Innovation.	Determination of whether this contracting method provides good outcomes.

*The Economy Act of 1932 provides one authority for federal agencies to provide goods or services to another agency. The concept of interagency contracting was strategically planned and authorized to make the government as a whole more business-like, to foster competition and economies of scale, and to provide options for meeting agencies' administrative and procurement needs.

The Economy Act of 1932, as amended (31 U.S. Code 1535), tends to be the authority "catch all," but it applies only when a more specific authority for the transaction does not exist. Federal Acquisition Regulation (FAR) 17.5 specifically notes that the Economy Act does not apply to orders under the federal supply schedule contracts or orders under governmentwide acquisition contracts, both of which have specific authoring statutes.

Management of Interagency Contracting	
Key FY 2008 Actions	Anticipated Impacts
Expand **centralized management** of Department Economy Act transactions in the OA&L Center for Acquisition Innovation.	Increased control over these transactions.
Implement internal program review of Economy Act transactions.	

Letter from the Chief Financial Officer

The Department of Veterans Affairs (VA) completed another successful year by receiving an unqualified audit opinion for the 9th consecutive year from our external auditors, Deloitte & Touche. We are extremely proud of this accomplishment.

Throughout FY 2007, VA made improvements and 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 Department's material weakness, *Financial Management System Functionality*, VA continues its efforts to develop the Financial & Logistics Integrated Technology Enterprise (FLITE) program. The FLITE initiative will integrate many disparate systems, standardize financial and logistics functional processes, and modernize the information technology environment supporting financial and logistics management within VA. In FY 2007, VA completed the prerequisite planning for the FLITE program. As a component of FLITE, 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 system mapping for all of the 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 the 2007 quarterly and consolidated financial statements. This system is now completely producing VA's consolidated

financial statements using a standardized and repeatable process. The system was expanded in 2007 to provide for the automated generation of footnotes to the financial statements.

As a result of our successful efforts in improving the preparation of VA's financial statements and our progress with the Financial Reporting Data Warehouse, VA's President's Management Agenda scorecard on Financial Performance is "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," which is an over-arching and cross-cutting remediation plan designed to correct deficiencies and eliminate vulnerabilities in information security. This program will enable completion of hundreds of tasks required to remediate long-standing security weaknesses. Following the publication in 2006 of VA Directive 6500, "Information Security Program," the corresponding VA Handbook 6500 was published in 2007; they provide the foundation for a comprehensive information security program throughout VA.

During 2007, additional focus was placed on the *Financial Management Oversight* material weakness as a result of the expansion of this significant deficiency to other fiscal areas in the

Department. VA developed and continues implementation of a detailed remediation plan to address the resolution of this material weakness. Throughout the year, additional and clarifying financial policies and procedures were provided to VA's fiscal community, particularly in the area of internal control. During FY 2008, expanded focus will be placed on addressing the auditors' FY 2007 audit report findings.

VA is starting a 3-year Financial Policy Improvement Initiative to assist in the remediation of two material weaknesses: *Financial Management Oversight* and *Financial Management System Functionality*. The primary objective of this initiative is to ensure that financial policy and procedural information is standardized, accurate, clear, and readily available across the Department.

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 FY 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. Based on the approved implementation plan, VA completed actions identified for year two of a 3-year plan. As a result of the completion of the limited scope assessment on the effectiveness of internal controls for five of the remaining nine business processes, no material weaknesses were identified. Remediation actions were implemented during 2007 to address findings identified in year one for two key business processes, "Financial Reporting" and "Funds Management." In addition, remediation plans were developed to address findings identified in year two, and planning for the third year is underway. 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 the 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 department-wide 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 migration of 259 employees was completed 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 10th successive unqualified audit opinion on its FY 2007 consolidated financial statements.

We are proud that in FY 2007, medical care collections continued to improve. Collections totaled nearly $2.2 billion. VA plans to continue to increase these collections, reaching $2.3 billion in FY 2008. Additionally, VA has

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

Under the Government Performance and Results Act, we continuously assessed and refined our performance measures, quality of data, and compilation procedures. We developed procedures to assure our stakeholders that we have the most useful and accurate performance data available.

We are proud of our many accomplishments, 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.

Robert J. Henke
November 15, 2007

Consolidated Financial Statements

DEPARTMENT OF VETERANS AFFAIRS		
CONSOLIDATED BALANCE SHEETS (dollars in millions)		
As of September 30,	**2007**	**2006**
ASSETS		
INTRAGOVERNMENTAL		
Fund Balance with Treasury (Note 3)	$ 22,213	$ 16,129
Investments (Note 5)	12,427	12,873
Accounts Receivable, Net (Note 6)	79	107
Other Assets	42	53
TOTAL INTRAGOVERNMENTAL ASSETS	**34,761**	**29,162**
PUBLIC		
Investments (Note 5)	177	183
Accounts Receivable, Net (Note 6)	1,329	1,163
Loans Receivable, Net (Note 7)	2,858	2,337
Cash (Note 4)	34	28
Inventories and Related Properties, Net (Note 8)	54	69
General Property, Plant and Equipment, Net (Note 9)	12,176	11,638
Other Assets	28	30
TOTAL PUBLIC ASSETS	**16,656**	**15,448**
TOTAL ASSETS	**$ 51,417**	**$ 44,610**
LIABILITIES		
INTRAGOVERNMENTAL		
Accounts Payable	$ 115	$ 92
Debt	1,052	983
Other Liabilities (Note 13)	2,140	1,992
TOTAL INTRAGOVERNMENTAL LIABILITIES	**3,307**	**3,067**
PUBLIC		
Accounts Payable	3,938	835
Liabilities for Loan Guarantees (Note 7)	3,769	3,272
Federal Employee and Veterans Benefits Liability (Note 11)	1,129,527	1,155,612
Environmental and Disposal Liabilities (Note 12)	558	384
Insurance Liabilities (Note 15)	11,217	11,633
Other Liabilities (Note 13)	7,710	7,154
TOTAL PUBLIC LIABILITIES	**1,156,719**	**1,178,890**
TOTAL LIABILITIES	**1,160,026**	**1,181,957**
NET POSITION		
Unexpended Appropriations – Earmarked Funds (Note 17)	(9,184)	(6,965)
Unexpended Appropriations – All Other Funds	11,291	8,239
Cumulative Results of Operations – Earmarked Funds (Note 17)	10,076	7,849
Cumulative Results of Operations – All Other Funds	(1,120,792)	(1,146,470)
TOTAL NET POSITION	**(1,108,609)**	**(1,137,347)**
TOTAL LIABILITIES AND NET POSITION	**$ 51,417**	**$ 44,610**

The accompanying Notes are an integral part of these financial statements.

DEPARTMENT OF VETERANS AFFAIRS				
CONSOLIDATED STATEMENTS OF NET COST (dollars in millions)				
for the Years Ended September 30,		**2007**		**2006**
NET PROGRAM COSTS (NOTE 19)				
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
NET PROGRAM COSTS BEFORE CHANGES IN VETERANS BENEFITS ACTUARIAL LIABILITIES		**76,241**		**69,318**
Compensation		(26,000)		31,100
Burial		(100)		100
SUBTOTAL		(26,100)		31,200
NET NON-PROGRAM COSTS		953		944
NET COST OF OPERATIONS (NOTE 19)	**$**	**51,094**	$	**101,462**

The accompanying Notes are an integral part of these financial statements.

DEPARTMENT OF VETERANS AFFAIRS

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION (dollars in millions)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Earmarked Funds	All Other Funds	Eliminations	FY 2007 Consolidated Total
Cumulative Results of Operations				
Beginning Balance	$ 7,887	$ (1,146,470)	$ (38)	$ (1,138,621)
Budgetary Financing Sources				
Appropriations Used	-	78,983	-	78,983
Nonexchange Revenue	-	9	-	9
Donations	27	-	-	27
Transfer without Reimbursement	42	-	(42)	-
Other Financing Sources (Non-Exchange)				
Donations of Property	19	1	-	20
Transfers In/Out Reimbursement	-	(1,448)	1,206	(242)
Imputed Financing	-	1,408	-	1,408
Other	-	-	(1,206)	(1,206)
Total Financing Sources	88	78,953	(42)	78,999
Net Cost of Operations	(2,181)	53,275	-	51,094
Net Change	**2,269**	**25,678**	**(42)**	**27,905**
Ending Balance – Cumulative Results	$ 10,156	$ (1,120,792)	$ (80)	$ (1,110,716)
Unexpended Appropriations				
Beginning Balance	$ (6,965)	$ 8,201	$ 38	$ 1,274
Budgetary Financing Sources				
Appropriations Received	-	79,817	-	79,817
Appropriations Transferred In/Out	(2,219)	2,210	42	33
Other Adjustments	-	(35)	-	(35)
Appropriations Used	-	(78,982)	-	(78,982)
Total Budgetary Financing Sources	(2,219)	3,010	42	833
Total Unexpended Appropriations	**$ (9,184)**	**$ 11,211**	**$ 80**	**$ 2,107**
Total Net Position	**$ 972**	**$ (1,109,583)**	**$ -**	**$ (1,108,609)**

The accompanying Notes are an integral part of these financial statements.

DEPARTMENT OF VETERANS AFFAIRS

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION (dollars in millions)

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Earmarked Funds	All Other Funds	Eliminations	FY 2006 Consolidated Total
Cumulative Results of Operations				
Beginning Balance	$ 781	$ (1,115,470)	$ 4,971	$ (1,109,718)
Budgetary Financing Sources				
Appropriations Used	-	72,561	-	72,561
Nonexchange Revenue	-	9	-	9
Donations	28	-	-	28
Transfer without Reimbursement	5,009	-	(5,009)	-
Other Financing Sources (Non-Exchange)				
Donations of Property	25	1	-	26
Transfers In/Out Reimbursement	1	(1,369)	1,156	(212)
Imputed Financing	-	1,303	-	1,303
Other	-	-	(1,156)	(1,156)
Total Financing Sources	5,063	72,505	(5,009)	72,559
Net Cost of Operations	(2,043)	103,505	-	101,462
Net Change	**7,106**	**(31,000)**	**(5,009)**	**(28,903)**
Ending Balance – Cumulative Results	$ 7,887	$ (1,146,470)	$ (38)	$ (1,138,621)
Unexpended Appropriations				
Beginning Balance	$ -	$ 7,277	$ (4,971)	$ 2,306
Budgetary Financing Sources				
Appropriations Received	-	71,747	-	71,747
Appropriations Transferred In/Out	(6,965)	1,971	5,009	15
Other Adjustments	-	(234)	-	(234)
Appropriations Used	-	(72,560)	-	(72,560)
Total Budgetary Financing Sources	(6,965)	924	5,009	(1,032)
Total Unexpended Appropriations	**$ (6,965)**	**$ 8,201**	**$ 38**	**$ 1,274**
Total Net Position	**$ 922**	**$ (1,138,269)**	**$ -**	**$ (1,137,347)**

The accompanying Notes are an integral part of these financial statements.

DEPARTMENT OF VETERANS AFFAIRS
COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 20) (dollars in millions)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgetary	Non-Budgetary Credit Program
Budgetary Resources		
Unobligated Balance at the Beginning of the Period	$ 16,958	$ 3,560
Recoveries of Prior Year Obligations	6	-
Budget Authority		
Appropriations Received	82,630	-
Borrowing Authority	-	590
Spending Authority from Offsetting Collections		
Earned	5,261	1,522
Change in Unfilled Customer Orders	(250)	-
Subtotal	87,641	2,112
Nonexpenditure Transfers, net	33	-
Permanently Not Available	(77)	(521)
Total Budgetary Resources	**$ 104,561**	**$ 5,151**
Status of Budgetary Resources		
Obligations Incurred	$ 86,249	$ 2,201
Unobligated Balance Available	15,702	-
Unobligated Balance Not Yet Available	2,610	2,950
Total Status of Budgetary Resources	**$ 104,561**	**$ 5,151**
Change in Obligated Balance		
Obligated Balance, Net Beginning of Period	$ 8,109	$ 127
Obligations Incurred	86,249	2,201
Less Gross Outlays	(81,747)	(2,267)
Less Recoveries of Prior Year Unpaid Obligations, Actual	(6)	-
Change in Uncollected Customer Payments from Federal Sources	306	26
Obligated Balance, Net End of Period	**$ 12,911**	**$ 87**
Net Outlays		
Gross Outlays	$ 81,747	$ 2,267
Less Offsetting Collections	(5,317)	(1,548)
Less Distributed Offsetting Receipts	(2,560)	(1,050)
Net Outlays	**$ 73,870**	**$ (331)**

The accompanying Notes are an integral part of these financial statements.

DEPARTMENT OF VETERANS AFFAIRS
COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 20) (dollars in millions)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

		Budgetary		Non-Budgetary Credit Program
Budgetary Resources				
Unobligated Balance at the Beginning of the Period	$	16,135	$	5,707
Recoveries of Prior Year Obligations		3		-
Budget Authority				
Appropriations Received		74,577		-
Borrowing Authority		-		522
Spending Authority from Offsetting Collections				
Earned		5,404		1,792
Change in Unfilled Customer Orders		1,087		-
Subtotal		81,068		2,314
Nonexpenditure Transfers, net		15		-
Permanently Not Available		(315)		(1,733)
Total Budgetary Resources	**$**	**96,906**	**$**	**6,288**
Status of Budgetary Resources				
Obligations Incurred	$	79,948	$	2,728
Unobligated Balance Available		13,966		-
Unobligated Balance Not Yet Available		2,992		3,560
Total Status of Budgetary Resources	**$**	**96,906**	**$**	**6,288**
Change in Obligated Balance				
Obligated Balance, Net Beginning of Period	$	8,230	**$**	77
Obligations Incurred		79,948		2,728
Less Gross Outlays		(78,911)		(2,653)
Less Recoveries of Prior Year Unpaid Obligations, Actual		(3)		-
Change in Uncollected Customer Payments from Federal Sources		(1,155)		(25)
Obligated Balance, Net End of Period	**$**	**8,109**	**$**	**127**
Net Outlays				
Gross Outlays	$	78,911	$	2,653
Less Offsetting Collections		(5,336)		(1,767)
Less Distributed Offsetting Receipts		(3,065)		(1,369)
Net Outlays	**$**	**70,510**	**$**	**(483)**

The accompanying Notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

For the Years Ended September 30, 2007 and 2006 (dollars in millions, unless otherwise noted).

1. Summary of Significant Accounting Policies

Basis of Presentation
The Department of Veterans Affairs' (VA) consolidated financial statements report all activities of VA components, including the Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), National Cemetery Administration (NCA), and staff organizations. The consolidated financial statements meet the requirements of the Chief Financial Officers Act (CFO) of 1990 and the Government Management Reform Act (GMRA) of 1994. The consolidated financial statements differ from the financial reports used to monitor and control budgetary resources, but are prepared from the same books and records. The statements should be read with the understanding that VA is a component unit of the U.S. Government. VA fiscal year (FY) 2007 and FY 2006 financial statements are presented in conformity with the Office of Management and Budget's (OMB) Circular A-136, Financial Reporting Requirements.

Reporting Entity
The mission of VA is to provide medical care, benefits, social support, and lasting memorials to veterans, their dependents, and beneficiaries [(38 U.S.C. Section 301(b) 1997)].

The Department is organized under the Secretary of VA. The Secretary's office includes a Deputy Secretary and has direct lines of authority over the Under Secretary for Health, the Under Secretary for Benefits, and the Under Secretary for Memorial Affairs. Additionally, six Assistant Secretaries, an Inspector General, a General Counsel, an Executive-In-Charge for Human Resources and Administration, and the chairmen of the Board of Contract Appeals and the Board of Veterans' Appeals support the Secretary.

Budgets and Budgetary Accounting
Budgetary accounting measures appropriation and consumption of budget/spending authority or other budgetary resources, and facilitates compliance with legal constraints and controls over the use of federal funds. Under budgetary reporting principles, budgetary resources are consumed at the time of the purchase. Assets and liabilities that do not consume budgetary resources are not reported, and only those liabilities for which valid obligations have been established are considered to consume budgetary resources.

Basis of Accounting
The accompanying consolidated financial statements have been prepared in accordance with Federal Accounting Standards Advisory Board (FASAB) standards. The Comptroller General of the United States, the Secretary of the Treasury, and the Director of the OMB sponsor FASAB, which determines federal accounting concepts and standards.

Revenues and Other Financing Sources
Exchange revenues are recognized when earned to the extent the revenue is payable to VA from other federal agencies or the public as a result of costs incurred or services performed on its behalf. Revenue is recognized at the point the service is rendered. Imputed financing sources consist of imputed revenue for expenses relating to legal claims paid by Treasury's Judgment Fund and post-retirement benefits for VA employees. Non-exchange revenue, e.g., donations, is recognized when received, and related receivables are recognized when measurable and legally collectible, as are refunds and related offsets.

Accounting for Intragovernmental Activities
VA, as a department of the federal government, interacts with and is dependent upon the financial activities of the federal government as a whole. Therefore, these consolidated financial statements do not reflect the results of all financial decisions applicable to VA as though the Department were a stand-alone entity.

In order to prepare reliable financial statements, transactions occurring among VA components must be eliminated. All significant intra-entity transactions were eliminated from VA's consolidated financial statements.

Transferring Budget Authority to Other Agencies

The VA is a party to allocation transfers with the Department of Defense (DoD) as a transferring (parent) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U. S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g. budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived.

Fund Balance with Treasury
The Department of the Treasury (Treasury) performs cash management activities for all federal government agencies. The Fund Balance with Treasury represents the right of VA to draw on the Treasury for allowable expenditures. Trust fund balances consist primarily of amounts related to the Post-Vietnam Educational Assistance Trust Fund, the National Service Life Insurance (NSLI) Fund, the United States Government Life Insurance (USGLI) Fund, the Veterans Special Life Insurance (VSLI) Fund, General Post Fund, and the National Cemetery Gift Fund. The use of these funds is restricted.

Cash
Cash consists of Canteen Service and Loan Guaranty Program amounts held in commercial banks, cash held by non-federal trusts as well as Agent Cashier advances at VA field stations. Treasury processes all other cash receipts and disbursements. Amounts relating to the Loan Guaranty Program represent deposits with trustees for offsets against loan loss claims related to sold loan portfolios. Funds held by non-federal trusts are restricted and may be used only in accordance with the terms of the trust agreements.

Investments
Investments are reported at cost and are redeemable at any time for their original purchase price. Insurance program investments, which comprise most of VA's investments, are in non-marketable Treasury special bonds and certificates. Interest rates for Treasury special securities are based on average market yields for comparable Treasury issues. Special bonds, which mature during various years through the year 2022, are generally held to maturity unless needed to finance insurance claims and dividends. Other program investments are in securities issued by Treasury, with the exception of non-federal Trust investments in mutual funds and the Loan Guaranty Program investments in trust certificates issued by the American Housing Trusts.

Allowances are recorded to reflect estimated losses of principal as a result of the subordinated position in American Housing Trust certificates I through V. The estimated allowance computations are based upon discounted cash flow analysis. VA continues to use the income from these subordinated certificates to fund the American Housing Trust Reserve Fund, which is used in turn to fund deficiencies in scheduled

monthly principal and interest on the loans as well as to cover any realized losses incurred in the prior month. Any excess funds in the Reserve Fund are reimbursed to VA upon request.

Accounts Receivable
Intragovernmental accounts receivable consists of amounts due from other federal government agencies. No allowances for losses are required.

Public accounts receivable consists mainly of amounts due for veterans' health care and amounts due for compensation, pension, and readjustment benefit overpayments. Allowances are based on prior experience. For FY 2007, contractual adjustments were 56 percent and bad debt allowances for medical-related receivables were 10 percent. For FY 2006, contractual adjustments were 56 percent and bad debt allowances for medical-related receivables were 11 percent. Educational–related receivables bad debt allowances were 36 percent for FY 2007 and 38 percent for FY 2006. Compensation and pension benefits overpayment-related bad debt receivables were 68 percent for FY 2007 and 73 percent for FY 2006.

VA is required by Public Law 96-466 to charge interest and administrative costs on benefits debts similar to charges levied on other debts owed the federal government. In a July 1992 decision, the then-VA Deputy Secretary decided that VA would not charge interest on compensation and pension debts. This decision continues to be VA policy.

Loans Receivable
Loans Receivable are recorded as funds are disbursed. For loans obligated prior to October 1, 1991, loan principal and interest receivable amounts are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on past experience and an analysis of outstanding balances. For loans obligated after September 30, 1991, an allowance equal to the subsidy costs associated with these loans adjusts the loans receivable. This adjustment is due to the interest rate differential between the loans and borrowing from Treasury, the estimated delinquencies and defaults, net of recoveries, offsets from fees, and other estimated cash flows.

Inventories
Inventories consist of items such as precious metals held for sale and Canteen Service retail store stock and are valued at cost. VA follows the purchase method of accounting for operating supplies, medical supplies, and pharmaceutical supplies in the hands of end users. The purchase method provides that these items be expensed when purchased. VA defines an end user as a VA medical center, regional office, or cemetery.

Property, Plant, and Equipment
The majority of the general property, plant, and equipment is used to provide medical care to veterans and is valued at cost, including transfers from other federal agencies. Major additions, replacements, and alterations are capitalized, whereas routine maintenance is expensed when incurred. Construction costs are capitalized as Construction in Progress until completion, and then transferred to the appropriate property account. Other includes items such as leasehold improvements and structures not classified as buildings. Individual items are capitalized if the useful life is 2 years or more and the unit price is $100,000 or greater. Buildings are depreciated on a straight-line basis over estimated useful lives of 25 to 40 years. Equipment is also depreciated on a straight-line basis over its useful life, usually 5 to 20 years. There are no restrictions on the use or convertibility of general property, plant, and equipment. All VA heritage assets are multi-use facilities and are classified as general property, plant, and equipment.

Other Assets
Other assets consist of advance payments. Public advance payments are primarily to hospitals and medical schools under house staff contracts, grantees, beneficiaries, and employees on official travel. Intragovernmental advance

payments are primarily to the General Services Administration (GSA) for rent and Government Printing Office (GPO) for supplies, printing, and equipment.

Heritage Assets
Heritage assets are properties that possess one or more of the following characteristics: historical or natural significance; cultural; educational or aesthetic value; or significant architectural characteristics. The monetary value of heritage assets is often not estimable or relevant. By their nature they are expected be maintained in perpetuity. VA has properties at medical centers and national cemeteries that meet the criteria for a heritage asset. During the reporting period, all maintenance expenses were recorded as incurred. Heritage assets are reported in terms of physical units. Generally, additions to VA's Heritage Asset inventory result from field station surveys, which identify items such as new collections or newly designated assets. Items are generally donated or existing VA assets are designated as heritage. Most are used for mission purpose and maintained in working order. Remaining items are mothballed.

Accounts Payable
Intragovernmental accounts payable consists of amounts owed to other federal government agencies. The remaining accounts payable consist of amounts due to the public.

Loan Guarantees
For direct loan obligations and loan guaranty commitments made after 1991, the resulting direct loans are reported net of an allowance for subsidy costs at present value, and loan guarantee liabilities are reported at present value. The present value of the subsidy costs associated with direct loans and loan guarantees is recognized as a cost in the year the direct or guaranteed loan is disbursed. Pre-1992 direct loans and loan guarantees are reported under the allowance for loss method. The nominal amount of the direct loan is reduced by an allowance for uncollectible amounts, and the liability for loan guarantees is the amount VA estimated will most likely require a future cash outflow to pay defaulted claims. Interest is accrued on VA-owned loans by computing interest on a loan-by-loan basis at the end of the month and recording the amount owed as an accrual.

The guaranteed loan sales liability represents the present value of the estimated cash flows to be paid by VA as a result of the guarantee. VA guarantees that the principal and interest payment due on a loan will be paid by the 15th of each month. If the payment is not made, VA allows the loan servicer to receive funds from a cash reserve account for the amount of the deficiency. VA guarantees the loans against losses at foreclosure. Although VA will not buy back the loan, VA will pay the loan loss and foreclosure expenses.

Debt
All intragovernmental debt is due to Treasury and is primarily related to borrowing by the Direct Loan and Loan Guaranty Program. The interest rates ranged from 4.73 to 4.99 percent in both FY 2007 and FY 2006. VA's financial activities interact with and are dependent upon those of the federal government as a whole.

Insurance Liabilities
Actuarial reserve liabilities for VA's insurance programs are based on mortality and interest rate assumptions at the time of issue. These assumptions vary by fund, type of policy, and type of benefit. The interest rate assumptions range from 2.25 to 5.0 percent for both the FY 2007 and FY 2006 calculations.

Annual Leave
The accrued annual leave balance is adjusted at the end of the fiscal year to reflect current pay rates for leave that has been earned but not taken. Sick and other types of non-vested leave are expensed as taken. To the extent appropriations are not available to fund annual leave earned but not used, funding will be obtained from future financing sources.

Workers' Compensation Liability
The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. Claims incurred for benefits for VA employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by VA.

Workers' compensation is comprised of two components: (1) the accrued liability which represents money owed by VA to DOL for claims paid by DOL on behalf of VA through the current fiscal year, and (2) the actuarial liability for compensation cases to be paid beyond the current year.

Future workers' compensation estimates are generated from an application of actuarial procedures developed by DOL to estimate the liability for FECA benefits. The liability for future workers' compensation benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases and for potential cases related to injuries incurred but not reported. The liability is determined by utilizing historical benefit payment patterns related to a particular period to estimate the ultimate payments related to that period.

Pension, Other Retirement Benefits, and Other Post-Employment Benefits
Each employing federal agency is required to recognize its share of the cost and imputed financing of providing pension and post-retirement health benefits and life insurance to its employees. Factors used in the calculation of these pensions and post-retirement health and life insurance benefit expenses are provided by the Office of Personnel Management (OPM) to each agency.

VA's employees are covered under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) to which VA makes contributions according to plan requirements. CSRS and FERS are multi-employer plans. VA does not maintain or report information about the assets of the plans, nor does it report actuarial data for the accumulated plan benefits. That reporting is the responsibility of OPM.

Veterans Benefits Liability
VA provides compensation benefits to veterans who are disabled by military service-related causes. Benefits are also provided to deceased veterans' beneficiaries. These benefits are provided in recognition of a veteran's military service. The liability for future compensation payments is reported on VA's balance sheet at the present value of expected future payments, and is developed on an actuarial basis. Various assumptions in the actuarial model, such as the number of veterans and dependents receiving payments, discount rates, cost of living adjustments, and life expectancy, impact the amount of the liability.

Litigation
VA is a party in various administrative proceedings, legal actions, and claims brought against it. In the opinion of VA management and legal counsel, the ultimate resolutions of these proceedings, actions, and claims will not materially affect the financial position or results of VA operations other than disclosed in Note 16, Contingencies.

Non-Federal Trusts
VA has entered into enhanced-use leases to maximize use of underutilized VA property. In seven of these enhanced-use leases, the assets and liabilities were transferred to a non-federal trust. The assets, liabilities, and results of operations of these seven trusts are consolidated in VA's consolidated financial statements.

Estimates
The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

2. Non-Entity Assets

Entity and Non-Entity assets have been combined on the face of the balance sheet. Non-Entity assets relate primarily to patient funds.

Non-Entity Assets as of September 30,	2007	2006
Fund Balance with Treasury	$ 47	$ 41
Intragovernmental Accounts Receivable	1	1
Public Accounts receivable	22	16
Total Non-Entity Assets	$ 70	$ 58

3. Fund Balance with Treasury

Fund Balance with Treasury as of September 30,	2007	2006
Entity Assets		
Trust Funds	$ 76	$ 80
Revolving Funds	3,476	4,178
Appropriated Funds	18,433	11,618
Special Funds	178	171
Other Fund Types	3	41
Total Entity Assets	$ 22,166	$ 16,088
Non-Entity Assets		
Other Fund Types	47	41
Total Non-Entity Assets	47	41
Total Entity and Non-Entity Assets	$ 22,213	$ 16,129
Reconciliation of VA General Ledger Balances with Treasury		
Entity VA General Ledger	$ 23,630	$ 17,824
Reconciled Differences	(1,419)	(1,693)
Unreconciled Differences	2	(2)
Fund Balance with Treasury	$ 22,213	$ 16,129
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	$ 7,282	$ 5,134
Unavailable	3,623	4,609
Obligated Balance not yet Disbursed	11,079	6,304
Deposit /Clearing Account Balances	229	82
Fund Balance with Treasury	$ 22,213	$ 16,129

4. Cash

Cash as of September 30,	2007	2006
Canteen Service	$ 1	$ 1
Agent Cashier Advance	4	4
Loan Guaranty Program	29	23
Total Cash	$ 34	$ 28

5. Investments

Investment Securities as of September 30,	Interest Range	2007	2006
Intragovernmental Securities			
Special Bonds	3.25 – 8.75%	$ 12,151	$ 12,591
Treasury Notes*	3.875 – 6.0%	70	66
Treasury Bills	3.921 – 5.038%	26	26
Subtotal		12,247	12,683
Accrued Interest		180	190
Total Intragovernmental Securities		$ 12,427	$ 12,873
Other Securities			
Trust Certificates (Loan Guaranty)		$ 130	$ 138
Mutual Funds (Non-Federal Trusts)		47	45
Total Other Securities		$ 177	$ 183

*The investment in Treasury Notes includes unamortized premiums of $0.3 as of September 30, 2007 and $0.1 as of September 30, 2006. Premiums and discounts are amortized on a straight-line basis over the life of the investments.

Offset for Losses on Investments as of September 30,	2007	2006
Investments in Subordinate Certificates at Time of Sale	$ 424	$ 424
Cumulative Reductions	(294)	(285)
Subtotal	130	139
Allocation of Loss Provision	-	(1)
Trust Certificates (Loan Guaranty)	$ 130	$ 138

6. Accounts Receivable, Net

Accounts Receivable, Net as of September 30,	2007	2006
Intragovernmental Accounts Receivable, Net	$ 79	$ 107
Public Accounts Receivable		
Public Accounts Receivable, Gross	$ 2,745	$ 2,419
Allowance for Loss Provision	(1,416)	(1,256)
Net Public Accounts Receivable	$ 1,329	$ 1,163

7. Direct Loans and Loan Guarantees

Direct loan obligations and loan guarantee commitments made after 1991, and the resulting direct loans or loan guarantees, are governed by the Federal Credit Reform Act of 1990. The Act provides that the present value of the subsidy costs associated with direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. Direct loans are reported net of an allowance for subsidy costs at present value, and loan guarantee liabilities are reported at present value. Pre-1992 direct loans and loan guarantees are reported under the allowance for loss method. The nominal amount of the direct loan is reduced by an allowance for uncollectible amounts, and the liability for loan guarantees is the amount VA estimates will most likely require a future cash outflow to pay defaulted claims.

Interest is accrued on VA-owned loans by computing interest on a loan-by-loan basis at the end of the month and recording the amount owed as an accrual.

The recorded value of loans receivable, net, and the value of assets related to direct loans are not the same as the proceeds that VA would expect to receive from selling its loans. VA operates the following direct loan and loan guaranty programs:

- Vocational Rehabilitation and Employment
- Education
- Insurance
- Loan Guaranty

Under the Loan Guaranty Program, a loan may be made to an eligible veteran by an approved private sector mortgage lender. VA guarantees payment of a fixed percentage of the loan indebtedness to the holder of such a loan, up to a maximum dollar amount, in the event of default by the veteran borrower. Occasionally, a delinquency is reported to VA and neither a realistic alternative to foreclosure is offered by the loan holder nor is VA in a position to supplementally service the loan. In such cases, VA determines, through an economic analysis, whether VA will authorize the holder to convey the property securing the loan (foreclosure) or pay the loan guarantee amount to the holder.

Direct Loans

Loans receivable related to direct loans represent the net value of assets related to acquired pre-1992 and post-1991 direct loans. For pre-1992 loans, VA employs the allowance for loss method in which the assets are offset by an allowance for loan losses (estimated uncollectible loans). For post-1991 loans, the assets are offset by an allowance for subsidy costs at present value. An analysis of loans receivable and the nature and amounts of the subsidy costs associated with the direct loans are provided in the tables that follow:

Loans Receivable and Related Foreclosed Property From Direct Loans as of September 30, 2007

	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method)	$ 36	$ 12	$ (1)	$ -	$ 47
Direct Loans Obligated after 1991	868	13	620	32	1,533
Insurance Policy Loans	608	15	-	-	623
Total Loans Receivable and Related Foreclosed Property from Direct Loans, Net					$ 2,203

Loans Receivable and Related Foreclosed Property From Direct Loans as of September 30, 2006

	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method)	$ 45	$ 5	$ -	$ -	$ 50
Direct Loans Obligated after 1991	894	17	82	28	1,021
Insurance Policy Loans	641	16	-	-	657
Total Loans Receivable and Related Foreclosed Property from Direct Loans, Net					$ 1,728

Direct Loans Disbursed
The total amount of new direct loans disbursed for the years ended September 30, 2007 and 2006, was $127 and $145, respectively.

Provision for Losses on Pre-1992 Loans
The present value of the cost VA will bear as loans already guaranteed default is an element of the mortgage loan benefit that VA provides to veterans. This cost is reflected in the financial statements as an offset to the value of certain related assets.

The provision for losses on vendee loans is based upon historical loan foreclosure results applied to the average loss on defaulted loans. The calculation is also based on the use of the average interest rate of U.S. interest-bearing debt as a discount rate on the assumption that VA's outstanding guaranteed loans will default over a 12-year period. For FY 2007, VA determined that these vendee loans have sufficient equity, due to real estate appreciation and buy-down of principal, to minimize or eliminate any potential loss to VA.

Subsidy Expense for Post-1991 Direct Loans
Pursuant to the Credit Reform Act, all direct loans established after September 30, 1991, will be subsidized. The subsidy expense for direct loans is as shown:

Direct Loan Subsidy Expense for the years ended September 30,	2007	2006
Interest Differential	$ (13)	$ (15)
Defaults*	11	9
Fees**	(1)	(2)
Other***	9	11
Subtotal	6	3
Interest Rate Reestimates	(220)	(22)
Technical Reestimates	(323)	(74)
Total Direct Loan Subsidy Expense	$ (537)	$ (93)

* Includes approximately $8 thousand and $39 thousand in defaults and other expenses for the Vocational Rehabilitation Program in FY 2007 and 2006 respectively.
** "Fees" expense for direct loans includes estimated down payments and other fees collected when homes are sold with vendee financing.
*** The "Other" expense for direct loans includes the estimated loss of scheduled principal and interest when vendee loans are sold.

Subsidy Rates for Direct Loans by Component
The subsidy rates disclosed below pertain only to the current year cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes reestimates.

Subsidy rates for direct loans	
Interest Differential	(24.24%)
Defaults	14.96%
Fees	(1.91%)
Other	18.17%

Allowance for Subsidy for Direct Loans (Post-1991)
VA reports the allowance for subsidy for direct loans, subject to Credit Reform requirements. For these loans, the allowance for subsidy represents the present value of the estimated net cash flows to be paid by VA as a result of a disbursed direct loan. VA disburses a direct loan and receives an allowance for subsidy along with borrowing from Treasury. For FY 2007, the subsidy rate is (3.46) percent for Veterans Housing Direct – Vendee Loans, 10.43 percent for Veterans Housing Direct – Acquired Loans, and (13.46) percent for Native American Direct. In FY 2006, the subsidy rate was (5.64) percent for Veterans Housing Direct – Vendee Loans, 9.18 percent for Veterans Housing Direct – Acquired Loans, and (13.79) percent for Native American Direct. The allowance for subsidy as of September 30, 2007 and 2006 is $(620) and $(82), respectively.

Schedule for Reconciling Subsidy Cost Allowance Balances

Beginning Balance, Changes and Ending Balance

	FY 2007	FY 2006
Beginning balance of the allowance	$ (82)	$ 27
Subsidy expense for direct loans disbursed during the reporting years by component:		
Interest subsidy costs	(13)	(15)
Default costs (net of recoveries)	11	9
Fees and other collections	(1)	(2)
Other subsidy costs	9	11
Total of the above subsidy expense components	6	3
Adjustments:		
Fees received	3	3
Foreclosed property acquired	3	(9)
Loans written off	(5)	(5)
Subsidy allowance amortization	(2)	(5)
Ending balance of the allowance before reestimates	(77)	14
Subsidy reestimates by component		
Interest rate reestimate	(220)	(22)
Technical/default reestimate	(323)	(74)
Total of the above reestimate components	(543)	(96)
Ending balance of the allowance	$ (620)	$ (82)

Loan Guarantees

Loans receivable related to loan guarantees represent the net value of assets related to pre-1992 and post-1991 defaulted guaranteed loans and non-defaulted guaranteed loans. For pre-1992 loans, VA employs the allowance for loss method in which the assets are offset by an allowance for loan losses (estimated uncollectible loans). An analysis of loans receivable, loan guarantees, the liability for loan guarantees, and the nature and amounts of the subsidy costs associated with loan guarantees are provided in the tables that follow:

Loans Receivable and Related Foreclosed Property from Loan Guarantees as of September 30, 2007

	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Defaulted Guaranteed Loans - Pre-1992 Guarantees	$ 80	-	(74)	11	$ 17
Defaulted Guaranteed Loans Post-1991	5	-	-	633	638
Total Loans Receivable and Related Foreclosed Property from Loan Guarantees					$ 655

Loans Receivable and Related Foreclosed Property from Loan Guarantees as of September 30, 2006

	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Defaulted Guaranteed Loans - Pre-1992 Guarantees	$ 87	1	(72)	14	$ 30
Defaulted Guaranteed Loans Post-1991	-	-	-	579	579
Total Loans Receivable and Related Foreclosed Property from Loan Guarantees					$ 609

Total Loans Receivable and Related Foreclosed Property, Net as of September 30,

	2007	2006
Total Direct Loans	$ 2,203	$ 1,728
Total Guaranteed Loans	655	609
Total Loans Receivable and Related Foreclosed Property, Net	$ 2,858	$ 2,337

Foreclosed Property

Prior to the foreclosure of property secured by a VA loan, VA obtains an independent appraisal of the property. This appraisal is reviewed by VA staff to make a determination of the fair market value. To determine the net value of the property, VA costs such as acquisition, management, and disposition of the property, as well as estimated losses on property resale, are subtracted from the estimated fair market value. As of September 30, 2007 and 2006, the estimated number of residential properties in VA's inventory was 6,975 and 6,490 respectively. For FY 2007 and FY 2006, the average holding period from the date properties were conveyed to VA until the properties were sold was estimated to be 11.3 months and 10.4 months, respectively. The number of properties for which foreclosure proceedings are in process is estimated to be 4,696 and 4,703 as of September 30, 2007 and 2006, respectively.

Guaranteed Loans as of September 30,		2007		2006
Guaranteed Loans Outstanding:				
Outstanding Principal Guaranteed Loans, Face Value	$	207,644	$	203,186
Amount of Outstanding Guarantee		61,456		61,277
New Guaranteed Loans Disbursed:				
Outstanding Principal Guaranteed Loans, Face Value	$	24,889	$	24,638
Amount of Outstanding Guarantee		6,438		6,485
Liabilities for Loan Guarantees Post 1991 (Present Value)	$	3,769	$	3,272

Guaranty Commitments

VA guaranteed 133,313 loans in FY 2007. The FY 2007 total guaranty amount is $6.4 billion. The total amount of loans guaranteed is $25 billion.

Subsidy Expense for Post-1991 Loan Guarantees

Pursuant to the Credit Reform Act, guaranteed loans closed after September 30, 1991, will be subsidized. The subsidy expense for loan guarantees related to the Loan Guaranty Program is as shown:

Guaranteed Loan Subsidy Expenses for the years ended September 30,		2007		2006
Defaults	$	312	$	327
Fees*		(394)		(400)
Subtotal		(82)		(73)
Interest Rate Reestimates		(37)		(256)
Technical Reestimates		193		(479)
Total Guaranteed Loan Subsidy Expenses**	$	74	$	(808)

* The "Fees" expense includes estimated up-front fees collected when the loans are guaranteed and the present value of estimated annual fees from loan assumptions.

** A negative subsidy rate indicates cash inflows from interest and fees are greater than disbursements.

Loan Sale-Guaranteed Loan Subsidy Expense for the years ended September 30,	2007	2006
Defaults	$ -	$ -
Other	-	-
Subtotal	-	-
Interest Rate Reestimates	58	(45)
Technical Reestimates	13	(39)
Total Loan Sale-Guaranteed Subsidy Expense	$ 71	$ (84)

Total Subsidy Expense for the years ended September 30,	2007	2006
Total Direct Loans	$ (537)	$ (93)
Total Guaranteed Loans	74	(808)
Total Sale Loans	71	(84)
Total Subsidy Expense	$ (392)	$ (985)

Subsidy Rates for Loan Guarantees by Component

The subsidy rates disclosed below pertain only to the current year cohorts. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes reestimates.

Subsidy Rates for Loan Guarantees	
Defaults	1.27%
Fees	(1.63)%

Loan Sales

VA continues to have vendee loan sales to reduce the administrative burden of servicing vendee loans. During the period FY 1992 through FY 2007, the total loans sold amounted to $13.8 billion. Under the sale of vendee loans, certificates are issued pursuant to the Pooling and Servicing Agreement (the Agreement) among VA, the Master Servicer, and the Trustee. On the closing date of the certificates, VA transfers its entire interest in the related loans to the Trustee for the benefit of the related certificate holders pursuant to the Agreement. Under the Agreement, the Trust will issue certificates backed by mortgage loans and installment contracts. The Trust owns the mortgage loans and other property described in the offering and the Trust makes elections to treat certain of its assets as one or more Real Estate Mortgage Investment Conduits (REMIC) for U.S. federal income tax purposes. The certificates represent interests in the assets of the Trust and are paid from the Trust's assets. The certificates are issued as part of a designated series that may include one or more classes. VA guarantees that the investor will receive full and timely distributions of the principal and interest on the certificates and that guaranty is backed by the full faith and credit of the federal government.

VA may terminate the Trust, causing the early retirement of certificates, by purchasing all of the Trust's assets on any distribution date on or after the distribution date on which the current aggregate principal balance of all principal certificates is less than 1 percent of the original aggregate principal balance, or if VA determines that the Trust's REMIC status has been lost or a substantial risk exists that such status will be lost. In the event of termination, the certificate holder will be entitled to receive payment for the full principal balance of the certificates plus any accrued interest and unpaid interest through the related distribution date.

The Agreement requires the mortgage loans to be serviced generally in compliance with Fannie Mae and Freddie Mac standards and consistent with prudent residential mortgage loan servicing standards generally accepted in the servicing industry. The Master Servicer is responsible for performing all the servicing functions under the separate Pooling and Servicing Agreements created for each Vendee Mortgage Trust. On the most recent Loan Sales, the Master Servicer is Countrywide Home Loans, Inc. The Master Servicer is entitled to be compensated by retaining, from amounts received on each Mortgage Loan or Real Estate Owned (REO) Mortgage Loan (including REO Proceeds and Liquidation Proceeds) that are allocable to interest in accordance with the related Mortgage Note or, in the case of REO Proceeds and Liquidation Proceeds an amount equal to such amount allocable to interest multiplied by a fraction, the numerator of which is 0.2075% and the denominator of which is the Mortgage Rate for the related Mortgage Loan.

Additional servicing compensation in the form of prepayment charges, assumption fees, and late payment charges shall be retained by the Master Servicer as received. The Master Servicer also shall be entitled to withdraw and retain, as additional compensation, investment income on amounts on deposit in the Certificate Account. The Master Servicer shall be entitled to receive as additional compensation the interest earned on amounts remitted by the Master Servicer to the Trustee and deposited by the Trustee in the Distribution Account. The Master Servicer shall be required to pay all expenses incurred by it in connection with its servicing activities hereunder (including, without limitation, the fees and expenses of the Trustee, and the fees of the Sub-Servicers under the respective Sub-Servicing Agreements, if any) and shall not be entitled to reimbursement therefore except as specifically provided in each Pooling and Servicing Agreement.

VA did not complete any sales during FY 2007 and FY 2006.

Outstanding Balance of Loan Sale Guarantees

The outstanding balance for guaranteed loans sold is summarized in the table below:

Guaranteed Loans Sold as of September 30,		**2007**		**2006**
Outstanding Balance Guaranteed Loans Sold, Start of Year	$	2,364	$	3,012
Sold to the Public		-		-
Payments, Repayments, and Terminations		(406)		(648)
Outstanding Balance Guaranteed Loans Sold, End of Year	$	1,958	$	2,364

Liability for Loan Sale Guarantees (Post-1991)
VA reports the liability on the guarantee of loans sold under the Vendee Mortgage Trust and American Housing Trust programs, subject to Credit Reform requirements. For these loans, the guaranteed loan sale liability represents the present value of the estimated net cash flows to be paid by VA as a result of the guarantee. These sales contain two types of guarantees for which VA pays net cash flow. VA guarantees that the principal and interest payment due on a loan sold will be paid by the 15th of each month. If not paid by the borrower, VA allows the loan servicer to take funds from cash reserve accounts for the deficient amount. VA also guarantees the loan against loss at foreclosure. VA will not buy back the loans but will pay off the loan loss and foreclosure expenses. The subsidy rate for FY 2007 and 2006 is 3.99 percent and 4.12 percent, respectively. The liability for loan sale guarantees as of September 30, 2007 and 2006 is $166 and $102, respectively.

Schedule for Reconciling Loan Sale Guarantee Liability Balances

Beginning Balance, Changes and Ending Balance	2007	2006
Beginning balance of the liability	$ 102	$ 188
Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
Default costs (net of recoveries)	-	-
Other subsidy costs	-	-
Total of the above subsidy expense components	-	-
Adjustments:		
Claim payments to lenders	(12)	(15)
Interest accumulation on the liability balance	4	14
Other	-	-
Ending balance of the liability before reestimates	94	187
Subsidy reestimates by component		
Interest rate reestimate	59	(45)
Technical/default reestimate	13	(40)
Total of the above reestimate components	72	(85)
Ending balance of the liability	$ 166	$ 102

Liability for Loan Guarantees (Post-1991)
VA reports the liability on the guarantee of loans, subject to Credit Reform requirements. For these loans, the guaranteed loan liability represents the present value of the estimated net cash flows to be paid by VA as a result of a defaulted loan guarantee. VA guarantees the loan against loss at foreclosure for which VA pays net cash flow up to a legally specified maximum based on the value of individual loans. VA will pay the lender the guarantee and foreclosure expenses. If an agreement can be made with the veteran, VA may acquire the loan by refunding the lender for the loan. The FY 2007 and FY 2006 subsidy rate was (0.36) and (0.32) percent, respectively. The liability for loan guarantees as of September 30, 2007 and 2006 is $3,603 and $3,170, respectively.

Schedule for Reconciling Loan Guarantee Liability Balances

Beginning Balance, Changes and Ending Balance

	2007	2006
Beginning balance of the liability	$ 3,170	$ 3,277
Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
Default costs (net of recoveries)	312	327
Fees and other collections	(394)	(400)
Total of the above subsidy expense components	(82)	(73)
Adjustments:		
Fees received	432	439
Foreclosed property and loans acquired	(24)	120
Claim payments to lenders	(178)	(273)
Interest accumulation on the liability balance	129	189
Other – reestimate due to Hurricane Katrina	-	225
Ending balance of the liability before reestimates	3,447	3,904
Subsidy re-estimates by component		
Interest rate reestimate	(37)	(256)
Technical/default re-estimate	193	(478)
Total of the above reestimate components	156	(734)
Ending balance of the liability	$ 3,603	$ 3,170

Administrative Expense
Administrative expense on direct and guaranteed loans for each of the years ended September 30, 2007 and 2006 was $154.

8. Inventories and Related Properties

Inventories
as of September 30,

	2007	2006
Held for Current Sale	$ 53	$ 65
Other	1	4
Total Inventories	$ 54	$ 69

9. General Property, Plant and Equipment

Depreciation and amortization expense totaled $895 and $865 in FY 2007 and FY 2006, respectively.

General Property, Plant and Equipment as of Sept. 30, 2007

	Cost	Accumulated Depreciation	Net Book Value
Land and Improvements	$ 421	$ (32)	$ 389
Buildings	16,411	(8,497)	7,914
Equipment	3,409	(1,911)	1,498
Other	2,108	(1,306)	802
Work in Progress	1,573	-	1,573
Total Property, Plant, and Equipment	$ 23,922	$ (11,746)	$ 12,176

General Property, Plant and Equipment as of Sept. 30, 2006

	Cost	Accumulated Depreciation	Net Book Value
Land and Improvements	$ 370	$ (25)	$ 345
Buildings	15,876	(7,989)	7,887
Equipment	3,368	(1,937)	1,431
Other	2,014	(1,233)	781
Work in Progress	1,194	-	1,194
Total Property, Plant, and Equipment	$ 22,822	$ (11,184)	$ 11,638

10. Liabilities Not Covered By Budgetary Resources

The total amount of VA liabilities not covered by budgetary resources was $1,133.2 billion and $1,158.9 billion as of September 30, 2007 and 2006, respectively, as shown in the following table.

Components of Unfunded Liabilities as of September 30	2007	2006
Workers' Compensation*	$ 2,208	$ 2,179
Annual Leave	1,365	1,248
Judgment Fund	650	615
Environmental and Disposal	558	384
Accounts Payable – Canceled Appropriations	8	7
Veterans Compensation and Burial	1,127,700	1,153,800
Insurance	741	706
Total	$ 1,133,230	$ 1,158,939

* The actuarial estimate for workers' compensation provided by DOL was computed using interest rates of 5.08 percent and 5.31 percent to discount the projected annual benefit payments as of FY 2007 and FY 2006, respectively.

11. Federal Employee and Veterans Benefits

Federal Employee Benefits: Imputed Expenses-Employee Benefits

Years ended September 30,	2007	2006
Civil Service Retirement System	$ 276	$ 294
Federal Employees Health Benefits	1,049	939
Federal Employees Group Life Insurance	2	2
Total Imputed Expenses-Employee Benefits	$ 1,327	$ 1,235

Veterans Benefits
Certain veterans who die or are disabled from military service-related causes, as well as their dependents, receive compensation benefits. Also, veterans are provided with burial flags, headstones/markers, and grave liners for burial in a VA national cemetery or are provided a plot allowance for burial in a private cemetery. These benefits are provided in recognition of a veteran's military service and are recorded as a liability on the balance sheet.

Federal Employee and Veterans Benefits Liabilities as of September 30,

	2007	2006
FECA	$ 1,827	$ 1,812
Compensation	1,123,900	1,149,900
Burial	3,800	3,900
Total Federal Employee and Veterans Benefits Liabilities	$ 1,129,527	$ 1,155,612

VA provides certain veterans and/or their dependents with pension benefits, based on annual eligibility reviews, if the veteran died or was disabled from nonservice-related causes. The actuarial present value of the future liability for pension benefits is a non-exchange transaction and is not required to be recorded on the balance sheet. The projected amount of future payments for pension benefits (presented for informational purposes only) as of September 30, 2007 and 2006 was $81.4 billion and $97 billion, respectively.

Assumptions Used to Calculate the Veterans Benefits Liability
Several significant actuarial assumptions were used in the valuation of compensation, pension, and burial benefits to calculate the present value of the liability. A liability was recognized for the projected benefit payments to: (1) those beneficiaries, including veterans and survivors, currently receiving benefit payments; (2) current veterans who will in the future become beneficiaries of the compensation and pension programs; and (3) a proportional share of those in active military service as of the valuation date who will become veterans in the future. Future benefits payments to survivors of those veterans in classes (1), (2), and (3) are also incorporated into the projection.

All future benefits were discounted. Discount rates were based on rates for securities issued by Treasury on September 30, 2007, ranging from 3.97 to 4.99 percent, and on September 30, 2006, ranging from 4.59 to 4.93 percent. All calculations were performed separately by attained age for the Compensation and Pension programs, while the Burial liability was calculated on an aggregate basis.

Life expectancies of beneficiaries collecting benefits from the Compensation and Pension programs were based upon studies of mortality experience of those beneficiaries between 2002 and 2007. Life expectancies of veterans not yet collecting these benefits used in the calculation of the liability for future beneficiaries are based on mortality derived from the 2003 U.S. Life Table. Applying mortality improvements at a rate that varies by age of between 0.85 and 1.00 percent per annum brought both sets of mortality rates forward. In addition, rates of benefit termination of beneficiaries due to reasons other than mortality are also reflected.

The amount of benefits by beneficiary category and age were based on current amounts being paid, future cost of living adjustments (COLAs) to determine the average benefits per veteran for each future time period, and changes in other factors that affect benefits. A COLA of 3.3 percent was applied for FY 2007. For fiscal years after 2006, COLAs have been determined from OMB's estimates prepared in conjunction with the Administration's annual budget. Expected changes in benefits due to other reasons were also reflected.

Expected benefit payments have been explicitly modeled for the next 75 years. This period is the same as that used by the Office of the Chief Actuary of the Social Security Administration (SSA). However, unlike Social Security, (1) estimates of expected benefit payments after this 75-year period were incorporated in the liability based on extrapolations reflecting expected aggregate experience by beneficiary category between the years 70 and 75 and (2) SSA uses an open population model, while the C&P projections only reflect benefits associated with military service through September 30, 2007.

12. Environmental and Disposal Liabilities

VA had unfunded environmental and disposal liabilities in the amount of $558 and $384 as of September 30, 2007 and 2006, respectively. The majority of the unfunded liabilities involve asbestos removal, lead abatement, replacement of underground oil and gasoline tanks, decommissioning of waste incinerators, and decontamination of equipment prior to disposal.

While some facilities have applied prevailing state regulations that are more stringent than federal guidelines, the Occupational Safety and Health Administration and Environmental Protection Agency regulations are the legal base behind the majority of VA's environmental and disposal liabilities. Estimated liabilities for these projects are based on known contamination that exists today and have been computed by the facility engineering staff based on similar projects already completed, or by independent contractors providing work estimates.

The medical facility in Gulfport/Biloxi was significantly damaged by Hurricane Katrina. The facility was closed pending assessments of damages and operational feasibility. Environmental liability amounts cannot be reasonably determined, but management believes they will not materially impact VA operations.

13. Other Liabilities

Other liabilities are liabilities not reported elsewhere. They consist of Funded and Unfunded Liabilities. Funded liabilities are generally considered to be current liabilities. Unfunded liabilities are generally considered to be non-current liabilities.

Other Intragovernmental Funded Liabilities as of September 30,	2007	2006
Deposit and Clearing Account Liabilities	$ 37	$ 46
Accrued Expenses - Federal	109	66
Deferred Revenue	94	134
Resources Payable to Treasury	210	238
Custodial Liabilities*	1,200	964
General Fund Receipts Liability	5	17
Accrued VA Contributions for Employee Benefits	103	160
Total Other Intragovernmental Funded Liabilities	$ 1,758	$ 1,625

* The Custodial Liabilities Accounts include subsidy reestimates for loans made after September 30, 1991, which are subject to the provisions of the Credit Reform Act of 1990. The liability provision for future losses on credit reform guaranteed loans is comprised of a funded subsidy for each loan guaranteed at the rate equal to the amount of the present value of estimated loss to the government for the cohorts of loans. The subsidy amount for each cohort is reestimated annually to ensure amounts reflect the actual losses on guaranteed loans. Based on the reestimated amounts, additional subsidy funds are provided for or excess funds are returned.

Other Intragovernmental Unfunded Liabilities as of September 30,	2007	2006
Accrued FECA Liability	$ 378	$ 363
Unfunded Employee Liability	4	4
Total Other Intragovernmental Unfunded Liabilities	$ 382	$ 367

Other Public Funded Liabilities as of September 30,	2007	2006
Accrued Funded Annual Leave	$ 12	$ 12
Accrued Expenses	2,765	2,427
Accrued Salaries and Benefits	701	583
Contract Holdbacks	18	14
Deferred Revenue	(3)	(2)
Unredeemed Coupons	1	1
Deposit and Clearing Account Liability	12	35
Unearned Premiums	88	95
Insurance Dividends Left on Deposit and Related Interest Payable*	1,725	1,734
Dividend Payable to Policyholders	172	182
Capital Lease Liability	17	19
Total Other Public Funded Liabilities	$ 5,509	$ 5,100

* Interest earned on dividends left on deposit is paid annually to insurance policyholders on the policy anniversary dates.

Other Public Unfunded Liabilities as of September 30,	2007	2006
Annual Leave*	$ 1,365	$ 1,248
Accounts Payable from Cancelled Appropriation	8	7
Amounts due to non-federal trust	178	182
Judgment Fund-Unfunded**	650	616
Unpaid Policy Claims	0	1
Total Other Public Unfunded Liabilities	$ 2,201	$ 2,054

* Annual leave is accrued when earned and is adjusted at the end of the fiscal year to reflect current pay rates of cumulative leave earned but not taken. Sick and other types of leave are expensed as taken.
** The Judgment Fund liability amount represents the estimate for future payments on legal cases that will be paid by the Treasury Judgment Fund on behalf of VA (see Note 16, Contingencies).

14. Leases

VA has both capital and operating leases. The capital lease liability is $17 and $19 as of September 30, 2007 and 2006, respectively. Real property leases reflect those that VA has committed to as of September 30, 2007. Due to the number of equipment operating leases and the decentralization of records, the future commitment for equipment operating leases is projected assuming annual increases between 4.1 and 4.5 percent. VA's FY 2007 operating lease costs were $299 for real property rentals and $101 for equipment rentals. The FY 2006 operating lease costs consisted of $280 for real property rentals and $89 for equipment rental. The following chart represents VA's operating lease commitments or costs for the next 5 years.

Leases: Year	Real Property	Percentage	Equipment
2008	$ 239	4.5	$ 106
2009	201	4.4	111
2010	181	4.2	115
2011	142	4.1	120
2012	117	4.1	126

15. Insurance Programs

Through VA, the United States Government administers five life insurance programs and the Veterans' Mortgage Life Insurance program for certain totally disabled veterans. VA supervises the Service members' Group Life Insurance (SGLI) and the Veterans' Group Life Insurance (VGLI) programs, which provide life insurance coverage to members of the uniformed armed services, reservists, and post-Vietnam veterans. United States Code, Title 38, requires that the Life Insurance programs invest in Treasury securities.

Administered Programs
The United States Government Life Insurance (USGLI) program was the government's first venture into life insurance. During World War I, the U.S. provided Marine Insurance to protect the interests of ship owners and merchants who were providing supplies to the allies in Europe.

USGLI was the natural outgrowth of this Marine Insurance. The program was established to meet the needs of World War I veterans, but remained open to service members and veterans with service before October 8, 1940. The government became a self-insurer because private insurance companies were unwilling to assume the unpredictable risks associated with war. By establishing this program, Congress intended to avoid the financial burden imposed on the government by the pension programs that were established after previous wars. The government became the largest life insurer in the United States with the coverage provided by this program.

The National Service Life Insurance (NSLI) program covers policyholders who served during World War II. The program opened October 8, 1940, when it became clear that large-scale military inductions were imminent. Over 22 million policies were issued under the NSLI program. The majority of policies VA administers directly are NSLI policies. This program remained open until April 25, 1951, when two new programs were established for Korean War service members and veterans.

The Veterans' Special Life Insurance (VSLI) program was established in 1951 to meet the insurance needs of veterans who served during the Korean Conflict, and the post-Korean period through January 1, 1957. During this period, all service members on active duty were covered for $10,000, at no cost, under a program known as Servicemen's Indemnity. They remained covered for 120 days after their discharge. The VSLI program allowed these newly discharged service members to apply for $10,000 of contract term insurance. Application had to be made during the 120-day period during which they remained covered by Servicemen's Indemnity. It was during this period that representatives of the commercial insurance industry began a major lobbying effort to get the government out of the insurance business because the programs were viewed as competition. As a result, the VSLI program was closed to new issues at the end of 1956, and coverage for individuals in the uniformed services was terminated. Approximately 800,000 VSLI policies were issued between 1951 and 1957.

In addition to VSLI coverage, which was provided to healthy veterans, the Insurance Act of 1951 also established the Service-Disabled Veterans Insurance (S-DVI) program for veterans with service-connected disabilities. S-DVI is open to veterans separated from the service on or after April 25, 1951, who receive a service-connected disability rating. New policies are still being issued under this program.

In 1964, Congress enacted legislation providing for a limited reopening of NSLI and VSLI, and the Veterans' Reopened Insurance (VRI) program was established. Beginning May 1, 1965, veterans who had been eligible to obtain insurance between October 8, 1940, and January 1, 1957, could once again apply for government life insurance. They had one year to apply for this "reopened" insurance, which was available only to disabled veterans. Approximately 228,000 VRI policies were issued. No term insurance policies were issued in this program.

The Veterans' Mortgage Life Insurance (VMLI) program began in 1971, and is designed to provide financial protection to cover eligible veterans' home mortgages in the event of death. VMLI is issued to those severely disabled veterans who have received grants for specially adapted housing from VA. These grants are issued to veterans whose movement is substantially impaired because of their disability. The maximum amount of VMLI allowed an eligible veteran is $90 thousand. The insurance is payable if the veteran dies before the mortgage is paid off and is payable only to the mortgage lender.

Supervised Insurance Programs

The Service members' Group Life Insurance (SGLI) program was established in 1965 for

Vietnam-era service members. SGLI is supervised by VA and is administered by the Office of Service members' Group Life Insurance (OSGLI) under terms of a group policy. This program provides low-cost term insurance protection to service members and their families.

In 1974, the Veterans' Group Life Insurance (VGLI) program became available. VGLI, like SGLI, is supervised by VA, but is administered by the OSGLI. VGLI provides for the conversion of SGLI coverage to lifetime term insurance protection after a service member's separation from service.

The Traumatic Injury Protection (TSGLI) program became effective December 1, 2005. TSGLI, which automatically covers all who participate in SGLI, provides for insurance payments to members who suffer a serious traumatic injury in service. These payments range from $25,000 to a maximum of $100,000, depending on the type and severity of injury.

Public Insurance Carriers

VA supervises the administration of the SGLI and VGLI programs. VA has entered into a group policy with Prudential Insurance Company of America whereby Prudential and its reinsurers provide service members and veterans coverage in multiples of $50 thousand up to a maximum of $400 thousand. The basic SGLI coverage is provided to those members on active duty in the Army, Navy, Air Force, Marine Corps, Coast Guard, commissioned members of the Public Health Service and the National Oceanic and Atmospheric Administration. The Ready Reserve is also insured by SGLI, and includes reservists and members of the National Guard who are assigned to a unit or position in which they may be required to perform active duty or active duty for training. The VGLI coverage is comprised of separated and retired active duty members and reservists covered under Basic SGLI.

The Veterans' Opportunities Act of 2001 extended life insurance coverage to spouses and children of members insured under the SGLI program, effective November 1, 2001. For a spouse, up to $100 thousand of coverage can be purchased in increments of $10 thousand, not to exceed the amount of the service member's coverage. Each dependent child of every active duty service member or reservist insured under SGLI is automatically insured for $10 thousand free of charge.

Premiums for the SGLI and VGLI programs are set by mutual agreement between VA and Prudential. SGLI premiums for active duty personnel and their spouses are deducted from the service member's pay by the Armed Services components through the Department of Defense (DoD). DoD, through the Defense Finance and Accounting Service (DFAS), remits collected premiums to VA, which are then transmitted to Prudential. Prudential records the premiums and maintains investments in their accounting records separate and independent from the VA reporting entity. VA monitors Prudential's insurance reserve balances to determine their adequacy and may increase or decrease the amounts retained by Prudential for contingency purposes. The reserves for the contingent liabilities are recorded in Prudential's accounting records and are not reflected in the VA reporting entity because the risk of loss on these programs is assumed by Prudential and its reinsurers through the terms and conditions of the group policy. Prudential administers the TSGLI program under an Administrative Services Only agreement with VA. Under the law, DoD pays for any claim costs for this program in excess of premiums collected.

The Secretary of Veterans Affairs determines the claim costs that are traceable to the extra hazards of duty in the uniformed services, on the basis of the excess mortality incurred by members and former members of the uniformed armed services insured under SGLI, above what their mortality would have been under peacetime conditions. The costs so identified by the

Secretary are paid by the uniformed services, not from the service members' premiums, as are all other programs costs.

Reserve Liabilities

The insurance reserves for administered programs are reported as liabilities covered by budgetary resources, while part of the S-DVI and Veterans Insurance and Indemnities (VI&I) reserves are reported as liabilities not covered by budgetary resources. Reserves for SGLI and VGLI are maintained in Prudential's financial records since the risk of loss is assumed by Prudential and its reinsurers. Actuarial reserve liabilities for the administered life insurance programs are based on the mortality and interest assumptions at time of issue. These assumptions vary by fund, type of policy, and type of benefit. The interest assumptions range from 2.25 to 5 percent. The mortality assumptions include the American Experience Table, the 1941 Commissioners Standard Ordinary (CSO) Table, the 1958 CSO Basic Table, the 1980 CSO Basic Table, and the 2001 CSO Table.

Insurance Liability (Reserve) Balances

As of September 30, 2007

Program	Insurance Death Benefits	Death Benefit Annuities	Disability Income & Waiver	Reserve Totals
NSLI	$ 8,229	$ 127	$ 93	$ 8,449
USGLI	19	3	-	22
VSLI	1,565	9	23	1,597
S-DVI	329	3	400	732
VRI	318	2	3	323
VI&I	94	-	-	94
Subtotal	$ 10,554	$ 144	$ 519	$ 11,217
Less Liability not Covered by Budgetary Resources				(741)
Liability Covered by Budgetary Resources				$ 10,476

As of September 30, 2006

Program	Insurance Death Benefits	Death Benefit Annuities	Disability Income & Waiver	Reserve Totals
NSLI	$ 8,644	$ 140	$ 109	$ 8,893
USGLI	22	4	-	26
VSLI	1,555	10	25	1,590
S-DVI	320	3	364	687
VRI	340	1	4	345
VI&I	92	-	-	92
Subtotal	$ 10,973	$ 158	$ 502	$ 11,633
Less Liability not Covered by Budgetary Resources				(707)
Liability Covered by Budgetary Resources				$ 10,926

Insurance In-Force

The amount of insurance in-force is the total face amount of life insurance coverage provided by each administered and supervised program as of the end of the fiscal year. It includes any paid-up additional coverage provided under

these policies. Prudential and its reinsurers provided coverage to 5,859,136 and 5,918,519 insured for a face value of $1,069.8 billion and $1,096.7 billion as of September 30, 2007 and 2006, respectively. The face value of the insurance provided by Prudential and its reinsurers represents 98.5 percent of the total insurance in-force as of September 30, 2007 and 2006. The number of policies represents the number of active policies remaining in the program as of the end of each fiscal year.

	2007 Policies	2006 Policies	2007 Face Value	2006 Face Value
Supervised Programs				
SGLI Active Duty	1,496,000	1,503,000	$ 582,600	$ 590,567
SGLI Ready Reservists	755,500	768,500	271,299	285,930
SGLI Post Separation	102,000	120,000	38,909	46,580
SGLI Family - Spouse	1,050,000	1,041,000	103,480	102,416
SGLI Family - Children	2,025,000	2,058,000	20,250	20,580
VGLI	430,636	428,019	53,260	50,676
Total Supervised	5,859,136	5,918,519	$ 1,069,798	$ 1,096,749
Administered Programs				
NSLI	1,013,557	1,106,597	$ 11,516	$ 12,360
VSLI	191,735	199,262	2,406	2,453
S-DVI	187,904	181,093	1,885	1,802
VRI	43,720	48,206	418	454
USGLI	6,720	7,841	21	24
VMLI	2,368	2,438	165	166
Total Administered	1,446,004	1,545,437	$ 16,411	$ 17,259
Total Supervised and Administered Programs	7,305,140	7,463,956	$ 1,086,209	$ 1,114,008

Policy Dividends

The Secretary of VA determines annually the excess funds available for dividend payment. Only administered policies are eligible for dividends. Dividends are based on an actuarial analysis of the individual programs at the end of the preceding calendar year. Dividends are declared on a calendar year basis and paid on policy anniversary dates. Policyholders can elect to: (1) receive a cash payment; (2) prepay premiums; (3) repay loans; (4) purchase paid-up insurance; or (5) deposit the amount in an interest-bearing account. A provision for dividends is charged to operations, and an insurance dividend is established when gains to operations are realized in excess of those essential to maintain solvency of the insurance programs. Policy dividends for fiscal years 2007 and 2006 were $365 and $401, respectively.

16. Contingencies

VA is a party in various administrative proceedings, legal actions, and tort claims arising from various sources including: disputes with contractors, challenges to compensation and education award decisions, loan guaranty indemnity debt cases, and allegations of medical malpractice. Certain legal matters to which VA may be a named party are administered and, in some instances, litigated by the Department of Justice. Generally, amounts (more than $2.5 thousand for Federal Tort Claims Act cases) to be paid under any decision, settlement, or award are funded from the Judgment Fund, which is maintained by Treasury. Of the amounts paid from the Judgment Fund, malpractice cases claimed 84 percent in FY 2007 and 70 percent in FY 2006. Contract dispute payments for FY 2007 and FY 2006 were $5.4 and $19.8, respectively. The discrimination case payments for FY 2007 were $3.3 and $2.2 for FY 2006.

VA uses accepted actuarial methods to estimate the liability resulting from medical malpractice and other tort claim exposure. VA discounted future estimated payments using U.S. Treasury spot rates as of September 30, 2007 and 2006. Had these payments not been discounted, the associated liability would have been an additional $79 and $83, respectively.

VA has recorded a liability for pending legal claims that are estimated to be paid by the Judgment Fund. This liability is established for all pending claims whether reimbursement is required or not. This liability was $650 for FY 2007 and $616 for FY 2006. The contract and personnel law cases where there was at least a reasonable possibility that a loss may occur were 18 cases totaling $228.7 for FY 2007 and 8 cases totaling $17.2 for FY 2006. VA is also required to record an operating expense and imputed financing source for the Judgment Fund's pending claims and settlements. Judgment Fund accounting is shown below:

Judgment Fund

For the Years Ended September 30,

	2007	2006
Fiscal Year Settlement Payments	$ 89	$ 91
Less Contract Dispute and “No Fear” Payments	(8)	(22)
Imputed Financing-Paid by Other Entities	81	69
Increase (Decrease) in Liability for Claims	(35)	93
Operating Expense	$ 46	$ 162

It is the opinion of VA's management that resolution of pending legal actions as of September 30, 2007 will not materially affect VA's operations or financial position when consideration is given to the availability of the Judgment Fund appropriation to pay some court-settled legal cases. Fiscal year 2007 tort payments were $81.

The amount of unobligated and obligated authority relating to appropriations cancelled on September 30, 2007 and 2006 was $21.2 and $35.4, respectively. Any payments due that may arise relating to cancelled appropriations will be paid out of the current year's appropriations in accordance with the provisions of the Expired Funds Control Act of 1990.

VA provides medical care to veterans on an "as available" basis, subject to the limits of the annual appropriations. In accordance with 38 CFR 17.36 (c), VA's Secretary makes an annual enrollment decision that defines the veterans, by priority, who will be treated for that fiscal year subject to change based on funds appropriated, estimated collections, usage, the severity index of enrolled veterans, and changes in cost. While VA expects to continue to provide medical care to veterans in future years, an estimate of this amount cannot be reasonably made. Accordingly, VA recognizes the medical care expenses in the period the medical care services are provided. For the fiscal years 2003-2007, the average medical care cost per year was $27.1 billion.

Haas v. Nicholson

The United States Court of Appeals for Veterans Claims (Veterans Court) issued a decision in Haas v. Nicholson, 20 Vet. App. 257 (2006), that reversed a decision of the Board of Veterans' Appeals, which denied service connection for disabilities claimed as a result of exposure to herbicides. VA disagrees with the court's decision in Haas and has appealed to the United States Court of Appeals for the Federal Circuit. Pending a decision on appeal, the Veterans Court has stayed cases affected by the Haas decision pending before that court or at VA. If the appeal is ultimately unsuccessful, the adjudication of any stayed cases will resume and new adjudications must conform to the decision on appeal, with the consequence that a liability for potential additional benefit costs may exist, but the estimated amount or range of the possible liability cannot reasonably be made at this time. No claims have been paid or accrued as of this date.

17. Earmarked Funds

SFFAS No. 27, *Identifying and Reporting Earmarked Funds*, requires disclosure of all earmarked funds for which VA has program management responsibility. Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, and are required by statute to be used for designated activities or purposes. They are accounted for separately from the Government's general revenues. VA's earmarked funds consist of trusts, special and revolving funds and remain available over time. The "trust" funds do not involve a fiduciary relationship with an individual or group but are designated exclusively for a specific activity, benefit or purpose. The investments (Treasury Securities) are assets of earmarked funds and are available for authorized expenditures. Treasury Securities are issued to the earmarked fund as evidence of earmarked receipts and provide the fund the authority to draw upon the US Treasury for future expenditures. When the earmarked fund redeems its Treasury Securities to make expenditures, the US Treasury will finance those expenditures in the same manner that it finances all other expenditures.

Fund Name	Fund Type	Treasury Symbol	Authority	Purpose of Fund	Financing Sources
Medical Care Collections Fund	Special	36x5287	P.L. 105-33 111 Stat 665	Third-party and patient co-payments for medical services.	Public, primarily insurance carriers.
Cemetery Gift Fund	Trust	36x8129	38 U.S.C. 1007	Donations for veterans' cemeteries.	Public donors.
National Service Life Insurance Fund	Trust	36x8132	38 U.S.C. 720	Premiums insure WWII veterans.	Public, veterans.
Post-Vietnam Era Education Assistance Program	Trust	36x8133	38 U.S.C. 1622	Subsidizes the cost of education to veterans.	Veterans, DoD.
U.S. Government Life Insurance	Trust	36x8150	38 U.S.C. 755	Premiums insure WWI veterans.	Public, veterans.
Veterans Special Life Insurance Fund	Trust	36x8455	38 U.S.C. 723 101-228	Premiums insure Korean conflict veterans.	Public, veterans.
General Post Fund, National Homes	Trust	36x8180	38 U.S.C. 101-228	Donations for patient benefits.	Public, mostly veterans.
Canteen Service Revolving Fund	Revolving	36x4014	38 U.S.C. 78	Operates the canteen services at hospitals.	Revenue from sales.
National Cemetery Administration Facilities Operation Fund	Special	36x5392	P.L. 108-454	Proceeds benefit land and buildings.	Proceeds from leases.
Service-Disabled Veterans Insurance Fund	Revolving	36x4012	38 U.S.C. 1922	Provides insurance to veterans with service-connected disabilities	Public, veterans.
Servicemen's Group Life Insurance	Revolving	36x4009	38 U.S.C. 1965	Provides insurance to active duty, ready reservists, retired reservists and cadets attending service academies and ROTC.	Public, veterans.
Veterans Reopened Insurance Fund	Revolving	36x4010	38 U.S.C. 1925	Provides insurance to World War II and Korea veterans	Public, veterans.
Enhanced-Use Lease Trusts	Trust	N/A	38 U.S.C 8162	Lease underutilized VA property.	Public.

The following tables provide condensed information on assets, liabilities, fund balances, net costs, and changes in fund balances:

Balance Sheet as of September 30, 2007	Insurance	Medical Care	Benefits	Burial	Total Earmarked Funds
Assets:					
Fund Balance with Treasury	$ 40	$ 191	$ 69	$ 1	$ 301
Investments with Treasury	12,330	96	-	-	12,426
Other Assets	626	1,106	1	2	1,735
Total Assets	$ 12,996	$ 1,393	$ 70	$ 3	$ 14,462
Liabilities and Net Position:					
Payables to Beneficiaries	$ 168	$ 15	$ 1	$ -	$ 184
Other Liabilities	13,108	197	1	-	13,306
Total Liabilities	$ 13,276	$ 212	$ 2	$ -	$ 13,490
Unexpended Appropriations	-	(9,184)	-	-	(9,184)
Cumulative Results of Operations	(280)	10,365	68	3	10,156
Total Liabilities & Net Position	$ 12,996	$ 1,393	$ 70	$ 3	$ 14,462

Statement of Net Cost for the Year Ended September 30, 2007					
Gross Program Costs	$ 1,292	$ 467	$ 3	$ -	$ 1,762
Less Earned Revenues	1,222	2,750	-	-	3,972
Net Program Costs	70	(2,283)	3	-	(2,210)
Costs Not Attributable to Program Costs	-	29	-	-	29
Net Cost of Operations	$ 70	$ (2,254)	$ 3	$ -	$ (2,181)

Statement of Changes in Net Position for the Year Ended September 30, 2007					
Net Position Beginning of Period	$ (252)	$ 1,101	$ 70	$ 3	$ 922
Budgetary and Other Financing Sources	42	(2,173)	-	-	(2,131)
Net Cost of Operations	(70)	2,254	(3)	-	2,181
Change in Net Position	(28)	81	(3)	-	50
Net Position End of Period	$ (280)	$ 1,182	$ 67	$ 3	$ 972

Balance Sheet as of September 30, 2006	Insurance	Medical Care	Benefits	Burial	Total Earmarked Funds
Assets:					
Fund Balance with Treasury	$ 33	$ 182	$ 70	$ 1	$ 286
Investments with Treasury	12,780	93	-	-	12,873
Other Assets	660	1,042	1	2	1,705
Total Assets	$13,473	$ 1,317	$ 71	$ 3	$ 14,864
Liabilities and Net Position:					
Payables to Beneficiaries	$ 173	$ 14	$ 1	$ -	$ 188
Other Liabilities	13,552	202	-	-	13,754
Total Liabilities	13,725	216	1	-	13,942
Unexpended Appropriations	-	(6,965)	-	-	(6,965)
Cumulative Results of Operations	(252)	8,066	70	3	7,887
Total Liabilities & Net Position	$13,473	$ 1,317	$ 71	$ 3	$ 14,864

Statement of Net Cost for the Year Ended September 30, 2006					
Gross Program Costs	$ 1,383	$ 417	$ 2	$ -	$ 1,802
Less Earned Revenues	1,298	2,561	-	-	3,859
Net Program Costs	85	(2,144)	2	-	(2,057)
Costs Not Attributable to Program Costs	-	14	-	-	14
Net Cost of Operations	$ 85	$ (2,130)	$ 2	$ -	$ (2,043)

Statement of Changes in Net Position for the Year Ended September 30, 2006					
Net Position Beginning of Period	$ (205)	$ 911	$ 72	$ 3	$ 781
Budgetary and Other Financing Sources	38	(1,940)	-	-	(1,902)
Net Cost of Operations	(85)	2,130	(2)	-	2,043
Change in Net Position	(47)	190	(2)	-	141
Net Position End of Period	$ (252)	$ 1,101	$ 70	$ 3	$ 922

18. Exchange Transactions

Exchange Revenues
Although VA recognizes full cost per SFFAS No. 4, VHA has legislated exceptions to the requirement to recover the full cost to the federal government of providing services, resources, or goods for sale. Under "enhanced sharing authority," VHA facilities may enter into arrangements that are in the best interest of the federal government. In FY 2007, 72 contracts at 11 medical facilities were reviewed by the Management Quality Assurance Service (MQAS) to determine compliance with SFFAS No. 7 and the Chief Financial Officers Act of 1990. MQAS found 7 contracts (10 percent) had incomplete or outdated cost analyses and two contracts (3 percent) failed to recover full cost.

VA's Loan Guaranty Program collects rental fees on a small number of properties during the period when the property is titled to VA.

NCA leases lodges at 13 cemeteries to not-for-profit groups for no fee. These not-for-profit groups are required to provide the upkeep on the lodges and pay the costs for utilities, insurance, minor repairs and maintenance and any other costs associated with the lodges, and NCA pays for major repairs at these facilities. NCA also has three agricultural licenses with private companies/individuals. NCA licenses land for growing crops and, on certain licenses, receives various services in exchange from the licensee such as brush cutting and removal services, backfilling and grading of roads, and welding services. In addition, NCA received fees for motion picture filming performed at three cemeteries.

Exchange Transactions with Public
Exchange transactions with the public occur when prices are set by law or executive order and are not based on full cost or on market price. VA's Medical Care Collections Fund, "Conforming Amendments," changed the language of specific sections of 38 USC Chapter 17 to substitute "reasonable charges" for "reasonable cost." The VHA Chief Business Office (CBO) is responsible for implementing and maintaining these reasonable charges for billing third-party payers for services provided to insured veterans for treatment of nonservice-connected conditions.

Reasonable charges are used to bill for reimbursable health insurance, non-federal workers' compensation, tort feasor and no-fault or uninsured motorists insurance cases. Reasonable charges are based on provider charges in the market area of each VA facility. Under regulations issued pursuant to section 1729 and published at section 17.101, title 38, Code of Federal Regulations, third party payers may elect to pay VA's billed charges (less applicable deductible or co-payment amounts) for the care and services provided to veterans. Alternatively, third party payers may elect to pay VA an amount, generally known as usual and customary, that it would pay to other providers for care and services in the same geographic area.

Cost-based per diems are calculated annually to produce rates used to bill for medical care or services provided by the VA:

(a) in error or on tentative eligibility;
(b) in a medical workers' compensation (other than federal), humanitarian emergency;
(c) to pensioners of allied nations;
(d) for research purposes in circumstances under which VA medical care appropriation is to be reimbursed by VA research appropriation; and
(e) to beneficiaries of the Department of Defense or other federal agencies, when the care or service provided is not covered by an applicable sharing agreement.

These per diem costs are derived primarily from cost and workload data from a national cost allocation report.

VA's Loan Guaranty Program collects certain fees that are set by law. The loan guarantee funding fees collected for FY 2007 were $435 and for FY 2006 were $436. The loan guarantee lender participation fees collected for FY 2007 were $1.5. The lender participation fees collected for FY 2006 were $1.6.

Intragovernmental Exchange Transactions
This section discloses intragovernmental exchange transactions in which VA provides goods or services at a price less than the full cost, or does not charge a price at all, with explanations for disparities between the billing and full cost.

VA and DoD have authority to enter into agreements and contracts for the mutual use or exchange of use of hospital and domiciliary facilities and other resources. The providing agency shall be reimbursed for the cost of the health care resources based on the methodology agreed to by VA and DoD. Facility directors have the flexibility to consider local conditions and needs and the actual costs of providing the services. VA's General Counsel has determined that full cost recovery is not mandated. VHA captures the total amount of reimbursements received under DoD sharing agreements, but the total amount billed below full cost is not readily available. VHA is in the process of developing mechanisms to report this information in the future. VBA collects funding from DoD in order to administer certain education programs. DoD transferred $426.2 during FY 2007 for the Post-Vietnam Era Education Assistance Program, Reinstated Entitlements Program for Survivors, and the New GI Bill for Veterans.

VA reports intragovernmental trading partner information to Treasury's Intragovernmental Reporting and Analysis System (IRAS). VA and our trading partners are not able to completely reconcile all activity and balances between trading partners due to several factors including transaction volumes, recognition timing issues and system limitations between trading partners.

When VA furnishes medical care or services for beneficiaries of other federal agencies, and that care or service is not covered by an applicable local sharing agreement, the billing rates used are determined and published annually by the VHA CFO. Similar to the tort rates, interagency billing rates are determined from cost and workload data in the Cost Distribution Report.

19. Net Cost of Veterans Affairs Programs

All of VA's net program costs are part of the 700 budget functional classification (Veterans Benefits and Services).

Schedule of Net Program Cost

For the Year Ended September 30, 2007 (Dollars in Millions)	Medical Care	Medical Education	Medical Research	Compensation	Pension	Education	Vocational Rehab	Loan Guaranty	Insurance	Burial	Non-Program	Total
Production Costs												
Intragovernmental Costs	$ 4,582	$ 95	$ 97	$ 223	$ 27	$ 16	$ 18	$ 93	$ 8	$ 46	$ 70	$ 5,275
Less Earned Revenues	(113)	-	(35)	2	-	(427)	-	(743)	(742)	-	(1,064)	(3,122)
Net Intragovernmental Production Costs	4,469	95	62	225	27	(411)	18	(650)	(734)	46	(994)	2,153
Public Costs	30,450	1,172	794	8,672	3,875	2,962	704	513	1,310	209	1,996	52,657
Less Earned Revenues	(2,906)	-	(13)	-	-	(203)	-	(63)	(482)	-	(49)	(3,716)
Net Public Production Costs	27,544	1,172	781	8,672	3,875	2,759	704	450	828	209	1,947	48,941
Total Net Cost of Operations	$ 32,013	$ 1,267	$ 843	$ 8,897	$ 3,902	$ 2,348	$ 722	$ (200)	$ 94	$ 255	$ 953	$ 51,094

Schedule of Net Program Cost

For the Year Ended September 30, 2006 (Dollars in Millions)	Medical Care	Medical Education	Medical Research	Compensation	Pension	Education	Vocational Rehab	Loan Guaranty	Insurance	Burial	Non-Program	Total
Production Costs												
Intragovernmental Costs	$ 3,182	$ 82	$ 56	$ 137	$ 19	$ 13	$ 15	$ 216	$ 7	$ 28	$ 359	$ 4,114
Less Earned Revenues	(132)	-	(38)	(2)	-	(378)	-	(309)	(787)	(1)	(1,049)	(2,696)
Net Intragovernmental Production Costs	3,050	82	18	135	19	(365)	15	(93)	(780)	27	(690)	1,418
Public Costs	28,747	1,019	806	62,844	3,733	2,856	694	(679)	1,397	449	1,688	103,554
Less Earned Revenues	(2,694)	-	(11)	-	-	(187)	-	(51)	(513)	-	(54)	(3,510)
Net Public Production Costs	26,053	1,019	795	62,844	3,733	2,669	694	(730)	884	449	1,634	100,044
Total Net Cost of Operations	$ 29,103	$ 1,101	$ 813	$ 62,979	$ 3,752	$ 2,304	$ 709	$ (823)	$ 104	$ 476	$ 944	$ 101,462

20. Disclosures Related to the Statements of Budgetary Resources

Apportionment categories of obligations incurred Obligations Years Ended September 30,	2007	2006
Category A, Direct	$ 38,989	$ 35,612
Category B, Direct	43,473	40,237
Reimbursable	5,959	5,605
Exempt from Apportionment	29	1,222
Total Obligations	$ 88,450	$ 82,676

Borrowing Authority
Loan Guaranty had borrowing authority of $0.7 billion and $0.5 billion as of September 30, 2007 and 2006 respectively. The Vocational Rehabilitation Program had borrowing authority of $2.7 and $3.4 as of September 30, 2007 and 2006, for making direct loans. Loan Guaranty borrowing is repaid to Treasury through the proceeds of portfolio loan collections, funding fees, and the sale of loans to Vinnie MAC trusts. The Vocational Rehabilitation loans generally had duration of one year, and repayment was made from offsetting collections.

Adjustments to Budgetary Resources
During the reporting period, adjustments to budgetary resources available at the beginning of the year included VA appropriations that were subjected to a rescission that totaled $14.5. Additionally, unobligated balances of prior year recoveries of $6.2 were rescinded. Various VA program accounts received a cut in discretionary budget authority.

Permanent Indefinite Appropriations
VA has three permanent and indefinite appropriations. The Veterans Housing Benefit Program Fund covers all estimated subsidy costs arising from post-1991 loan obligations for veterans housing benefits. The Fund's objective is to encourage and facilitate the extension of favorable credit terms by private lenders to veterans for the purchase, construction, or improvement of homes to be occupied by veterans and their families. The Loan Guarantee Revolving Fund is a liquidating account that contains all of VA's pre-credit reform direct and guaranteed loans. It also holds fund balances received from reimbursements from financing accounts for loan modifications and rentals of foreclosed properties not yet transferred to financing accounts. The Native American Direct Loan Account was established to cover all subsidy costs arising from direct loan obligations related to a veteran's purchase, construction, or renovation of a dwelling on trust land.

Use of Unobligated Balances of Budget Authority
Available unobligated balances on the Statement of Budgetary Resources are composed of current fiscal year apportioned funds for annual, multi-year, and no-year appropriations from Congress as well as revolving and trust funds. Other balances not available are composed of expired appropriation unobligated amounts, which generally are not available for new obligations, but can be used to increase existing obligations under certain circumstances. This amount also includes unobligated funds that were not apportioned by OMB for FY 2007 use.

Unobligated VA funds are available for uses defined in VA's FY 2007 Appropriation Law (P.L. 110-005) and Supplemental Appropriations Law (P.L. 110-028). These purposes include: veterans medical care, research, education, construction and maintenance of VA buildings, veterans and dependents benefits, veterans life insurance, loan guaranty programs, veterans burial benefits, and

administrative functions. Various obligation limitations are imposed on individual VA appropriations.

Explanation of Differences Between Statement of Budgetary Resources and the Budget
As a result of an analysis of aged obligations, obligations were reduced by $34 for FY 2006 on the Statements of Budgetary Resources. This adjustment was not reflected in the FACTS II data used to prepare the President's Budget. No other differences were identified as of the preparation date of the financial statements.

Undelivered Orders at the End of Period
The amount of budgetary resources obligated for undelivered orders at the end of 2007 and 2006 was $5,690 and $4,860 respectively.

Contributed Capital
The amount of contributed capital received during FY 2007 consisted of donations in the amount of $45.5 to the General Post Fund and $0.1 to the National Cemetery Gift Fund. For FY 2006 $52.9 was donated to the General Post Fund and $0.4 to the National Cemetery Gift Fund.

21. Dedicated Collections

In the federal government, dedicated collections are accounted for in trust funds and special funds. The term "trust funds" as used in this report and in federal budget accounting is frequently misunderstood. In the private sector, "trust" refers to funds of one party held by a second party (the trustee) in a fiduciary capacity. In the federal budget, the term "trust fund" means only that the law requires that funds be accounted for separately, used only for specified purposes, and that the account be designated as a "trust fund."

A change in law may change the future receipts and the terms under which the fund's resources are spent. The "trust fund assets" represent all sources of receipts and amounts due the trust fund regardless of source. This includes "related governmental transactions," which are transactions between two different entities within the federal government. The "Investments with Treasury" assets are comprised of investments in federal debt securities and related accrued interest. These securities will require redemption if a fund's disbursements exceed its receipts. Unless specifically provided for by law, trust funds may only place excess funds in federally backed investments (e.g., federal debt securities).

The table below summarizes the name, type, and purpose of the funds within VA that receive dedicated collections. All of the funds listed use the accrual basis of accounting. However, collections are reported as actually received in accordance with OMB Circular A-34. All of the funds generally receive authority to use current year contributions as well as a portion of previously contributed amounts.

Fund Name	Fund Type	Treasury Symbol	Authority	Purpose of Fund	Financing Sources
Escrowed Funds for Shared Medical Equipment Purchases	Deposit	36x6019	106 Stat 1974	Receives payments from public companies involved in joint purchases of medical equipment.	Public, universities, pharmaceuticals & other medical organizations.
Personal Funds of Patients	Deposit	36x6020	38 U.S.C. 3204	Temporarily holds funds.	Public, patients.
Employee Allotments for Savings Bonds	Deposit	36x6050	31 U.S.C. 3105	Temporarily holds funds.	Employees.

The following tables provide condensed information on assets, liabilities, fund balances.

For the year ended September 30, 2007

Fund Symbol	**6020**	**6050**	**TOTAL**
Assets:			
Fund balance with Treasury	$ 38	$ 1	$ 39
Investments with Treasury	-	-	-
Other Assets	-	-	-
Total Assets	$ 38	$ 1	$ 39
Liabilities:			
Payables to Beneficiaries	1	-	1
Other Liabilities	37	1	38
Total Liabilities	38	1	39
Net Position:			
Cumulative Results	-	-	-
Total Liabilities & Net Position	$ 38	$ 1	$ 39

22. Reconciliation of Net Cost of Operations to Budget

The objective of the information shown below is to provide an explanation of the differences between budgetary and financial (proprietary) accounting. This is accomplished by means of a reconciliation of budgetary obligations and non-budgetary resources available to the VA with its net cost of operations. In previous years this reconciliation was accomplished by presenting the Statement of Financing as a Basic Financial Statement.

DEPARTMENT OF VETERANS AFFAIRS

RECONCILIATION OF NET COSTS OF OPERATIONS TO BUDGET (dollars in millions)

for the Years Ended September 30,	2007	2006
Resources Used to Finance Activities		
Obligations Incurred	$ 88,450	$ 82,676
Less Spending Authority from Offsetting Collections and Adjustments	(6,539)	(8,286)
Obligations Net of Offsetting Collections and Adjustments	81,911	74,390
Less Offsetting Receipts	(3,610)	(4,434)
Net Obligations	78,301	69,956
Donations of Property	20	25
Transfers-out	(241)	(213)
Imputed Financing	1,408	1,303
Total Resources Used to Finance Activities	**79,488**	**71,071**
Resources That Do Not Fund Net Cost of Operations		
Change in Amount of Goods, Services and Benefits Ordered But Not Yet Provided	(1,078)	320
Resources that Finance the Acquisition of Assets	(3,736)	(4,005)
Resources that Fund Expenses Recognized in Prior Periods	(633)	(611)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	2,842	3,488
Total Resources that Do Not Fund Net Costs of Operations	(2,605)	(808)
Total Resources Used to Finance the Net Cost of Operations	**76,883**	**70,263**
Costs That Do Not Require Resources in the Current Period		
Increase in Annual Leave Liability	118	29
Increase in Environmental and Disposal Liability	174	9
Reestimates of Credit Subsidy Expense	(402)	(1,110)
Increase in Exchange Revenue Receivable from the Public	(276)	(265)
Increase (Decrease) in Veterans Benefits Actuarial Liability	(26,045)	31,263
Depreciation and Amortization	895	870
Bad Debts Related to Uncollectible Non-Credit Reform Receivables	314	227
Loss on Disposition of Assets	134	86
Other	(701)	90
Total Costs That Do Not Require Resources in the Current Period	**(25,789)**	**31,199**
Net Cost of Operations	**$ 51,094**	**$ 101,462**

23. Reclassifications, Changes in Accounting Policy and Changes in Financial Statement Presentation

Offsetting Receipts

The FY 2007 presentation of Offsetting Receipts within the Statement of Budgetary Resources has changed to conform to the Department of Treasury reporting in the Budget of the United States Government. The line item "Less Distributed Offsetting Receipts" includes only distributed offsetting receipts. In the prior period both distributed and undistributed receipts were reported on this line.

Earmarked Funds

In FY 2006 VA adopted a new accounting standard, Statement of Federal Financial Accounting Standards No. 27, Identifying and Reporting Earmarked Funds. Under this standard, certain VA funds are identified and reported as earmarked funds which have specifically identified revenues and other financing sources and are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the Government's general revenues. VA has disclosed earmarked funds in the Principal Statements.

Department of Veterans Affairs
Office of Inspector General

REPORT OF THE AUDIT OF THE DEPARTMENT OF VETERANS AFFAIRS CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEARS 2007 AND 2006

Report No. 07-01016-21 **November 15, 2007**

VA Office of Inspector General
Washington, DC 20420

DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

Memorandum to the Acting Secretary

Report of Audit of the Department of Veterans Affairs Consolidated Financial Statements for Fiscal Years 2007 and 2006

1. Attached is the Report of Audit of the Department of Veterans Affairs (VA) Consolidated Financial Statements (CFS) for Fiscal Years (FY) 2007 and 2006, as required by the Chief Financial Officers Act of 1990. The Office of Inspector General contracted with the independent public accounting firm, Deloitte & Touche LLP, to perform the audit of VA's FY 2007 CFS.

2. The independent auditors' report by Deloitte & Touche LLP provides an unqualified opinion on VA's FYs 2007 and 2006 CFS. The report on internal control identifies four material weaknesses. Three of the four material weaknesses are repeat conditions from the prior year audit and identified as (i) financial management system functionality (modified), (ii) information technology security controls and (iii) financial management oversight (modified). The fourth material weakness, retention of computer generated detail records in Benefit Delivery Network (BDN) system was identified in FY 2007.

3. The report on compliance with laws and regulations continues to show that VA is not in substantial compliance with the financial management system requirements of the Federal Financial Management Improvement Act (FFMIA) of 1996. The material weaknesses in internal control over financial reporting indicate that VA's financial management systems did not substantially comply with the Federal financial management systems requirements as required by FFMIA section 803(a).

4. Deloitte & Touche LLP is responsible for the attached auditor's report dated November 15, 2007, and the conclusions expressed in the report. We do not express opinions on VA's financial statements or internal control or on whether VA's financial management systems substantially complied with FFMIA; or conclusions on compliance with laws and regulations.

5. The independent auditors will follow up on these internal control findings and evaluate the adequacy of corrective actions taken during the audit of the VA's FY 2008 CFS.

Belinda J. Finn

BELINDA J. FINN
Assistant Inspector General
For Auditing

Attachment

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INDEPENDENT AUDITORS' REPORT

To the Inspector General and the Acting Secretary
of Department of Veterans Affairs

We have audited the accompanying consolidated balance sheets of the Department of Veterans Affairs ("VA") as of September 30, 2007 and 2006, and the related consolidated statements of net cost, changes in net position, and the combined statements of budgetary resources for the years then ended which collectively comprise VA's basic financial statements. These financial statements are the responsibility of VA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the requirements of Office of Management and Budget ("OMB") Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards and the OMB Bulletin require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of VA as of September 30, 2007 and 2006, and the respective net costs, changes in net position, and budgetary resources thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2007, on our consideration of VA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte + Touche LLP

November 15, 2007

Member of
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Inspector General and the Acting Secretary of
Department of Veterans Affairs

We have audited the basic financial statements of the Department of Veterans Affairs (VA) as of and for the year ended September 30, 2007, and have issued our report thereon dated November 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of the Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered VA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion in the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the VA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the VA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Member of
Deloitte Touche Tohmatsu

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

We identified the following matters involving the internal control over financial reporting and its operation that we consider to be significant deficiencies. The significant deficiencies that we identified in our prior year report dated November 14, 2006 are identified in this report as "Repeat Condition".

Deficiencies described in Section I include significant departures from certain requirements of OMB Circular A–127, *Financial Management Systems*; Circular A–123, *Management's Responsibility for Internal Control*; and Circular A–130, *Management of Federal Information Resources*. We consider each of the four significant deficiencies identified as "Financial Management System Functionality," "Information Technology (IT) Security Controls," "Financial Management Oversight" and "Retention of Computer Generated Detail Records in Benefit Delivery Network (BDN) System" to be material weaknesses.

Distribution

This report is intended solely for the information and use of the VA Office of Inspector General, the management of VA, the Office of Management and Budget, the U.S. Government Accountability Office, Office of the President, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

November 15, 2007

SECTION I — MATERIAL WEAKNESSES

We consider each of the following deficiencies in VA's internal control over financial reporting to be a material weakness:

A. Financial Management System Functionality – Material Weakness (Repeat Condition)

VA management implemented a reporting system to automate the preparation of the consolidated financial statements in fiscal year 2006 which has improved the financial reporting process for fiscal year 2007. Although we noted some improvement, we identified continuing difficulties with the legacy systems related to the reliable, timely and consistent preparation, processing, and analysis of financial information for VA's consolidated financial statements. Key examples of significant deficiencies are described below.

Conditions:

- A significant number of manual adjusting entries are required at year-end to prepare the financial statements. This is indicative of systems which do not effectively and efficiently support reliable, timely and consistent preparation, processing and analysis of financial information. In addition, management has chosen to manually "rollover" entries from prior year adjustments in its reporting system, MinX.

- The legacy payroll and property systems do not readily provide information to support activity in the related general ledger accounts. The Personnel and Accounting Integrated Data (PAID) system cannot produce reports to support all accrued annual leave activity, including payroll adjustments, such as timesheet adjustments and expired leave balances. The Fixed Asset Package (FAP) cannot readily identify all current year property, plant and equipment additions and reclassifications of work in process due to system limitations.

Criteria:

OMB Circular A–127, *Financial Management Systems* states:

"A financial system supports the financial functions required to track financial events, provide financial information significant to the financial management of the agency, and/or required for the preparation of financial statements. A financial system encompasses automated and manual processes, procedures, controls, data, hardware, software, and support personnel dedicated to the operation and maintenance of system functions. A financial system may include multiple applications and controls that are integrated through a common database or are electronically interfaced, as necessary, to meet defined data and processing requirements."

"The term "financial management systems" means the financial systems and the financial portions of mixed systems necessary to support financial management."

"Financial management systems shall be designed to provide for effective and efficient interrelationships between software, hardware, personnel, procedures, controls, and data contained within the systems."

"An agency's financial management system should generate reliable, timely, and consistent information necessary for meeting management's responsibilities, including the preparation of financial statements."

"Transaction detail supporting SGL accounts shall be available in the financial management systems and directly traceable to specific SGL account codes."

OMB Circular A–123, *Management's Responsibility for Internal Control* states:

"The management control processes necessary to ensure that 'reliable and timely information is obtained, maintained, reported and used for decision making' are set forth, including prompt and appropriate recording and classification."

Cause:

There are inherent system weaknesses to assemble, compile, and review the necessary financial information for annual financial reporting requirements and to perform needed analyses.

Effect:

Significant manual workarounds and the posting of a large number of general ledger adjustments increase the risk of processing errors and, in turn, the risk of misstatements in the financial statements.

Recommendation:

The VA Chief Information Officer (CIO) and Chief Financial Officer (CFO) should work to improve system functionality in order to better support preparation of the financial statements and reduce the number of adjusting entries required.

VA management should inventory all non-systematic or manual workaround processes performed during the year-end closing period and continue to make improvements through adjustment of timing, refinement and consolidation of these processes.

B. Information Technology (IT) Security Controls – Material Weakness (Repeat Condition)

During fiscal year 2007, the Office of CIO (OCIO) issued Directive 6500, *Information Security Program*, and began to reorganize information technology (IT) resources and reporting structures. In September 2007, the OCIO also issued Handbook 6500 that is designed to assist the organization in implementing its information security programs as described in Directive 6500. In addition, management of major data centers and selected program offices have taken actions to remediate elements of IT security control weaknesses reported in our prior year reports.

However, legacy IT infrastructure and longstanding security control weaknesses due to the lack of effective implementation and enforcement of an agency-wide information security program continue to place VA's program and financial data at risk. Our assessment of the general and application controls of VA's key financial systems identified the following conditions.

Conditions:

Agency-wide Security Program

- Many key information security control procedures have not been updated and/or implemented to enforce security control over program and financial management systems throughout the organization in a uniform manner.
- The risk assessments for critical financial management systems were not consistently conducted in conformity with standards of the National Institute of Standards and Technology (NIST) Special Publication 800-30, *Risk Management Guide for Information Technology Systems*, to reflect VA's information security challenges and to facilitate effective mitigation of such challenges.

Access Control

- Strong system access authentication mechanisms and administration of user access have not been consistently implemented and enforced.
- Information systems were not patched in a consistent and timely manner.
- Access privileges were not restricted by proper system access profiles for users and IT personnel. nor were the access activities monitored on a routine basis.
- Intrusion detection mechanisms were not always operating consistently.

Segregation of Duties

- Legacy financial management systems and procedures have not been structured to enforce proper segregation of duties among IT personnel and end users within key financial management systems.

Service Continuity

- A service continuity plan at the departmental level has not been fully implemented to provide overall guidance, direction, and coordination for entity-wide IT service continuity.
- Testing of the service continuity plan "Continuity of Operations Plan" for financial management systems at selected program offices and certain data centers has not been routinely scheduled and adequately performed.

Change Control

- Standard change control policy and procedures have not been implemented to enforce financial application development and change management controls.

Criteria:

E-Government Act 2002, Title III, *Federal Information Security Management Act of 2002* states:

"Each agency shall develop, document, and implement an agency-wide information security program to provide information security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source."

OMB A-130, Appendix III, *Security of Federal Automated Information Resources* states:

"Agencies shall implement and maintain a program to assure that adequate security is provided for all agency information collected, processed, transmitted, stored, or disseminated in general support systems and major applications."

Cause:

VA operated under a decentralized IT management structure until fiscal year 2006. One legacy of this structure was the lack of current and cohesive policies and procedures in major information security areas. Development, implementation and enforcement of these policies and procedures play an important role in the effective management of agency-wide information security programs and the success of the resulting security controls employed to protect financial information systems.

Effect:

Information security control weaknesses place sensitive information, including financial information and veterans' medical and benefit information, at risk of inadvertent or deliberate misuse, fraudulent use, improper disclosure, theft, or destruction, possibly occurring without detection.

Recommendations:

VA senior leadership should continue to pursue a more centralized approach to facilitate the effective implementation and enforcement of information security controls. VA should continue its effort to prioritize its resources in accomplishing its management agenda. Key tasks should include, but are not limited to, the following:

- Take an agency-wide approach to implement information security programs to guide information security control operations in accordance with standards established by NIST and OMB. Establish and communicate chain of command and accountability to enforce and monitor compliance with information security control policies and procedures.
- Provide actionable steps for ensuring that user access to VA financial management systems, including general support systems and major applications, is authorized based on need; that system logical security settings and updates are properly implemented for all interconnected networks, systems, and applications; and that proper oversight of system activities is performed.
- Configure systems to support proper system segregation of duties and provide adequate human resources and management oversight to complement system controls.

- Complete and implement a service continuity plan that will provide effective guidance, communication and coordination of service continuity planning. Perform routine testing to validate the effectiveness of the service continuity planning throughout the agency.
- Develop and implement a standard change control framework that guides the development and implementation of change management procedures for VA financial applications.

C. Financial Management Oversight – Material Weakness (Repeat Condition)

Conditions:

We have identified eight significant deficiencies that support the need for enhanced management oversight. Most of these deficiencies relate to observations also identified in prior years that remain uncorrected. When aggregated, the series of deficiencies has a recurring theme of inadequate or ineffective management oversight, thus resulting in an overall material weakness.

In the past management has attempted a number of approaches to remediate the recurring deficiencies. Management has provided training and become more involved in the process overall. Since these approaches have not proven effective, management should review the root cause of each issue and the reason that attempts to remediate the issue have been met with limited success.

The following eight significant deficiencies support the overall material weakness and are also described in greater detail in Section II of this report:

- ***Accrued Services Payable and Undelivered Orders***
  Veterans Health Administration (VHA) financial management did not perform adequate reviews in each of these areas.

- ***Accounts Receivable***
  VHA financial management did not perform sufficient follow-up of accounts receivable collections, and review of write-offs and allowances.

- ***Property, Plant and Equipment***
  VHA financial management demonstrated little evidence of improvement over monitoring internal controls and accounting for property, plant and equipment, including capitalization and disposals.

- ***Environmental and Disposal Liabilities***
  VHA financial management did not effectively monitor proper accounting and reporting of environmental liabilities.

- ***Payroll Agreed-Upon Procedures Report***
  The Central Office could not produce reports to support payroll data submissions to the Office of Personnel Management. Its review process did not detect the inaccuracies on reports generated from the PAID system until identified by our procedures.

- ***Accrual for Unbilled Receivables and Allowance for Contractual Adjustments***
  VHA financial management has not initiated adequate processes to review the allowance for contractual adjustments and information used in the calculation of accrual for unbilled receivables to assure these amounts are recorded in accordance with generally accepted accounting principles.

- ***Adjusting Entries and Reconciliation Review***
  There are deficiencies in Veterans Benefits Administration's (VBA) management review of journal entries and reconciliations that resulted in financial adjustments as a result of our audit process.

- ***Compensation and Pension Actuarial Liability***
  VBA management has not provided the external actuary with all relevant data nor has VBA management considered the impact of this relevant data to the liability.

Criteria:

Management must maintain a system of internal controls in accordance with *Standards for Internal Control in the Federal Government* issued by the Government Accountability Office (GAO). These five standards for internal control include:

- Control Environment – It provides the discipline and structure as well as the climate which influences the quality of internal control.
- Risk Assessment – It is the identification and analysis of relevant risks associated with achieving control objectives.
- Control Activities – They are the policies, procedures, techniques, and mechanisms that enforce management's directives.
- Information and Communications – Information should be recorded and communicated to management and others within the entity who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities.
- Monitoring – Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved.

Cause:

The operational causes for the deficiencies highlighted above vary. Common issues include a lack of resources with the appropriate skills and a significant volume of transactions. In addition, as in the case of environmental liabilities and property, plant and equipment, the solution requires routine communication with non-financial functions such as facilities management. If the essential financial accounting work has not been performed or performed inadequately, various levels of financial management should be in place to properly monitor, identify and detect these issues. VA's decentralized structure makes management of control processes more difficult.

Effect:

Recording financial data without sufficient review and monitoring increases the likelihood that an error in the financial statements will occur and that it will go undetected.

Recommendation:

Management should review its financial management organizational structure to determine if the financial management organization has sufficient authority and resources to solicit support to improve financial management at all levels of the organization. Any initiative should have support from the Secretary to promote strong financial management and coordination amongst all operational levels to ensure financial management can promote change within the overall organization. This may require additional funding and resources but it also requires a fundamental commitment from all operational levels. VA should also assess the resource and control challenges associated with operating in a highly decentralized accounting function. While the assessment is being performed, management should develop an immediate interim review and monitoring plan to detect and resolve issues in each of the eight deficiencies discussed above.

D. Retention of Computer Generated Detail Records in BDN System – Material Weakness

Conditions:
We noted that VBA retains certain computer generated transaction details from the BDN system for approximately 60 to 90 days; as such, management was unable to provide supporting detail to substantiate certain amounts recorded in the financial statements.
Also large differences for Compensation and Pension and Education programs existed between BDN, a subsidiary ledger, and FMS, the general ledger and management was unable to provide support for these differences.

Criteria:
Benefit Systems Requirements, formerly published by the Joint Financial Management Improvement Program and now under the responsibility of the Financial Systems Integration Office, states:
"Audit Trails Process

Adequate audit trails are critical to provide support for transactions and balances maintained by the benefits system. While audit trails are essential to auditors and system evaluators, they are also necessary for day-to-day operation of the system. For example, they allow for the detection and systematic correction of errors that arise.

Mandatory Requirements

To support the Audit Trails process, the benefits system must:

- Provide audit trails to trace transactions from source documents, original input, other systems, system-generated transactions, and internal assignment transactions through the system.
- Provide transaction details to support account balances.
- Provide audit trails to trace source documents and transactions through successive levels of summarization to the financial statements and the reverse.
- Provide audit trails to identify changes made to system parameters and tables that would affect the processing or reprocessing of any financial transactions.
- For all types of transactions, provide capability to select items for review based on user-defined criteria. Examples of selection criteria are accounting period, amount, and payee.
- Provide audit trails that identify document input, change, approval, and deletions by originator.

- Provide the capability to record the user ID, date, and time updated for each transaction affecting the general and subsidiary ledger accounts."

Cause:

Management has informed us that this deficiency is due to system limitations in BDN and the high volume of transactions processed on a daily basis.

Effect:

Management cannot provide support for certain balances in the general ledger after 60 to 90 days from the transaction date.

Recommendation:
Policies and procedures should be implemented to ensure that computer generated transaction detail is maintained for an appropriate number of years in order to provide adequate support and audit trail for balances recorded in the financial statements.

SECTION II — SIGNIFICANT DEFICIENCIES

We consider the following deficiencies in VA's internal control over financial reporting to be significant deficiencies. Items with an asterisk (*) are repeat conditions included in a letter we issued to management last year.

1. Accrued Services Payable, and Undelivered Orders —VHA*

Condition- During our medical center site visits, we noted instances where accrued services payable and undelivered orders were not properly monitored and reviewed to ensure they were valid transactions.

Criteria- OMB Circular A-123, *Management's Responsibility for Internal Control*, requires that management be responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

Cause- Inadequate financial management oversight at the medical centers.

Effect- Accrued services payable and undelivered orders balances could be misstated during the year, and in some cases, unauthorized transactions may not be detected.

Recommendation- We recommend that the VHA CFO, in coordination with the Veterans Integrated Service Network (VISN) CFOs, take action to review and monitor accrued services payable and undelivered orders on a monthly basis. Large or old payables or undelivered order balances should be reviewed to ensure validity.

2. Accounts Receivable —VHA*

Condition- We noted the following with respect to accounts receivable (both medical care and non-medical care).

- Incorrect non-medical care allowance for bad debts and no central office analytical reviews of station balances.
- Receivable was booked before earned.
- Lack of timely follow-up of accounts receivable.
- Incorrect calculation of interest expense.

Criteria- OMB Circular A-123, *Management's Responsibility for Internal Control*, requires that management be responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

Cause- Inadequate financial management oversight at the medical centers.

Effect- The accounts receivable balance and its related allowance have a higher risk for misstatement.

Recommendation- We recommend that the VHA CFO, in coordination with the VISN CFOs, take action to implement proper follow-up procedures of accounts receivable and to ensure calculating and recording of allowance estimates and transactions correctly. In addition, VHA CFO should review the allowance estimates for reasonableness on a regular basis.

3. Property, Plant and Equipment (PP&E) – Estimated Useful Life and Recording of Transactions —VHA*

Condition- During our medical center site visits, we noted the following:

- Work in process projects were not capitalized on a timely basis.
- Assets that are no longer property of VA remained capitalized.
- Transactions that should have been expensed were capitalized due to unclear operating procedures.
- The estimated useful lives were not consistent with VA policy.

Criteria- OMB Circular A-123, *Management's Responsibility for Internal Control*, requires that management be responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

Cause- Inadequate financial management oversight at the medical centers and inadequate communication with facilities management.

Effect- PP&E and related expense accounts may be misstated.

Recommendation- We recommend that VHA CFO, in coordination with the VISN CFOs, take action to ensure better coordination between financial and facilities management, that work-in-process projects are reviewed for completion dates and timely capitalization, and that estimated useful lives are consistent with VA policy. In addition, management should put procedures in place to ensure that projects no longer in use are removed from the general ledger.

4. Environmental and Disposal Liabilities—VHA*

Condition- We noted that many stations were not updating the estimate for, or documentation of, environmental and disposal liabilities on a timely basis. In addition, inconsistent methodologies for calculating environmental and disposal liabilities were noted throughout the medical centers. Furthermore, we noted that the Austin Financial Services Center reverses the estimate on an annual basis to force the stations to review and re-book an updated estimate. In certain instances, medical centers were not aware that balances had been reversed.

Criteria- In accordance with the Federal Financial Accounting and Auditing Technical Release Number 2, an agency is required to recognize a liability for environmental cleanup costs resulting from past transactions or events when a future outflow or other sacrifice of resources is probable and reasonably estimable.

Cause- Inadequate communication and review with facilities management and no review of station balances by central office.

Effect- As a result of our audit, numerous stations were required to post significant adjustments during the fourth quarter to correctly state environmental and disposal liabilities.

Recommendation- We recommend that the VHA CFO, in coordination with the VISN CFOs, take action to ensure that these estimates are updated and recorded timely and that appropriate documentation is maintained to support these estimates. To ensure consistency in reporting and reasonable estimates, management should develop standard procedures that address the requirements and methodologies for the estimating and recording of environmental liabilities, improve communication with facilities management, and ensure central office reviews are conducted.

5. Payroll Agreed-Upon Procedures Report

Condition- On an annual basis, VA is required to submit a Report of Withholdings and Contributions for Heath Benefits, Life Insurance, and Retirement to the U.S. Office of Personnel Management (OPM) on which we issue an agreed-upon procedures report. As in past years, significant effort was expended by both Deloitte & Touche LLP and VA in performing the agreed-upon procedures due to inaccurate reports generated from the PAID system. As a result, significant differences were noted by our agreed-upon procedures report.

Criteria- In accordance with OMB Circular A-127, *Financial Management Systems*,

"A financial system supports the financial functions required to track financial events, provide financial information significant to the financial management of the agency, and/or required for the preparation of financial statements."

"An agency's financial management system should generate reliable, timely, and consistent information necessary for meeting management's responsibilities, including the preparation of financial statements."

"The agency financial management system shall be able to provide financial information in a timely and useful fashion to …comply with internal and external reporting requirements…,"

Cause- Limitations with the PAID legacy system.

Effect- Inaccurate reports could impact the calculation of imputed pension costs.

Recommendation- We recommend that the VA CFO review reports generated from the PAID system for accuracy and make programming adjustments as necessary to support standard reports that allow VA to meet this reporting requirement more efficiently, accurately, and timely.

6. Accrual for Unbilled Receivables and Allowance for Contractual Adjustments—VHA

Condition- The following conditions were noted during the review of accounts receivable:

- Accrual for unbilled receivables is calculated using a three-month moving average of change in accounts receivable, write-offs and collections multiplied by the number of days it takes to bill a receivable after services are provided. However, management has not validated the reasonableness of the accrual methodology by analyzing actual billings subsequent to the accounting period. In addition, we noted that the days to bill information is calculated by a separate division within VHA which was not aware that the information was to be used for financial statements.

- The allowance for contractual adjustments for medical care accounts receivables is a system calculated percentage. During our review, we noted that management had not reviewed the reasonableness of the allowance based on prior year actuals.

Criteria- GAO's *Standards for Internal Control in the Federal Government* state that managers need to compare actual performance to planned or expected results and analyze significant differences.

Cause- Inadequate financial management review at VHA central office.

Effect- Accounts receivable balances could be misstated as a result of an inadequate accrual.

Recommendation- We recommend that VHA CFO validate the methodology for the accrual for unbilled receivables and the allowance for contractual adjustments by comparing actual activity to prior estimates.

7. Adjusting Entries and Reconciliation Review*

Condition- As part of our audit of adjusting entries for compensation, pension and education, specifically relating to the statement of budgetary resources, we noted instances where the entry was either not posted or posted with an incorrect amount. These errors were not identified during the VBA review process.

During our audit of property management, we noted that the reconciliation between Centralized Property Tracking System and FMS was not prepared correctly. We also noted that accrual errors were identified on the reconciliation however they were not investigated by VBA in a timely manner.

Criteria- Appropriate review and reconciliation is the basis of a sound internal control environment. The *Standards for Internal Control in the Federal Government* includes reconciliation and review of financial data.

Cause- These deficiencies are due to inadequate management review of financial information. We noted that in most instances, controls to detect these deficiencies are designed, but they are not implemented and operating effectively.

Effect- Relying on financial data without sufficient review and monitoring processes may increase the likelihood that an error in the financial statements will go undetected.

Recommendations- Management reviews should be performed as part of the accounting process. In addition, VA should consider reconciliations as a control and work to resolve any significant differences noted therein to ensure that balances reported in the financial statements are accurate.

8. Accrued Annual Leave*

Condition- A tremendous amount of effort was expended to prepare the support for the year-end accrued annual leave balances and associated activities during the year by using the PAID system. The reports used to support leave activity did not capture payroll adjustments such as timesheet adjustments and expired leave balances, causing differences between the report and the general ledger.

Criteria- In accordance with OMB Circular A-127, *Financial Management Systems*, "A financial system supports the financial functions required to track financial events, provide financial information significant to the financial management of the agency, and/or required for the preparation of financial statements."

Cause- Lack of effective system functionality and inadequate financial management oversight.

Effect- Inaccurate financial information may not be detected timely.

Recommendation- We recommend that the VA CIO and CFO develop reports to support the annual leave balances in the PAID system to ensure timely, reliable, and consistent accrued annual leave information is available and reconciled when used to prepare the financial statements.

9. Operating Lease Commitments*

Condition- VA does not have an effective process to accumulate information on their future lease commitments for equipment. This information is needed to complete footnote disclosures.

Criteria- OMB Circular A-136, *Financial Reporting Requirements,* requires the disclosure of future lease commitments for each of the next five years and total remaining lease commitment thereafter.

Cause- Decentralization of records.

Effect- Footnote disclosure may not reflect all future commitments.

Recommendation- We recommend that the CFOs for each administration and officials from Veterans Affairs Central Office develop a process to gather operating lease information for year-end disclosure requirements.

10. Intra-Governmental Reconciliations and Related Controls

Condition- VA has drafted policies and procedures to address the requirements of Intra-governmental Business Rules issued by OMB Memorandum M-07-03, but these draft policies and procedures have not been issued in final form. In addition, unreconciled differences exist primarily with the VA's trading partner, the Department of Defense.

Criteria- The Financial Manual, Bulletin No. 2007-03, outlines business rules for intra-governmental transactions. These rules apply to all intra-governmental business, specifically transactions that entail the exchange of goods and services, investments, borrowings and transfers between Federal entities.

Cause- VA does not have sufficient data from their trading partners to properly reconcile all the accounts. In addition, during our audit, we found the draft intra-governmental internal control procedures had not yet been issued in final form.

Effect- Significant unreconciled differences may result with trading partners and inaccurately reflect the related intercompany accounts on both the VA's and individual trading partner's stand-alone financial statements.

Recommendation- We recommend the draft policy and procedures be reviewed to ensure compliance with all the Intra-governmental Business Rules outlined in the Treasury Financial Manual Bulletin No 2007-03. All significant differences should be resolved with trading partners as outlined in Section VII, Resolving Intra-governmental Disputes and Major Differences. VA should also consider the impact of these differences and assess the need for adjustments or write-offs as part of their year-end financial reporting cycle.

11. Property, Plant and Equipment

Condition- The Fixed Asset Package (FAP) provides the capability to retroactively enter acquisitions. While this practice may correctly reflect the actual acquisition dates of specific assets, it may cause difficulty for FAP to identify current year only additions based on acquisition dates. In addition, the system cannot identify reclassifications of work-in-process projects to various capitalized or expense accounts.

Criteria- In accordance with OMB Circular A-127, *Financial Management Systems*,
"A financial system supports the financial functions required to track financial events, provide financial information significant to the financial management of the agency, and/or required for the preparation of financial statements."

Cause- System limitation.

Effect- Inaccurate financial information may not be detected.

Recommendation- We recommend that the VA CIO and CFO develop reports to support actual property, plant and equipment activities occurred during the year and to ensure balances on the reports reconcile back to the financial statements.

12. Compensation and Pension Actuarial Liability

Condition- The model provided to an external actuary to calculate the C&P actuarial liability does not consider hold back and offsets for incarcerated veterans and severance pay provided by the Department of Defense.

Criteria- In order for an external actuary to accurately estimate the C&P actuary liability, they must be provided with all relevant data.

Cause- VBA management has not provided the external actuary with all relevant data nor has VBA management considered the impact of this relevant data to the liability.

Effect- The external actuary does not have all the relevant information to calculate the actuarial liability.

Recommendation- We recommend that VBA management prepare a reconciliation between the BDN payment file and the gross summary file each time a file is provided to an external actuary. Reconciling items identifying data relevant to the calculation of the estimated liability should be provided to an external actuary.

13. Statement of Net Cost

Condition- VA does not have an effective process of collecting, documenting and validating the cost drivers, allocations, and factors used in MinX to prepare the statement of net cost.

Criteria- OMB Circular A–123, *Management's Responsibility for Internal Control*, states:

"The management control processes necessary to ensure that 'reliable and timely information is obtained, maintained, reported and used for decision making' are set forth, including prompt and appropriate recording and classification."

The Chief Financial Officers (CFO) Act of 1990 contains several provisions related to managerial cost accounting, one of which states that an agency's CFO should develop and maintain an integrated accounting and financial management system that provides for the development and reporting of cost information and the systematic measurement of performance.

Cause- VA does not have an automatic cost allocation system that can identify and accumulate the information needed to prepare the statement of net cost.

Effect- The current process, which uses Excel spreadsheets is inefficient and error prone due to the numerous manual inputs that could cause a potential error in the financial statements and statement of net cost footnote disclosures.

Recommendation- VA should develop an entity-wide system to ensure that costs are accurately and consistently tracked throughout all business lines and provides information needed to prepare the statement of net cost. This will reduce the need for manual inputs thereby reducing the risk of potential errors in the financial statements and footnote disclosures.

Follow-Up on Previous Report

In our *Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance Based Upon the Audit Performed in Accordance with Government Auditing Standards* dated November 14, 2006, we reported three material weaknesses in the areas of (1) Lack of an Integrated Financial Management System, (2) Information Technology (IT) Security Controls, and (3) Operational Oversight. These conditions continue to be reported as material weaknesses this year. The Integrated Financial Management System weakness is referred to as Financial Management System Functionality, and the Operational Oversight material weakness is referred to as Financial Management Oversight in the current year.

SECTION III - COMPLIANCE AND OTHER MATTERS

With respect to the internal controls related to performance measures reported in Management's Discussion and Analysis, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions and determined whether they have been placed in operation, as required by OMB Bulletin No. 07-04. Our procedures were not designed to provide assurance on internal control over reported performance measures and accordingly, we do not provide an opinion on such controls.

In addition, we considered VA's internal control over Supplementary Information by obtaining an understanding of VA's internal control, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls as required by OMB Bulletin No. 07-04. Our procedures were not designed to provide assurance on these internal controls and accordingly, we do not provide an opinion on such controls.

As part of obtaining reasonable assurance about whether VA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 07-04, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and are described below.

1. **Non-compliance with FFMIA**

   Under FFMIA, we are required to report whether the agency's financial management systems substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, and the U. S. Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance using the implementation guidance and evaluative criteria issued by OMB in Circular A-127.

   The material weaknesses in internal control over financial reporting discussed above and identified as "Financial Management System Functionality," "Information Technology (IT) Security Controls," and "Retention of Computer Generated Detail Records in BDN System" indicate that VA's financial management systems did not substantially comply with the Federal financial management systems requirements as required by FFMIA section 803(a).

2. **Non-compliance with Debt Collection Improvement Act***

   Condition- Several instances of non-compliance with the Debt Collection Improvement Act of 1996 (DCIA) were noted.

   - A few medical centers selected for review had incorrect interest calculations due to manual errors, incorrect percentage rates and other unexplained errors.

   - Interest and administrative costs should be charged to VA's delinquent debtors. The rates are determined by the Treasury on a yearly basis. However, VBA did not charge interest on Life Insurance delinquent debts nor Compensation and Pension ("C&P") Chapter 30 or Chapter 1606 Education receivables.

   Criteria- Public Law 96-466, 38 U.S.C. 501(a) and 5315, and 38 CFR 1.919 gave VA specific authority to charge interest on any amount owed the United States.

Cause- The condition is a combination of the inability of the Hines system to calculate interest on VBA debts, inadequate financial management oversight at the medical centers, and the former VA Deputy Secretary's decision in July 1992 to not charge interest on compensation and pension debts.

Effect- Accounts receivable could be misstated.

Recommendation- We recommend the VBA CFO and VHA CFO, in coordination with the VISN CFOs, should take action to:

- Ensure accurate calculation of interest.
- Implement policies and procedures to administer the requirements of Public Law 96-466 and Title 38 with respect to interest and administrative charges or propose a legislative remedy to request a waiver of these requirements for the Veterans C&P programs.

3. Non-compliance with USC Title 5, 552A –VBA*

Condition- There were several files that could not be located for testing during VBA testing as well as instances where the appropriate documents were not available to substantiate the amounts recorded. Some of these were comprised of instances where key forms were missing from the veteran's file.

Criteria- USC Title 5, 552A subsection D5 states:

"An agency should maintain all records which are used by the agency in making any determination about any individual with such accuracy, relevance, timeliness, and completeness as is reasonably necessary to assure fairness to the individual in the determination."

Cause- Inadequate control of the retention of the veteran file records due to the fact that the files were manually stored and some of those files were subsequently transferred to off site locations and not adequately tracked.

Effect- VA is not in compliance with USC Title 5, 552A, subsection D5, as it relates to several veteran files. Also the balances recorded in FMS cannot be substantiated due to the lack of supporting documentation.

Recommendation - We recommend that the VA implement procedures to ensure that veteran file records are properly retained and can be located.

In addition, we noted other matters involving the internal control and compliance over financial reporting that will be reported to VA in a separate letter.

Department of Veterans Affairs

Memorandum

Date: November 15, 2007

From: Assistant Secretary for Management (004)

Subj: Report of the Audit of the Department of Veterans Affairs Consolidated Financial Statements for Fiscal Years 2007 and 2006

To: Assistant Inspector General for Auditing (52)

1. We have reviewed the Report of the Audit of the Department of Veterans Affairs Consolidated Financial Statements for Fiscal Years 2007 and 2006, and are pleased with the receipt of an unqualified opinion. We are also proud that we were able to meet the FY 2007 reporting timeline established by the Office of Management and Budget. Please extend to your staff and the staff of Deloitte & Touche, LLP our appreciation for their detailed planning, hard work, and cooperation during this year's audit.

2. The Department's senior officials and I, as well as program managers in VHA, VBA, NCA, and affected staff offices, are aware of the results of the audit. We will continue to focus on completing corrective actions as detailed in the remediation plans for the three material weaknesses, Financial Management System Functionality (previously identified as Lack of an Integrated Financial Management System), Financial Management Oversight (previously identified as Operational Oversight), and Information Technology Security Controls. These existing remediation plans will be revised and expanded, as needed, to address the findings and recommendations in your audit report. A remediation plan will be developed for the new audit material weakness, Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System - VBA. We will forward copies of each of these plans to you during the second quarter of FY 2008, and will keep you apprised of our progress in remediating these weaknesses throughout FY 2008.

3. Thank you again for your efforts in bringing us to another successful conclusion of the audit cycle.

Robert J. Henke

Required Supplementary Stewardship Information

These materials are not audited

1. Non-Federal Physical Property

Annually, VA provides funding to state governments for the purchase, construction, or major renovation of physical property owned by the state. In most cases these grant programs involve matching funds from the states.

Grant Program Costs

Years Ended September 30,	2007	2006	2005	2004	2003
State Extended Care Facilities	$ 138	$ 85	$ 183	$ 66	$ 121
State Veterans Cemeteries	46	18	36	34	30
Total Grant Program Costs	$ 184	$ 103	$ 219	$ 100	$ 151

The Extended Care Facilities Grant Program assists states in acquiring facilities to provide domiciliary, nursing home, and other day health care for veterans, and to expand, remodel, or alter existing buildings to provide domiciliary, nursing home, hospital, and day health care for veterans in state homes. VA participates in two grant-in-aid programs for states. VA may participate in up to 65 percent of the cost of construction or acquisition of state nursing homes or domiciliaries or in renovations of existing state homes. Over the last 5 fiscal years, the State Home Construction Grant Program has awarded grants in excess of $626 million. VA also provides per diem payment for the care of eligible veterans in state homes.

Since the cemetery program was established in 1980, VA has awarded grants totaling more than $308 million to 39 states and the Commonwealths of Guam and the Northern Marianas. The program provides up to 100 percent of the cost to establish, expand, or improve state veterans' cemeteries. States provide the land and agree to operate the cemeteries.

2. Human Capital

Investment in human capital comprises those expenses for education and training programs for the general public that are intended to increase or maintain national economic productive capacity. It does not include expenses for internal federal education and training of civilian employees.

Veterans and Dependents Education Years ended September 30,	2007	2006
Program Expenses		
Education and Training-Dependents of Veterans	$ 450	$ 430
Vocational Rehabilitation and Education Assistance	3,095	2,943
Administrative Program Costs	243	232
Total Program Expenses	$ 3,788	$ 3,605
Program Outputs (Participants)		
Dependent Education	79,134	79,430
Veterans Rehabilitation	69,409	71,627
Veterans Education	490,826	461,488

Veterans and Dependents Education Years ended September 30,	2005	2004
Program Expenses		
Education and Training-Dependents of Veterans	$ 405	$ 320
Vocational Rehabilitation and Education Assistance	2,779	2,517
Administrative Program Costs	226	230
Total Program Expenses	$ 3,410	$ 3,067
Program Outputs (Participants)		
Dependent Education	75,072	67,420
Veterans Rehabilitation	71,956	75,409
Veterans Education	444,359	409,695

Veterans and Dependents Education Year ended September 30,	2003
Program Expenses	
Education and Training-Dependents of Veterans	$ 266
Vocational Rehabilitation and Education Assistance	2,309
Administrative Program Costs	288
Total Program Expenses	$ 2,863
Program Outputs (Participants)	
Dependent Education	64,582
Veterans Rehabilitation	71,549
Veterans Education	400,289

Program Outcomes
VA's education and training programs are intended to provide higher education to dependents who might not be able to participate otherwise. Veterans' rehabilitation and employment programs are provided to service-disabled veterans; they are designed to improve employability and promote independence for the disabled. Educational programs for active duty personnel, reservists, and veterans provide higher education assistance to those who are eligible under the MGIB and the Veterans Educational Assistance Program. Education and training assistance is provided to dependents of veterans who died of service-connected disability or whose service-connected disability was rated permanent and total. The Vocational Rehabilitation and Employment program provides evaluation services, counseling, and training necessary to assist veterans in becoming employable and maintaining employment to the extent possible. The program is open to veterans who have a 10 percent or greater service-connected disability rating and are found to have a serious employment handicap. The Veterans Education program provides educational assistance to eligible servicemembers and veterans.

3. Health Professions Education

Health Professions Education Years Ended September 30,	2007	2006	2005	2004	2003
Program Expenses					
Physician Residents and Fellows	$ 469	$ 462	$ 438	$ 420	$ 404
Associated Health Residents and Students	81	65	63	62	60
Instructional and Administrative Support	606	452	430	401	367
Total Program Expenses	$ 1,156	$ 979	$ 931	$ 883	$ 831
Program Outputs					
Health Professions Rotating Through VA:					
Physician Residents and Fellows	33,775	31,290	30,903	29,179	28,000
Medical Students	18,728	17,289	16,750	16,740	16,000
Nursing Students	27,515	24,870	22,675	20,275	17,000
Associated Health Residents and Students	20,875	18,990	16,862	16,921	15,000
Total Program Outcomes	100,893	92,439	87,190	83,115	76,000

Program Outcomes
VA's education mission contributes to high quality health care of veterans by providing a climate of scientific inquiry between trainees and teachers; application of medical advances more readily through an academic setting; supervised trainees who provide clinical care; and educational programs that enable VA to recruit highly qualified health care professionals.

The Veterans Health Administration (VHA) conducts education and training programs to enhance the quality of care provided to veterans within the VA health care system. Building on

the long-standing, close relationships among VA and the Nation's academic institutions, VA plays a leadership role in defining the education of future health care professionals that helps meet the changing needs of the Nation's health care delivery system. Title 38 U.S.C. mandates that VA assist in the training of health professionals for its own needs and those of the Nation. Through its partnerships with affiliated academic institutions, VA conducts the largest education and training effort for health professionals in the Nation. Each year, over 100,000 medical and other students receive some or all of their clinical training in VA facilities through affiliations with over 1,200 educational institutions including 107 medical schools. Many have their health profession degrees and contribute substantially to VA's ability to deliver cost-effective and high-quality patient care during their advanced clinical training at VA.

4. Research and Development (R&D)

Investments in research and development comprise those expenses for basic research, applied research, and development that are intended to increase or maintain national economic productive capacity or yield other benefits.

Program Expense
Year ended September 30, 2007

	Basic	Applied	Development	Total
Medical Research Service	$ 171.3	$ 56.9	$ -	$ 228.2
Rehabilitative Research and Development	4.8	24.5	24.4	53.7
Health Services Research and Development	-	58.2	-	58.2
Cooperative Studies Research Service	32.9	41.0	-	73.9
Medical Research Support	-	408.6		408.6
Total Program Expenses	$ 209.0	$ 589.2	$ 24.4	$ 822.6

Program Expense
Year ended September 30, 2006

	Basic	Applied	Development	Total
Medical Research Service	$ 172.1	$ 57.2	$ -	$ 229.3
Rehabilitative Research and Development	5.4	27.1	21.7	54.2
Health Services Research and Development	-	59.7	-	59.7
Cooperative Studies Research Service	30.6	38.2	-	68.8
Medical Research Support	-	353.0		353.0
Total Program Expenses	$ 208.1	$ 535.2	$ 21.7	$ 765.0

Program Expense Year ended September 30,				2005
	Basic	Applied	Development	Total
Medical Research Service	$ 154.4	$ 59.4	$ -	$ 213.8
Rehabilitative Research and Development	4.9	23.9	19.6	48.4
Health Services Research and Development	-	61.7	-	61.7
Cooperative Studies Research Service	.5	47.8	-	48.3
Medical Research Support	-	381.7	-	381.7
Total Program Expenses	$ 159.8	$ 574.5	$ 19.6	$ 753.9

Program Expense Year ended September 30,				2004
	Basic	Applied	Development	Total
Medical Research Service	$ 172.9	$ 81.8	$ -	$ 254.7
Rehabilitative Research and Development	3.5	27.9	17.0	48.4
Health Services Research and Development	-	61.8	-	61.8
Cooperative Studies Research Service	-	27.7	-	27.7
Medical Research Support	-	452.0	-	452.0
Prosthetic Research Support	-	4.8	-	4.8
Total Program Expenses	$ 176.4	$ 656.0	$ 17.0	$ 849.4

Program Expense Year ended September 30,				2003
	Basic	Applied	Development	Total
Medical Research Service	$ 141.0	$ 80.7	$ -	$ 221.7
Rehabilitative Research and Development	3.1	27.5	20.3	50.9
Health Services Research and Development	-	61.5	-	61.5
Cooperative Studies Research Service	-	27.0	-	27.0
Medical Research Support	-	402.9	-	402.9
Prosthetic Research Support	-	4.7	-	4.7
Total Program Expenses	$ 144.1	$ 604.3	$ 20.3	$ 768.7

In addition, VHA researchers received grants from the National Institutes of Health in the amount of $630 million and $198 million in other grants during FY 2007. These grants went directly to researchers and are not considered part of the VA entity. They are being disclosed here but are not accounted for in the financial statements.

Program Outputs/Outcomes

For FY 2007, VA's R&D general goal related to stewardship was to ensure that VA medical research programs met the needs of the veteran population and contributed to the Nation's knowledge about disease and disability. Target levels were established for the: (1) percent of funded research projects relevant to VA's health-care mission in designated research areas and (2) number of research and development projects. Strategies were developed in order to ensure that performance targets would be achieved.

Research and Development Measures-Actual
Years ended September 30,

	2007	2006	2005	2004	2003
Percent of Funded Research Projects Relevant to VA's Health-Care Mission	100.00%	100.00%	94.3%	97.1%	95.6%
Number of Research and Development Projects	2,019	2,190	2,107	2,165	2,075

VA's Medical Research Program goal is to be the premier research organization, leading our Nation's efforts to discover knowledge and create innovations that promote and advance the health and care of veterans and the Nation. To achieve this goal, VA targets research projects that address special needs of veteran patients and balance research resources among basic and applied research to ensure a complementary role between the discovery of new knowledge and the application of these discoveries to medical practice.

Required Supplementary Information

These materials are not audited

1. Heritage Assets

Heritage assets are properties that possess one or more of the following characteristics: historical or natural significance; cultural; educational or aesthetic value; or significant architectural characteristics. The monetary value of heritage assets is often not estimable or relevant. By nature they are expected to be maintained in perpetuity. VA has properties at medical centers and national cemeteries that meet the criteria for a heritage asset. During the reporting period, all maintenance expenses were recorded as incurred. Heritage assets are reported in terms of physical units. Generally, additions to VA's Heritage Asset inventory result from field station surveys, which identify items such as new collections or newly designated assets. Items are generally donated or existing VA assets are designated as heritage. Most are used for mission purpose and maintained in working order. Remaining items are mothballed.

Heritage Assets in Units As of September 30,	2007	2006
Art Collections	211	29
Buildings and Structures	1,543	1,860
Monuments/Historic Flag Poles	984	1,093
Other Non-Structure Items	225	177
Archaeological	34	11
Cemeteries	158	156
Total Heritage Assets in Units	3,155	3,326

2. Deferred Maintenance

Deferred maintenance is classified as not performed when it should have been or as scheduled but delayed to a future period. It is VA policy to ensure that medical equipment and critical facility equipment systems are maintained and managed in a safe and effective manner; therefore, deferred maintenance is not applicable to them.

VA facilities reported their cost estimates for deferred maintenance by utilizing the Facility Condition Assessment Survey.

Deferred Maintenance As of September 30,	2007	2006
General PP&E	$ 3,524	$ 2,554
Heritage Assets	183	39
Total Deferred Maintenance	$ 3,707	$ 2,593

3. Schedule of Budgetary Activity Year Ended September 30, 2007

	Total Budgetary Resources	Obligations Incurred	Spending Authority from Offsetting Collections and Adjustments	Obligated Balance net, Oct. 1	Obligated Balance net, Sept. 30	Total Outlays
VHA						
0152 Medical Admin	$ 3,919	$ 3,746	$ 44	$ 490	$ 552	$ 3,640
0160 Medical Care	28,250	27,221	165	3,452	4,425	26,083
0162 Medical Facilities	4,635	4,140	29	989	1,555	3,545
0167 Medical Facilities	1,418	1,382	30	469	710	1,111
All Other	4,349	1,598	306	1,412	1,424	1,280
Total	$ 42,571	$ 38,087	$ 574	$ 6,812	$ 8,666	$ 35,659
VBA						
0102 Compensation, Pension, & Burial Benefits	$ 38,917	$ 37,674	$ -	$ 91	$ 3,163	$ 34,600
0137 Readjustment Benefits	3,750	3,455	426	43	72	2,999
4127 Direct Loan Financing	269	296	235	96	43	114
4129 Guaranteed Loan Financing	4,586	1,779	1,260	32	41	511
8132 National Service Life Insurance Fund	9,735	1,406	268	1,457	1,428	1,169
All Other	4,367	2,090	1,755	456	466	325
Total	$ 61,624	$ 46,700	$ 3,944	$ 2,175	$ 5,213	$ 39,718
NCA						
Total	$ 214	$ 208	$ -	$ 55	$ 81	$ 182
ADM						
0151 General Operating Expenses	$ 2,024	$ 1,847	$ 356	$ 270	$ 283	$ 1,478
4537 Supply Fund	2,758	1,281	1,366	(1,090)	(1,204)	30
All Other	521	327	299	13	(41)	82
Total	$ 5,303	$ 3,455	$ 2,021	$ (806)	$ (962)	$ 1,590
Total of all Business Lines	$ 109,712	$ 88,450	$ 6,539	$ 8,236	$ 12,998	$ 77,149

Summary of Financial Statement Audit and Management Assurances

The following tables provide a summary of audit-related or management-identified material weaknesses outlined in the FY 2007 Performance and Accountability Report.

The title of each material weakness is consistent throughout this section and in the entire document.

During 2007 VA developed remediation plans and is taking actions to fully correct the material weaknesses "IT Security Controls," "Financial Management System Functionality" (previously identified as "Lack of an Integrated Financial Management System"), and "Financial Management Oversight" (previously identified as "Operational Oversight"). During 2008 VA will develop a remediation plan to correct the new material weakness, "Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System - VBA." Material weaknesses were identified by VA's independent auditors or by VA management.

Table 1 - Summary of Financial Statement Audit

Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Management Oversight	✓				✓
IT Security Controls	✓				✓
Financial Management System Functionality	✓				✓
Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System - VBA		✓			✓
Total Material Weaknesses	3	1	0	0	4

Table 2 - Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA – 2)						
Statement of Assurance	**Qualified (Due to Limited Scope)**					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Effectiveness of Internal Control over Operations (FMFIA – 2)						
Statement of Assurance	**Qualified**					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Financial Management Oversight *	✓					✓
Total Material Weaknesses	1	0	0	0	0	1
Conformance with Financial Management System Requirements (FMFIA – 4)						
Statement of Assurance	**Qualified**					
Material Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
IT Security Controls *	✓					✓
Financial Management System Functionality *	✓					✓
Retention of Computer Generated Detail Records in Benefits Delivery Network (BDN) System - VBA *		✓				✓
Total Material Non-Conformances	2	1	0	0	0	3

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
Overall Substantial Compliance	No	No
1. System Requirements	No	
2. Accounting Standards	Yes	
3. USSGL at Transaction Level	Yes	

*Note: Material weaknesses and their associated remediation plans are the same as audit-related material weaknesses.

Improper Payments Information Act of 2002 (IPIA)

Narrative Summary of Implementation Efforts for FY 2007/Agency Plans for FY 2008 – 2010

Detail I

Describe the agency's risk assessment(s), performed subsequent to compiling your full program inventory. List the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on Office of Management and Budget (OMB) guidance thresholds) identified through its risk assessments. Be sure to include the programs previously identified in the former Section 57 of OMB Circular A-11.

VA reviewed the requirements of the Improper Payment Information Act of 2002 to identify those programs which are susceptible to significant erroneous payments. After completing the review, VA performed risk assessments for all programs. All programs not reported had estimated improper payments of less than $10 million. Dependency and Indemnity Compensation (DIC) is one of the programs previously identified in the former Section 57 of OMB Circular A-11, but is included in the Compensation program. The remaining programs either had estimated improper payments exceeding $10 million and/or were programs previously identified in the former Section 57 of OMB Circular A-11. These include Compensation, Pension, Education, Insurance, Loan Guaranty (LGY), Non-VA Care Fee, and Vocational Rehabilitation & Employment programs. Although the Insurance program was one of the programs identified in Section 57 of OMB Circular A-11, the risk assessment for the program is low. Because the Insurance program does not meet the 2.5 percent or $10 million threshold in annual erroneous payments, the Office of Management and Budget granted VA's request for relief from annual improper payment reporting in the PAR for the Insurance program until 2009. Because the Vocational Rehabilitation & Employment (VR&E) program has not met the reporting requirements for the past 2 years, VA requested relief from future annual reports for the program and was granted relief from annual reporting until 2010.

In 2007, statistical samplings were performed on all required programs to estimate improper payments. (2006 data were used to ensure that an accurate representation of a full fiscal year's results was obtained.) These programs include Compensation, Pension, Education, Loan Guaranty (LGY), and Vocational Rehabilitation & Employment programs. The benefit programs are managed by the Veterans Benefits Administration (VBA). VBA recognizes the inherent risk associated with administering benefits programs to veterans and beneficiaries. The criteria used to determine entitlement, the scope of administering through 57 regional offices, legislative changes, reporting requirements, time constraints, and the responsibility of ensuring appropriate use of resources all contribute to VBA's emphasis on identifying and minimizing vulnerabilities that lead to improper payments.

In the current year's risk assessment, the Veterans Health Administration (VHA) re-evaluated the error measurement methodology it used to determine the level of risk inherent in its programs in the interest of reporting a more accurate presentation of the susceptibility of its programs to significant improper payments. After completing the assessments, one VHA program, Non-VA Care Fee, had estimated improper payments that exceeded $10 million and a 2.5 percent error rate.

Non-VA Care Fee Program is managed by VHA. Historically, Non-VA Care Fee has been called the Fee Program and has

included Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA). However, due to the size of CHAMPVA, VHA performed separate IPIA sampling procedures on it. For purposes of this IPIA report only, VHA will consider Non-VA Care Fee to include two separate programs, CHAMPVA and the Fee Program. CHAMPVA will be reported as a separate program next year, since its outlays are expected to exceed $500 million.

1. **Two Benefit Programs: Compensation (including Dependency & Indemnity Compensation) and Pension**

Erroneous payments are defined as payments made to ineligible beneficiaries or payments that were made for an incorrect amount. Erroneous payments may be caused by procedural or administrative errors made during the claims process, delays in claims processing due to requirements to provide due process, late reporting, misreporting, or fraud on the part of employees, beneficiaries, or claimants.

Over and underpayments are based on the results of the national Systematic Technical Accuracy Review (STAR) program. The STAR process involves a comprehensive technical accuracy review of a statistically valid random sample of completed cases. The 2006 STAR sample totaled 11,056 currently processed cases.

The STAR process identifies erroneous payments for the following categories: Improper Grant/Denial, Improper Percentage Evaluation Assigned, Improper Effective Dates Affecting Payment, Improper Payment Rates, Improper Income Calculations, Improper Dependency Payment, Improper Payment of Burial Benefits, and Improper Waivers. The results of this review sample are extrapolated to the universe of completed claims to calculate estimated annual overpayments and underpayments. Separate annual amounts are calculated for the compensation program and pension program. (Please refer to Detail II for a full discussion regarding the statistical sampling process.) Our methodology for determining overpayments and underpayments also assesses the causes of the erroneous payments. Overpayments created not due to error on the part of VA are included in our overpayment figures.

The Compensation Program is composed of the following:

a. **Disability Compensation** is provided to veterans for disabilities incurred or aggravated while on active duty. The amount of compensation is based on the degree of disability. Several ancillary benefits are also available to certain severely disabled veterans.

b. **Dependency and Indemnity Compensation** is provided for surviving spouses, dependent children, and dependent parents of veterans who died while on active duty on or after January 1, 1957, or whose post-service death was caused by or contributed to by their service-incurred disabilities, or to survivors of veterans who die of nonservice-connected conditions but who were continuously rated totally disabled due to service-connected condition(s) for a number of years immediately preceding death as specified in law of service-connected causes. Prior to January 1, 1957, death compensation was the benefit payable to survivors.

The Pension Program is composed of the following:

a. **Nonservice-Connected Disability Pension** is provided for veterans with nonservice-connected disabilities who served in time of war. The veterans must be permanently and totally disabled or must have attained the age of 65 and must meet specific income limitations.

b. **Death Pension** is provided for surviving spouses and children of wartime veterans who died of nonservice-connected causes, subject to specific income limitations.

2. Education

The Education program assists eligible veterans, servicemembers, reservists, survivors, and dependents in achieving their educational or vocational goals.

To identify the payment accuracy rate, the Education Service conducts quarterly quality assurance (QA) reviews of a random sample of completed Education benefit claims. This is the percentage of claims in which no erroneous payments (under or over) are authorized. It is therefore the inverse of a payment error rate. QA reviewers use a checklist with eight questions, one of which is used in determining the payment accuracy rate: "Were the payment determinations correct?" The checklist also requires additional information about each case reviewed, including:

- Amount of payment authorized.
- Amount actually due.
- Amount of over or underpayment, if any, erroneously authorized.

The payment information currently collected through the QA review process can be compared with the total benefit dollars paid in a given fiscal year in order to produce an estimate of both the percentage and amount of erroneous payments in the Education program. For 2006, the percentage of erroneous payments exceeded 2.5 percent, while the total amount of erroneous payments exceeded $10 million.

3. Vocational Rehabilitation & Employment

The Vocational Rehabilitation and Employment (VR&E) Service handles applications for benefits and processes payments from the Benefits Delivery Network (BDN) from its 57 regional offices nationwide. Outlays in 2006 totaled over $573 million and are expected to rise to over $618 million and $669 million in 2007 and 2008, respectively. The VR&E program offers a wide range of services tailored to the specific needs of veterans and their dependents. These services require extensive assessments and evaluations to validate entitlement and payments. VBA recognizes the inherent risk associated with administering a sizable and diverse national program.

VA's VR&E Service implemented the Quality Assurance Program, which was created under the provision of Public Law 106-117, The Veterans Millennium Health Care and Benefits Act, which states that VBA must establish and execute a quality assurance program. It is a procedure designed to assess the quality of services provided to veterans and a case manager's work in terms of quality and accuracy of entitlement determination, rehabilitation services, fiscal activities, and rehabilitation outcomes.

Internal controls, including the Systematic Analyses of Operations (SAO) for Debt Avoidance and Fiscal Control, and the reestablishment of VR&E site visits are used to minimize the occurrence of improper payments. These controls help ensure the accuracy of the following:

- Entitlement Determination – accuracy of decision for entitlement of a veteran to receive Chapter 31 benefits/services.
- Outcome Determination – accuracy of decision for closing a veteran's case when a veteran has achieved his or her rehabilitation goal or when a veteran is no longer able to participate in the Chapter 31 program.
- Rehabilitation Services – accuracy and quality of services provided to the Chapter 31 program participants, which includes fiscal activities.

4. Loan Guaranty (LGY)

The purpose of the VA LGY program is to encourage and facilitate the extension of favorable credit terms by private lenders to eligible veterans, active duty personnel, surviving spouses, and selected reservists for the purpose of purchasing a home. The LGY program has an additional purpose of assisting veterans retain their homes in times of financial hardship and distress. The program operates in nine regional loan centers, one regional office, and one eligibility center. Additionally, several important program functions are contracted out, and LGY Service maintains monitoring units to oversee those operations. In 2006, the program guaranteed over 142,000 loans for a dollar value in excess of $24 billion. LGY Service was ultimately responsible for the processing of over $876 million in payments during that same fiscal year. With this level of inherent risk involved, LGY Service has instituted a number of internal controls to ensure that this risk is mitigated, and that payments made are accurate and justifiable.

The LGY program's internal control procedures significantly reduce the risk of improper payments. Only limited amounts of improper payments have been discovered during the annual financial statement audit that includes auditing payments for many of the processes identified in Detail II. About 75 percent of LGY's payments are intra-governmental -- processed electronically from one LGY account to another or to Treasury. For those payments made externally, LGY has a number of procedures in place to mitigate the risk of improper payments. LGY conducts random sample post-audit reviews of payments made under the property management contract and under Claims & Acquisitions. LGY also conducts 100 percent Final Accounting Reviews of all Specially Adapted Housing grant payments and 100 percent reviews of all vouchers submitted by the portfolio loan servicer.

5. Non-VA Care Fee

There are two programs addressed in this section: the Fee Program and the CHAMPVA program.

The Non-VA Care Fee program is part of the medical benefits program for veterans and is administered at all VA medical centers. This covers the full range of services covered under our Benefits Package. The CHAMPVA program is a medical benefit program for spouses and dependents of veterans and is limited to a small sub-set of spouses and dependents. This program is centrally administered at the VA Health Administration Center in Denver. These are very different

programs, with separate and distinct business models serving different beneficiary populations.

Under the Fee Program, certain veteran patients may be authorized to receive treatment from non-VA health care providers at VA expense when VA medical facilities are unable to provide specific treatment or cannot provide treatment economically due to geographic inaccessibility. Fee care may be allowed for inpatient and outpatient care at non-VA hospitals, outpatient-care facilities, and for home health care. A common misconception is that veterans "enroll" in the Fee Program. In actuality, VHA staff is delegated authority to determine Fee eligibility for veterans who meet legal and medical entitlement criteria to receive health-care services at non-VA facilities.

VHA established detailed erroneous payment criteria to gauge the accuracy of payments in the Fee Program. VHA medical facilities self-reported erroneous payments based on the following areas:

- Payment errors stemming from a procedural or administrative origin.
- Payment errors originating from deficiencies in contractual-based transactions.
- Payment entitlement disbursements to ineligible beneficiaries.
- Money management matters that translated to incorrect interest payments.
- Unsupported payments as evidenced by inadequate or missing documentation.
- VHA's IPIA self-reporting worksheet that related to erroneous Fee Program payments included a separate, additional category of medical progress notes or clinical discharge summaries that were missing or did not support the diagnostic medical codes on Fee Program vendors' invoices.

As noted in the discussion of the cause(s) of errors in Detail III under Corrective Action Plans, a susceptible area in which Fee Program payments are vulnerable is the lack of documentation to support Fee Program vendors' invoices in which payments are requested. The most typical type of missing or unsupported documentation revolved around medical progress notes or clinical discharge summaries that were missing or did not support the diagnostic medical codes on Fee Program vendors' invoices for care that was not pre-authorized.

CHAMPVA is a non-VA health care program in which VA shares the cost of covered health care services and supplies with eligible beneficiaries. The program is administered by VHA's Health Administration Center in Denver, Colorado.

To be eligible for CHAMPVA, an individual cannot be eligible for the Department of Defense's TRICARE program (sometimes referred to by its old name, Civilian Health and Medical Program of the Uniformed Services (CHAMPUS)), and must be in one of these categories:

- The spouse or child of a veteran who has been rated permanently and totally disabled for a service-connected disability by a VA regional office.
- The surviving spouse or child of a veteran who died from a VA-rated service-connected disability.
- The surviving spouse or child of a veteran who was at the time of death permanently and totally disabled from a service connected disability.
- The surviving spouse or child of a

military member who died in the line of duty, not due to misconduct.

On September 28, 2007, VA's Office of Inspector General (OIG) issued an audit report on CHAMPVA. As part of the audit, the OIG performed a stratified statistical sampling of CHAMPVA payments made between July 2005 and June 2006 using a confidence level of 95 percent, a desired precision rate of 10 percent, and an expected error rate of 15 percent. Based on the sampling, it estimated the improper payment rate to be 10 percent and the absolute value of over and underpayments to be $12.4 million. Based on the OIG report, VHA will perform further analysis of the program's susceptibility to erroneous payments and during next year's IPIA review will employ the more stringent IPIA statistical sampling methodology that was used by the OIG (a 95 percent confidence level and a 3 percent margin of error).

Detail II

Describe the statistical sampling process conducted to estimate the improper payment rate for each program identified.

1. Two Benefit Programs: Compensation (including Dependency & Indemnity Compensation) and Pension

VBA's calculation of the estimate of the improper payment rate for both the Compensation (including Dependency & Indemnity Compensation) and Pension programs is based upon actual dollar amounts of debt referred to the VA Debt Management Center (DMC) and erroneous payments identified in VA's quality assurance program known as STAR. Half of the estimated debt identified by STAR is included in the calculation of erroneous payments. That half is the amount written off as an administrative error. The other half of the STAR-identified erroneous payments result in award action to create debts reflected in the DMC data. Debts referred to the DMC can reflect erroneous payments spanning multiple years as in overpayments associated with VA's income verification match and fugitive felon match. In 2006, the DMC received $189.5 million in compensation debt and $296.5 million in pension debt.

The STAR process captures over and underpayment errors found during the claims processing review and calculates the dollar amounts associated with those payment errors. Since the review is based on a random sample of cases, the results are applied to the universe of claims processed and a weighting factor is applied to each regional office's workload share to generate overall estimated improper payments.

In 2006, the STAR process included 11,056 cases -- 9,363 compensation cases and 1,693 pension cases. A total of 234 payment errors were documented for compensation cases (2.5 percent error rate), including 133 underpayments totaling $415,739 and 101 overpayments totaling $424,437. A total of 60 payment errors were documented for pension cases (3.5 percent error rate), including 28 underpayments totaling $67,301 and 32 overpayments totaling $93,797.

The number of cases reviewed for compensation and pension represents 0.72 percent of the 1,540,211 cases subject for review. While the errors were clearly identified as either compensation or pension, the overall review sample contained some cases with both compensation and pension

elements. For the overall volume of cases subject to review, 867,867 were clearly identified as compensation cases and 312,231 were clearly identified as pension cases. The remaining 360,113 cases were recorded under end-product codes that could apply to either compensation or pension claims. The assumption was made that 80 percent of these cases were compensation cases and 20 percent were pension cases. Thus, the number of completed compensation cases was increased to 1,155,957 and the number of completed pension cases was increased to 384,254. Accordingly, the sample size for the Compensation program was 0.81 percent, and the sample size for the Pension program was 0.44 percent.

When extrapolated to the completed compensation claims for 2006, including a weighting factor for each regional office's share of national workload, total estimated Compensation program underpayments were $32.7 million and overpayments were $37.1 million.

When extrapolated to the completed pension claims for FY 2006, including a weighting factor for each regional office and pension maintenance center's share of national workload, total Pension program estimated underpayments were $3.9 million and estimated overpayments were $6.9 million.

2. Education

QA reviews were designed to provide statistically valid results at the 95 percent confidence level and 5 percent precision (also expressed as a margin of error of plus or minus 2.5 percent), for an estimated payment accuracy rate of 94 percent (equivalent to an error rate of 6 percent). The annual nationwide random sample of 1,600 cases is selected from the database of completed end products in quarterly increments. Reviews are also conducted and reports issued quarterly. Provided that the estimated erroneous payment rate is similar to the estimated error rate used in constructing the QA sample, that is, 6 percent or less, the data may be considered statistically valid. Data on percentage and amount of erroneous payments from quarterly QA reviews for awards authorized in 2006 were compared to total benefits paid for that fiscal year.

3. Vocational Rehabilitation & Employment

Data for the improper payment rate are gathered through the Quality Assurance review. In 2002 Booz-Allen-Hamilton conducted a study on the VR&E Quality Assurance Program. Starting in FY 2003 the total number of cases to be reviewed annually was increased from 2,850 to a minimum of 3,648 cases, or 64 cases per regional office, as a result of the study recommendations. The increase allowed for a valid random sampling size for each regional office review of cases based on a confidence level on a 5 percent margin of error. In 2006, there were 4,171 cases reviewed. The review sample results are applied to the national total workload to generate VR&E's estimated overall improper payments by using weighting factors based on the regional offices' caseload size.

4. Loan Guaranty

The LGY program helps veterans and active duty personnel purchase and retain homes in recognition of service to the Nation. The program enables eligible veterans to obtain financing for the purchase, construction, or improvement of a home by insuring a percentage of the loan. This mandatory program encourages the lender to extend favorable loan terms and competitive interest rates to veterans who might otherwise prove ineligible. The LGY program disburses payments for:

- Specially Adapted Housing Grants.
- Claims and Acquisition Payments.
- Portfolio Servicing of Direct Loans.
- Property Management.

a. **Specially Adapted Housing (SAH) Grants** – SAH staff at the regional loan centers (RLCs) certify that all grant requirements have been met prior to authorizing the dispersal of grant funds to the veteran's escrow account for payment of authorized expenses incurred for construction or modification of the veteran's home. The RLC staff then conducts a 100 percent Final Accounting Review for all cases. A random sampling of cases is then sent to Central Office (CO) for a second-level review. LGY CO reviews 100 percent of these files. For 2006, only 1 minor error has been found in any part of the SAH grant payment process.

b. **Claims & Acquisition Payments** – LGY conducts a stringent first-level review of all claim payments. A 100 percent manual review is conducted on all claims received. The Loan Service and Claims (LS&C) system requires that at least two different LGY staff members review and certify the claim in the system before releasing it for payment. LGY also conducts statistically valid post-audit reviews of Claims & Acquisition payments. LGY reviews a random sampling of these payments through quality control visits to each of the nine RLCs and the Honolulu Regional Office. LGY also includes a post-audit review of claims paid as part of the Statistical Quality Control (SQC) Review 321. A first-level review of cases is done at the RLC, and a second-level validation is conducted by LGY CO. Between the quality control site visits and SQC reviews, the total claim payments which are being post-audited are significant at the 90 percent confidence level with +/- 2.5 percent margin of error. For 2006, the error rate is less than 1 percent. Only three errors, which were minor in nature, were discovered in the sample. When extrapolated across all payments, this equates to $1.9 million in estimated erroneous payments.

c. **Portfolio Loan Voucher Payments** – Countrywide Home Loans (CHL) is LGY's contracted portfolio loan servicer. The Portfolio Loan Oversight Unit (PLOU) classifies CHL vouchers into seven types, based on nature of the service provided or the type of items included within. For example, the 003-Type contains reimbursable fees such as property preservation costs, foreclosure/bankruptcy costs, and recording fees; the 002-Type consists of property tax payments. VA pays each invoice as it is received. The PLOU staff then conducts a 100 percent post-audit of each voucher payment to ensure correctness and accuracy of payments. The average error rate was extrapolated across the entire amount of voucher

payments to arrive at the total amount of improper payments.

d. **Property Management Voucher Payments** – Ocwen is LGY's property management contractor. VA's Property Management Oversight Unit (PMOU) receives two types of vouchers (After Sale and Supplemental) from Ocwen. In 2006, however, Ocwen also submitted vouchers for services and fees relating to VA's agreement with FEMA to provide low-cost rental housing to hurricane disaster victims. All invoices are handled in the same manner. Invoices are reviewed upon receipt by a Realty Specialist for compliance with the contract requirements and to assure that proper supporting documentation is included. If the invoice exceeds the $25,000 threshold, the invoice must be submitted to a supervisor for approval and certification for payment. Otherwise, the invoice is approved by the Realty Specialist and submitted to another Realty Specialist for a second review and certification per the requirements of the Prompt Payment Act. The Centralized Property Tracking System (CPTS) pulls a 10 percent random sample of vouchers for post-audit review. The 10 percent sample requirement is statistically significant at the 99 percent confidence level with approximately +/-5 percent margin of error. In addition to this random sample, VA also performs additional special audits of invoices the Realty Specialists have deemed unusual. These invoices are flagged for further, more specialized review of charges and required supporting documentation. This may include invoices that reflect unusual cost ratios, invoices for services relating to lead-based paint mitigation, duplication of services, or other out-of-the-ordinary circumstances. In 2006, VA staff at the PMOU conducted a review of nearly 26 percent of vouchers received.

If, upon review, VA finds that the voucher submitted by Ocwen does not meet established requirements (proper documentation, accurate billing amounts, etc.), VA establishes a bill of collection (BOC) against Ocwen for the disputed amount.

The appeals process allows for Ocwen to appeal any BOC they receive from VA. Ocwen may appeal by resubmitting the voucher with additional supporting or clarifying documentation or information. LGY Central Office Property Management (LGYCO PM) staff is tasked with reviewing these resubmitted vouchers and recommending action (approving or denying the voucher) to the VA contracting officer, who also reviews the file for concurrence/non-concurrence. After LGYCO PM staff and the contracting officer have reached a decision, Ocwen may still appeal that ruling to the Board of Contract Appeals. It is not until the Board rules on a particular voucher payment (or the established time allotted for appeal has lapsed) that LGY can deem it a 'fully resolved' item. This lengthy and multi-tiered

appeal process often causes BOCs established in any given fiscal year to be unresolved for a lengthy period of time, a period which may cross the demarcation of fiscal years. The amount of a BOC established in 2006 will likely be reduced during that same fiscal year through the iterative process described above. While the same BOC's total could be further reduced in the subsequent fiscal year(s), for purposes of reporting for the Improper Payments Act, VA has delimited the 'reduction process' of these BOCs to within the fiscal year in question. It is the standing BOC amount at the close of the fiscal year that is considered 'improperly paid' during the year, and that is used to calculate the total error rate for Property Management vouchers. When a BOC is deemed fully resolved, the contract with Ocwen provides VA the ability to apply any amount outstanding (i.e., any amount 'overpaid') to Ocwen's future voucher submissions.

5. Non-VA Care Fee

For the Fee Program, VHA contracted with VA's Financial Services Center to ensure the validity of the sample design, sample size, and measurement methodology and to generate a random, statistically valid sample from VA's Financial Management System's payment history file. Fee had the following statistical sampling parameters: a 95 percent confidence level and a 3 percent margin of error. For each sampled payment, a determination was made regarding the accuracy of the payment. Payments made in error, as well as non-responses to requests for payment accuracy, were treated as improper payments. Error rates are expressed as a simple percentage of the dollar amount of all payments in error to the dollar amount of all payments in the sample. VHA projected the improper payment amount for Fee by multiplying the error rate by the dollar amount in the population.

Detail III

Describe the Corrective Action Plans for:

A. Reducing the estimated rate of improper payments for each type of category of error. This discussion must include the corrective action(s) for each different type or cause of error, and the corresponding steps necessary to prevent future recurrence. If efforts are ongoing, it is appropriate to include that information in this section.

B. Grant-making agencies with risk susceptible grant programs, discuss what the agency has accomplished in the area of funds stewardship past the primary recipient. Include the status on projects and results of any reviews.

1. Two Benefit Programs:
Compensation (including Dependency & Indemnity Compensation) and Pension

A significant cause of overpayments in both compensation and pension accounts has been the implementation of the Fugitive Felon program. This program, mandated by Public Law 107-103 in December 2001, prohibits veterans who are fugitive felons, or their dependents, from receiving specified veterans benefits. It requires VA to retroactively terminate veterans and other beneficiaries from the date the claimant became a "fugitive felon." The first batch of over 980 cases was released in May 2003. The second batch of over 2,000 cases was released in March 2004. Another 5,775 were released from June 2004 to April 2006. It takes approximately 9 months to a year to completely process these fugitive felon

cases. The amount of overpayments created from this program can vary each fiscal year for the following reasons:

- Benefits are terminated from the date the claimant becomes a fugitive felon, not from the date VA becomes aware of fugitive felon status.
- The length of time it takes to process fugitive felon cases varies (i.e., due process and award adjustment).
- It is difficult to estimate the impact of new agreements with additional states as this process is controlled by the Office of the Inspector General.

In addition to the identification of fugitive felons, notification of incarceration may also lead to the establishment of overpayments. According to current statute, these cases are given due process and then adjusted. Notification of either status is a function of agreements made with states, the Bureau of Prisons, and law enforcement agencies. As previously indicated, these overpayments typically span multiple years as the OIG's negotiation of agreements with various jurisdictions expands. As the OIG brings in more law enforcement jurisdictions, we can anticipate that large overpayments will continue for at least the next 3 years. Overpayments could be reduced if benefits were terminated from the date of the notice to VA of fugitive status rather than the date of issuance of the warrant.

VA continues its efforts to expand rating capacity by increasing staffing levels. We hired over 1,000 new staff in 2007, and further staff increases are expected in 2008. Based on this increase, the number of inexperienced disability decision-makers will continue to be a significant factor for the immediate future as it takes 2 to 3 years to become fully productive. Therefore, the potential for errors in evaluating, granting, and denying benefits may be greater in the short term.

A. Compensation

VA continues to be engaged in initiatives that address erroneous compensation payments, which will play an even more important role over the next couple of years as we continue our hiring focus. Another effort is the reinstatement of the annual certification of veteran's employment and other evidentiary-based controls to verify and monitor entitlement to individual unemployability. In addition, VA has developed and validated a methodology to measure rating consistency and has increased the Quality Review Staff workforce devoted to measure consistency. We began collecting consistency data in June 2007 through comparative statistical analysis of grant rates and evaluations across all regional offices. We will use the results of this analysis to identify unusual patterns of variance in claims decisions and to incorporate focused case reviews into routine quality oversight by the STAR staff.

Overpayments may also be created due to non-entitlement for the month of death and the remarriage of a surviving spouse. The month of death overpayment occurs when the veteran dies late in the month, too late to stop the release of the check for the month of death, a benefit to which he/she is not entitled. Approximately 79,100 veterans were removed from the compensation rolls in 2006, virtually all due to death. This resulted in approximately $26.7 million in overpayments because death occurred in the last 10 days of the month (applicable to an estimated 26,366 veterans). The average compensation payment in 2006 was $1,010 monthly. Although the overpayment is created, the majority of these payments are recouped.

VBA will take the following actions in response to the OIG Audit of Veterans Benefits Administration Controls To Minimize Compensation Benefit Overpayments report of September 28,

2007, indicating that VBA did not have effective controls to ensure that VARO staff took prompt action to adjust compensation benefits.

(1). VBA will issue procedural guidance requiring action to be initiated within 30 days of receipt on first- and third-party information that will potentially result in a reduction of compensation benefits, including dependency and indemnity compensation. When a predetermination notice is required, the standard 65-day response time will continue following issuance of the predetermination notice. A Fast Letter will be provided to the field addressing these procedures by November 1, 2007, and the manual will be updated by December 31, 2007.

(2). VBA will clearly outline the end product controls for initiating action on information that potentially results in a reduction of compensation benefits in the Fast Letter due out November 1, 2007. This will facilitate VBA's monitoring of the timelines of compensation benefit adjustments.

(3). VBA will re-emphasize the importance of timely completion of compensation benefit adjustments that result in overpayment of benefits as follows:

- Discuss on the weekly Associate Deputy Under Secretary for Field Operations conference call and the Veteran Service Center Managers conference call.
- Discuss the importance of timely completion of adjustments in the Fast Letter due out November 1, 2007.
- Add this as an area of review under the Internal Controls Systematic Analyses of Operations.
- Monitor the end product timeliness of corrective actions and contact regional office directors whose stations are significantly out of line in processing the adjustments that result in overpayment of compensation benefits. The regional office directors are responsible for ensuring that programs and policies are implemented, assessed through an effective internal controls process, and adjusted as necessary to achieve appropriate results.

B. Pension

The Pension program administered by VA is a highly complex program that is intended to provide the financial resources needed by beneficiaries based upon anticipated income. It then requires adjustment based upon actual income. Consequently, it is prone to overpayments due to late or misreporting of income changes or failure to report such changes by claimants. For this reason, VA consolidated the processing of all pension maintenance workload to the Pension Maintenance Centers (PMCs) in order to improve the quality and timeliness of the pension processing, as well as to focus training in this area. Another goal of consolidation is to reduce the size of erroneous payments through greater claims processing efficiencies and reduced cycle time. We believe that an improved quality of pension processing and focused training should reduce the average size of overpayments but not substantially the number of erroneous payments. Pension processing quality has increased dramatically through the consolidation and specialization, and we expect it to continue. Consolidation of death pension claims processing to the PMCs has begun, and consolidation of original disability pension

claims processing is expected to begin during the first quarter of 2008. VA has implemented the following actions to strengthen efficiencies at the three PMCs:

- Developed a national standardized training program and a refresher training curriculum to ensure standardized processing of pension claims.
- Assigned quality review coordinators responsible for quality improvement oversight.
- Tested an electronic application that stores and sorts C&P system messages (write-outs) associated with pension maintenance activities by frequency, claim number, terminal digit, etc., to assist with timelier processing of these messages.
- Enhanced Virtual VA to ensure accurate documentation is contained in the electronic claims folder.

The Pension program in particular has other reasons that contribute to erroneous payments. The program involves less judgment in determining entitlement, with the primary evaluation factor based upon compliance with a very detailed set of rules for establishing dependency and complex, detailed rules for developing and considering income to determine entitlement and payment rates. This is the primary reason for the higher ratio of overpayments to underpayments. The most common causes for erroneous pension payments are improper effective dates and improper calculation of family income. The size of overpayments in the pension program is aggravated by the effective date rules that govern the adjustment of accounts and the need to provide due process. Since entitlement is affected by income, and changes in status and rate of payment are effective the first of the month following changed income, the claimant and VA are in an overpayment situation in virtually every income adjustment based on new or increased income.

Effective date rules govern adjustments to pension benefits and as a result, a change in income may require a retroactive adjustment to the benefit amount, creating an overpayment. In 2006 VBA began processing two tax years' worth of information (2002 and 2003) from the IRS. This will continue in 2007 with tax years 2004 and 2005 being released to the regional offices. Although this action may result in an increase in the number of overpayments created in 2006 and 2007, it should also result in a decrease in the amount of the overpayment created for the claimant, as the income information is only 18 months to 2 years old as opposed to 3 years old. Since VBA will return to processing one year's worth of tax information in 2008, we anticipate the number and amount of overpayments in 2008 and 2009 will return to 2004 levels.

Other causes for overpayments are:

- Non-entitlement for the month of death.
- Reductions or terminations due to claimant reports on Eligibility Verification Reports (EVR).
- Reductions or terminations based upon matching programs.
- Inaccurate reporting of monthly social security benefits.

Approximately 84,000 pension records were terminated in 2006 with 55,297 of them due to death. The estimated annual overpayment for the month of death (considering an estimated 18,432 deaths that occur in the last 10 days of the month), with an average monthly payment of $537 when veterans and survivors are combined, is $9.9 million.

Due to the particular nature of the Pension program, a significant number of overpayments will be created due to reporting failures by beneficiaries. VBA has

both internal and external controls that identify reporting discrepancies.

The EVR is a VBA internal annual report required of most pension recipients in which they are required to report their actual previous year and anticipated current year income. This program results in overpayments due to a late reporting of income changes that result in larger overpayments due to two statutory provisions:

(1). Reductions are effective first of the month following receipt of the changed income. Because it normally is required to provide due process of 60 days in such cases, an overpayment is created for not only the historical period back to the receipt of the income but for a minimum of two months into the future.

(2). Failure to return an EVR results in termination of the award and resulting overpayment from the beginning of the calendar year.

Other ongoing successful efforts with internal/external organizations/agencies that identify reporting inconsistencies include:

- **Office of the Inspector General**
  - Death Match Project: The Office of Inspector General (OIG) death match project is conducted to identify individuals who may be defrauding VA by receiving VA benefits intended for beneficiaries who have passed away.
  - Fugitive Felon Program: On December 27, 2001, Public Law 107-103 was enacted. The law prohibits veterans who are fugitive felons, or their dependents, from receiving specified veterans benefits. At any given time more than 100,000 individuals are on a fugitive felon list maintained by the federal government and/or state and local law enforcement agencies. This program, as it is rolled out with other police jurisdictions, is an example of how overpayments will be identified in later years based upon newly acquired information.

- **Bureau of Prisons for Payments to Incarcerated Veterans**
  An agreement was reached with the Social Security Administration (SSA) that allowed VA to use the State Verification and Exchange System (SVES) to identify claimants incarcerated in state and local facilities. We are processing both Bureau of Prisons Match and SSA Prison Match cases on a monthly basis.

- **Railroad Retirement, Office of Personnel Management and Income Verification Match**
  These matches report income from these and other sources compared to what pension beneficiaries report.

- **Social Security Administration**
  - Monthly Social Security Benefit Match: This is a match with SSA in which the amount of monthly social security reported by the claimant is compared to SSA records.
  - Unverified Social Security Number Listing: C&P Service analyzes an extract of hits from data runs in order to obtain the Unverified Social Security Numbers listing.

2. Education

Education Service has used the Quality Assurance Review program to assess payment errors since FY 1992. Education Service quality review reports, issued quarterly, identify error trends and causes. The regional processing offices use the review reports to conduct refresher training. Required training based on quarterly quality reviews was conducted in FY 2006. However, compared to the previous fiscal year, estimated erroneous payments increased from 1.2 percent to 3.7 percent. The principal factor underlying the

increase was the hiring of a substantial number of new claims processing personnel, which lowered the general level of experience. In addition, the Reserve Educational Assistance Program (REAP), a new type of program with eligibility and payment provisions different from existing programs, was implemented in 2006, increasing the complexity of claims processing procedures. These factors resulted in an increase of 41 percent in the number of payment errors noted on QA reviews. Additionally, more types of errors were found. For example, in 2006 a major cause of error was a failure to process a notification of enrollment or change in enrollment, while no such errors were noted in 2005. Due to the complexity of applicable requirements, the following three causes remained responsible for the majority of erroneous payments in 2006, as in the previous fiscal year:

- Incorrectly determining the student's rate of training (full-time rate or part-time).
- Incorrectly awarding benefits for intervals between terms.
- Incorrectly determining the date on which to reduce or terminate benefits.

Education Service is developing a rules-based automated claims processing system, The Education Expert System (TEES), which will help reduce payment errors. A prototype system is in place, and the full system is expected to improve performance when fully implemented. In addition, Education Service developed standardized training materials, which all field stations have used since 2004. The Training Performance Support System (TPSS), an on-line delivery and record-keeping system for training, is under development and is expected to help improve claims processing performance in the future. However, constraints in resource allocation have delayed implementation of these systems.

3. Vocational Rehabilitation & Employment (VR&E)

The National Quality Assurance Team monitors the errors annotated in the quality assurance reviews and tracks the corrective actions taken on identified errors. Also, as the team monitors the results of the reviews, any frequently identified error or best practice is brought to the attention of management. Any further action (i.e., national training or publication of best standards of practice) to address the area(s) identified is discussed and implemented.

After each review, an outbriefing letter containing the results of the National QA Review is provided to each regional office. The letter outlines the errors found during the review and indicates the required corrective actions. Each regional office is required to submit certification of compliance to the corrective actions to the VR&E Service through its Director's office within 90 days of receipt of the letter. VR&E Service also revised the manual chapter on Systematic Analysis of Operations, which was published in June 2006, strengthening the fiscal accuracy and review section.

In January 2004, VR&E Service required that all compliance reports for corrective actions on errors found on fiscal activities must also include the amount of over or underpayment for Chapter 31 benefits. The types of errors that were noted varied but included such items as:

- Entry of incorrect end date identifying timeframe for completion of training session and, therefore, veteran was either paid at an incorrect rate or no payment was issued and veteran should have received the subsistence allowance.
- Incorrect subsistence allowance rate entered and veteran was compensated at the wrong rate.

- Improper amount or omission of Employment Assistance Allowance paid to veterans.
- Award did not reflect dependent child attending school, and an amendment was required to reflect this change.
- Nationwide training broadcasts on fiscal accuracy and employment assistance allowance for VR&E field station staff were held on November 15, 2006 and December 7, 2006, respectively.

4. Loan Guaranty

SAH grant payments have been found to be relatively error-free (one minor error in 2006). LGY will continue to conduct the 100 percent Final Accounting Review and second-level Central Office reviews of the SAH grant process. Additionally, LGY has developed a statistical quality control (SQC) schedule for the SAH process, which will provide additional opportunity for review of the grant process, including grant payments.

Claims & Acquisition payments have been found to have very few errors (0.246 percent error rate for 2006). Since the error rate is so low, and the instances of error so minor in value, LGY will continue its procedures for first and second-level reviews prior to payment and will continue to perform all post-audit review of cases as per existing site visit and SQC schedules.

Portfolio loan servicing payments are processed for payment by the Portfolio Loan Oversight Unit (PLOU) within the timeframe sanctioned by the Prompt Payment Act. Payments are then post-audited by the PLOU staff for accuracy and correctness. For 2006, 83 percent of the errors were found in the 001- and 002-series of vouchers. This means that the majority of the errors were found on vouchers related to tax payments and calculations (002-series) and on invoices consisting of reimbursable loan servicing fees (001-series). LGY monitors 002-series vouchers and maintains information on overcharges/unallowable charges submitted by holders. LGY offsets claims submitted by holders for any overcharges/unallowable charges contained therein. If the claim for the specific account has already been processed, then LGY makes adjustments on future claims submitted by the holder.

In 2005, OIG conducted an audit of the Automated Loan Accounting Center (ALAC). The resulting audit report recommended that Loan Guaranty Service and ALAC examine the Property Management voucher process to include the establishment and management of bills of collection. This review was conducted and has resulted in new policies and procedures, which will have a positive impact on erroneous payments.

VBA has established BOCs for any unsupported invoices to date. If, within 30 days, Ocwen still has not submitted proper documentation for invoices, future payments to Ocwen will be offset by the established BOC amount. This procedure will be continued in future years. Additionally, VBA will conduct annual reviews of the PMOU voucher/BOC process going forward. Voucher payments must be made to Ocwen when vouchers are received, as required by the Prompt Payment Act. However, the new BOC-offset policy will ensure that the Government is able to effectively recoup payments made under vouchers which were determined, by the PMOU's voucher audit procedures, not to have appropriate supporting documentation.

5. Non-VA Care Fee

The most common self-reported cause for erroneous Fee Program payments resulted from missing or unsupported documentation. Medical progress notes or

clinical discharge summaries were missing or did not support the diagnostic medical codes on Fee Program vendors' invoices. These medical codes have cost reimbursement rates associated with them, and they are the underlying basis for the charges that are shown on invoices.

VHA has undertaken corrective measures to address medical documentation issues surrounding the processing of Fee claims. For instance, during 2006, VHA's Chief Business Office (CBO) issued a VHA-wide applicable memorandum clarifying the extent of medical documentation needed by Fee offices for payment of non-VA claims. The memorandum addresses those instances where medical documentation is needed for appropriate Fee claim adjudication. This encompasses scenarios involving preauthorized outpatient care, authorized inpatient care, and unauthorized outpatient and inpatient care that is later approved for payment. In addition, the memorandum recommends that post-payment audits should be conducted as part of the regularly planned internal control reviews. Such audits may require the request of medical documents. Based on post-payment audit findings, VA's medical centers (VAMCs) may find it prudent to adjust their internal policies regarding the need for medical documentation in specific circumstances. Moreover, the memorandum states the results of the post-payment audits could disclose that certain documentation is almost always needed for an appropriate determination, or conversely, could disclose that information that facilities had already been requiring is sufficient to make an appropriate decision. The memorandum recommends that for all determinations related to Fee, offices should include the following statement, "VA reserves the right to request additional medical documentation at a later date for audit purposes."

Detail IV

Program Improper Payment Reporting:

A. The table below is required for each reporting agency. Agencies must include the following information: (1) all risk susceptible programs must be listed in this chart whether or not an error measurement is being reported; (2) where no measurement is provided, agency should indicate the date by which a measurement is expected; (3) if FY 2007 is the baseline measurement, indicate by either note or by "n/a" in the "FY 06 percent" column; (4) if any of the dollar amount(s) included in the estimate correspond to newly established measurement components in addition to previously established measurement components, separate the two amounts to the extent possible; (5) include outlay estimates for FY 2008-2010; and (6) agencies are expected to report on FY 07 activity, and if not feasible, then FY 06 activity is acceptable. (Beginning 2008 reporting year, future year outlay estimates should match the outlay estimates for those years as reported in the most recent President's Budget.)

B. Discuss your agency's recovery of improper payments, if applicable. Include in your discussion the dollar amount of cumulative recoveries collected beginning with FY 2004.

Improper Payment (IP) Reduction for FY 2007 (Based on FY 2006 data)
($ in millions)

Program	Outlays $ [1]		Estimated IP%	Actual IP %	Estimated IP $	Actual IP $
	Estimated	Actual				
Compensation [2]	31,217	30,915	*0.71*	*0.67*	*221.6*	*208.1*
			0.33	0.11	103.0	32.7
Pensions	3,473	3,525	*10.4*	*8.51*	*361.2*	*300.0*
			0.27	0.11	9.4	3.9
Education	3,051	2,754	*1.1*	*1.9*	*33.6*	*52.3*
			1.1	1.77	33.6	48.7
Vocational Rehabilitation	614	573	*0.46*	*0.33*	*2.8*	*1.9*
			0.52	0.37	3.2	2.1
Loan Guaranty [3]&[4]	825	876	0.10	0.54	0.8	4.7

Notes to Improper Payment Reduction for FY 2007 Table (Based on FY 2006 data):

[1] For some programs, dollars reported are payments, not necessarily outlays. Overpayments (in italics) and underpayments are identified for programs for which separate data are available.

[2] Dependency & Indemnity Compensation is included with Compensation.

[3] Outlay calculations changed since the FY 2004 PAR submission. In the Loan Guaranty Program, housing intergovernmental transactions were determined not to be subject to erroneous payment sampling and review.

[4] LGY's 2006 actual IP figures are reflective of the inaugural year of reporting on the Property Management voucher payments. 2006 estimated IP figures do not account for any estimate of Property Management data. The increases in reported error rates and payments for 2006 and subsequent years are a direct result of the inclusion of Property Management data.

Improper Payment Reduction Outlook FY 2006 – FY 2010 (Based on FY 2005 – FY 2009 data)
($ in millions)

Program	FY 2006 (Based on FY 2005 data)			FY 2007(Based on FY 2006 data)			FY 2008 (Based on FY 2007 data)			FY 2009 (Based on FY 2008 data)			FY 2010 (Based on FY 2009 data)		
	OUTLAYS $ (1)	IP %	IP $	OUTLAYS $ (1)	IP %	IP $	OUTLAYS $ (1)	IP %	IP $	OUTLAYS $ (1)	IP %	IP $	OUTLAYS $ (1)	IP %	IP $
Compensation (2)	28,711	*0.73*	*208.3*	30,915	*0.67*	*208.1*	34,193	*0.69*	*235.9*	37,430	*0.67*	*250.8*	40,862	*0.65*	*265.6*
		0.34	97.7		0.11	32.7		0.32	109.4		0.31	116.0		0.3	122.6
Pensions	3,383	*10.6*	*361.1*	3,525	*8.51*	*300.0*	3,645	*10.1*	*368.1*	3,773	*8.0*	*301.8*	3,912	*7.88*	*308.3*
		0.28	9.8		0.11	3.9		0.26	9.45		0.25	9.4		0.24	9.4
Education	2,611	*0.53*	*13.8*	2,754	*1.9*	*52.3*	3,007	*1.5*	*45.1*	3,137	*1.30*	*40.8*	3,213	*1.20*	*38.6*
		0.71	18.5		1.77	48.7		1.45	43.6		1.30	40.8		1.20	38.6
Vocational Rehabilitation	583	*0.50*	*2.9*	573	*0.33*	*1.9*	618	*0.42*	*2.6*	669	*0.38*	*2.5*	716	*0.34*	*2.4*
		0.56	3.3		0.37	2.1		0.48	3.0		0.44	2.9		0.4	2.9
Loan Guaranty (3)	1,137	0.30	3.5	876	0.54	4.7	881	0.61	5.4	925	0.54	5.0	971	0.47	4.6
Non-VA Care Fee	N/A	N/A	N/A	1,578	5.87	92.6	1,757	6.00	105.4	1,917	5.9	113.1	2,092	5.8	121.3

Notes to Improper Payment Reduction Outlook Table:

[1] For some programs, dollars reported are payments, not necessarily outlays. Overpayments (in italics) and underpayments are identified for programs for which separate data are available.

[2] Dependency & Indemnity Compensation is included with Compensation.

[3] 2006 was the first year VA reported Property Management improper payment information. The program is able to track and report on payment-level data. However, projection outlays are estimated since no historical data are yet available with which to accurately form projection models. VA will adjust projection estimates accordingly as data for a projection model become available.

VA Recovery Targets for all Susceptible Programs FY 2007 – FY 2011
(Based on FY 2006 – FY 2010 data)
($ in millions)

	FY 2007 (Based on FY 2006 data)				FY 2008 (Based on FY 2007 data)		FY 2009 (Based on FY 2008 data)		FY 2010 (Based on FY 2009 data)		FY 2011 (Based on FY 2010 data)	
Program	Est. $	Act. $	Est. %	Act. %	$	%	$	%	$	%	$	%
Compensation & Pension [1]	211	319	25	26	384	27	345	25	348	24	351	23
Education & VR&E [2]	166	202	56	61	183	59	170	53	181	50	179	47
Loan Guaranty	1.3	1.4	70	65	1.5	63	1.7	63	1.7	63	1.8	63
Non-VA Care Fee	[3]	11.3	45	47	11.9	45	11	45	10	45	9	45

Notes to VA Recovery Targets for all Susceptible Programs Table:
[1] Compensation and Pension are two programs with collections shown as one figure.
[2] Collections reported for Education are collections for both Education and Vocational Rehabilitation & Employment (VR&E).
[3] This number is not available because it is the first year of reporting.

Detail V

Recovery Auditing Reporting:

A. Discuss recovery auditing effort, if applicable, including any contract types excluded from review and the justification for doing so; actions taken to recoup improper payments, and the business process changes and internal controls instituted and/or strengthened to prevent further occurrences.

1. Financial Services Center (FSC), Austin, TX
VA continued to enhance its vendor payment processes throughout 2007. Interest payments VA-wide decreased by nearly $25,400 (from $858,500 to $833,100) – a 3.0 percent improvement over 2006 levels, largely attributable to the centralization of payments at the FSC. Further, interest penalties paid per million dollars disbursed improved more than 15 percent from $99 per million in 2006 to $84 per million in 2007. At the same time, VA earned more than 92 percent ($4.3 million) of its available discounts.

VA also continued to gain efficiencies and improve performance through the centralization of e-vendor payment activities at the FSC. By centralizing vendor payment activities, VA strengthened its focus on identifying and preventing vendor payment errors. The FSC also enhanced audit recovery efforts of improper/duplicate vendor payments. The FSC reviews VA vendor payments daily to systematically identify, prevent, and recover improper payments made to commercial vendors. Current payment files are matched to identify and, where possible, prevent duplicates prior to payment. Also, payments from prior fiscal years are matched to identify potential duplicate payments for further analysis, assessment, and, as appropriate, collection. The FSC also

contracted with a commercial recovery audit firm to review prior fiscal year payment files in an effort to identify any additional improper/duplicate payments for recovery. The FSC also reviews vendor payments to identify and collect improper payments resulting from payment processing such as erroneous interest penalties, service charges, and sales taxes. This initiative has recovered over $338,000 for reuse by VA entities during 2007. Overall, during 2007, collections of improper payments and the recovery of unapplied vendor statement credits totaled nearly $3 million. Improved payment oversight also enabled VA to identify and cancel nearly $10.4 million in potential improper payments prior to disbursement. Since the inception of the FSC's audit recovery effort in 2001, VA has recovered over $21.3 million in improper payments and prevented the improper payment of another $32.9 million.

2. Health Administration Center (HAC), Denver, CO

Public Law 108-199 extended the mandate for VA to conduct, by contract, a recovery audit program of past payments for hospital care through 2006. VA awarded the new recovery audit contract in December 2004. The contract started on July 11, 2005, with requests sent to providers and VA medical centers for information. As of August 7, 2007, the contractor had identified 5,926 receivables totaling $22,283,670 of which VA has recovered $11,792,406.

When comparing the FSC, HAC, and Supply Fund audits, the major difference in the amounts recovered has to do with the universe of payments for each. For the HAC (which includes two different programs - CHAMPVA and the Fee Program), the value of the payments in 2007 was $700 million; the audit is for inpatient payments only. For FSC the value of payments was approximately $13.6 billion, and for the Supply Fund the value was approximately $14 billion. Also, in the report narrative, the FSC provided information from 2001-2007, the Supply Fund reported for 2007 only, and the HAC reported for the period 2003-2006. Recoveries for 2007 for the HAC audit will begin after January 2008 (audits are retrospective).

In addition, the original legislation regarding HAC's recovery audit was Public Law 106-74, and the program actually began in 2000 with audits back to 1994. The total amount of recoveries for all years of the program is more than $60 million.

VHA's CBO is utilizing multiple initiatives to reduce improper payments. This includes piloting of a Fee software solutions product called the Fee Basis Claims System (FBCS) at 10 VAMC Fee sites. We expect that the product will be developed for national deployment and will provide functionality not currently available in VHA's Veterans Health Information Systems and Technology Architecture or at most VAMC Fee sites. Alerts may be programmed into the claims software that will trigger the need for special review (e.g., certain medical diagnostic codes). The CBO has requested deployment of the software at an additional 25 sites in 2008.

In addition, the CBO will continue use of the contract service (DRG Recovery Audit) for re-evaluating correct payment activities. This contract tool allows CBO to assess the accuracy of payments and has shown improvements in payment processing since its inception. It is estimated that recovery post-payment processing will decrease as software is deployed.

Additionally, the Department's Management Quality Assurance Service (MQAS), which conducts VA facility reviews, has included in its 2008 program review scope, a work plan to visit a sample of VAMC Fee sites to

review the effectiveness and efficiency of program processes.

3. Supply Fund
The VA Office of Acquisition and Logistics works with the OIG to recover funds owed VA due to (1) defective pricing -- whether the prices for the items awarded were based on accurate, complete, and current disclosures by the offeror during contract negotiations; and (2) price reduction violations -- whether the contractor complied with the terms and conditions of the price reduction clause. As part of the OIG post-award contract reviews, staff also looks for and collects overcharges that were the result of the contractor charging more than the contract price. Other reviews conducted by the Office of Contract Review include public law compliance, health care resource proposals, contractor claims, and other special purpose reviews. In 2007, this audit recovery program recovered over $18 million.

B. Audit Recovery Summary Table by Programs.

Audit Recovery Table
($ in millions)

Agency Component	Amount Subject to Review for FY 2007 Reporting	Actual Amount Reviewed and Reported FY 2007	Amounts Identified for Recovery FY 2007	Amounts Recovered FY 2007	Amounts Identified for Recovery FY 2005-2006	Amounts Recovered FY 2005-2006	Cumulative Amounts Identified for Recovery FY 2005-2007	Cumulative Amounts Recovered FY 2005-2007
FSC	13,838.68	13,599.09	4.75	3.05	15.12	11.34	19.87	14.39
HAC	520.38	129.85	12.47	5.93	37.21	21.35	49.68	27.28
Supply Fund	498.25	498.25	20.52	18.02	39.37	38.02	59.89	56.04

Detail VI

Describe the steps the agency has taken and plans to take (including time line) to ensure that agency managers (including the agency head) are held accountable for reducing and recovering improper payments.

The Under Secretary for Benefit's continued emphasis on accountability and integrity at every level underscores his commitment to achieving the goals set forth in the FY 2002 Improper Payment Reduction Act. One of the President's Management Agenda's objectives is to secure the best performance and highest measure of accountability within the agencies of the federal government. VBA continues to report progress through the President's Management Scorecard and through the Monthly Performance Reviews with the Deputy Secretary. In addition to the monthly reviews, annual information is shared in the Performance and Accountability Report. It is a VBA-wide effort and commitment to reduce the occurrence of improper payments.

1. Two Benefit Programs: Compensation and Pension
VBA is committed to ensuring agency managers are held accountable for reducing and recovering improper payments. This is accomplished in a number of ways for the C&P business line. First, regional directors, service center managers, and all management personnel share the same performance standards with respect to the management of delivery of compensation and pension. Non-supervisory field staffs have performance standards that measure them against quality and timeliness standards. Within C&P Service, management and staff are responsible for measuring quality, development of counter measures and training, and development of legislative and technological changes where possible to avoid, reduce, and recover overpayments.

2. Education
Performance accountability measures, including payment accuracy, are set by VBA top management for directors of the offices that process Education claims, and set by the directors for subordinates. Education Service has developed standardized nationwide performance standards including payment accuracy for personnel who process claims.

3. Vocational Rehabilitation & Employment
VR&E Service is currently using the Quality Assurance Review results to track improper payments. There are national performance measures for VR&E employees and managers, which include a fiscal accuracy measure. After the Quality Assurance Team has conducted a review of cases, each regional office is required to submit its certification of compliance on the corrective actions within 90 days from receipt of the QA Review Results Letter. A database was developed and is being populated to track the regional office's compliance to required fiscal corrective actions, including the amount of under and overpayments.

4. Loan Guaranty
Quality of work performed at the RLCs and regional offices that have an LGY presence is of key importance to the LGY program. Performance standards for the directors of these LGY stations include quality standards that cover virtually all facets of the program, accuracy of payments being part of these standards. LGY Service works with the Office of Field Operations to set performance requirements and stretch goals for the LGY quality measures. Award money is available for stations that exceed requirements and achieve the stretch goals.

5. Non-VA Care Fee
VHA has implemented key elements of the IPIA with the focus being placed on the reduction of improper payment. VA's Monthly Performance Review (a process whereby senior VA management brief VA's Deputy Secretary on top VA issues) reports on improper payment recovery data.

During 2007, MQAS conducted Fee Program pilot reviews at three VAMC Fee sites. As a result of these reviews, MQAS developed a comprehensive Fee review audit guide, which will be used in its upcoming 2008 Fee audits. In addition, VAMC facility managers are responsible for responding to audit or review recommendations and implementing corrective action plans as needed.

Based on the OIG report released in 2007, VHA will reevaluate its risk assessment methodology for all programs.

Detail VII

Agency Information Systems and Other Infrastructure:

A. Describe whether the agency has the information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.

1. Two Benefit Programs: Compensation (including Dependency & Indemnity Compensation) and Pension
The agency has information systems and infrastructure to reduce improper payments. The information systems, however, reflect old technology and do not prevent or reduce the size of overpayments to the extent possible. The elimination of batch cycle processing and conversion to real time processing will enable us to discontinue payments up to the day before payment is to be issued. The system will be integrated such that the disability rating decision will be entered once and support the rating, eliminating or substantially reducing errors due to data entry and effective date problems. The amount of retroactive payments is calculated as the award is being prepared and is known to the decision-maker and the authorizer prior to authorizing the payment. Where three signatures are required, the system will have the internal control to ensure that three signatures are present. We will also eliminate problems with the calculation of manual out-of-system payments.

2. Education
Education Service is developing a rules-based automated claims processing system. The goal of this system, when fully implemented, is to automatically process 90 percent of all enrollments and changes in enrollment. While the principal effect of implementation is to reduce processing times, it is also expected to reduce erroneous payments.

In addition, the Training Performance Support System (TPSS), an on-line delivery and record-keeping system for training, is under development and is expected to help improve claims processing performance in the future.

3. Non-VA Care Fee
As mentioned in Detail V, VHA is testing a Fee software solutions product at 10 VAMC Fee sites. After reviewing the results of this pilot, VHA plans on deploying this software at an additional 25 VAMC Fee sites in 2008.

B. If the agency does not have such systems and infrastructure, describe the resources the agency requested in its most recent budget submission to Congress to obtain the necessary information systems and infrastructure.

Funding for TEES ($3.5 million) is included in the 2008 VA budget request. Constraints in resource allocation (both human capital and monetary resources) have hampered any substantial progress to date. Full implementation of TEES will be coordinated with the retirement of VBA's legacy system, the Benefits Delivery Network.

Detail VIII

Describe any statutory or regulatory barriers which may limit the agencies' corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.

1. Two Benefit Programs: Compensation (including Dependency & Indemnity Compensation) and Pension
There are statutory and regulatory barriers that limit our corrective actions in reducing improper payments. Many of these barriers are in the Pension program. Under current governing legislation, adjustments to

payments are effective the first of the month following the month of the change in income or net worth. Additionally, benefits are paid on a prospective basis based on the beneficiary's estimate of anticipated income.

Thus, an award adjustment due to changes in income is always after the fact and creates an overpayment. While this process does create overpayments, we believe it should not be changed since the program meets the requirement to provide income support for current need.

Likewise, the need to provide due process to claimants where adjustment or termination of their award is needed results in continued payment at improper rates for approximately 90 days following discovery. When the award is done, however, adjustment is from the first of the month following the month in which the change in circumstance occurred. Again, we believe that the principles of due process are so important that these continued payments are a cost of administering the program.

2. Non-VA Care Fee
There are no statutory or regulatory impediments that would limit VHA's corrective actions in reducing improper payments.

Detail IX

Additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPIA implementation.

No additional comments.

Definitions–*Key and Supporting Measures and Other Terms*

Definitions of Key Measures

Please note: Key Measures are also defined in the Key Measures Data Table (see page 204).

Annual percent increase of non-institutional, long-term care average daily census using 2006 as the baseline.
The percentage increase is based on the Average Daily Census (ADC) of veterans enrolled in Home and Community-Based Care programs (e.g., Home-Based Primary Care, Contract Home Health Care, Adult Day Health Care (VA and Contract), and Homemaker/Home Health Aide Services). The percentage increase is also based on the number of veterans being cared for under the Care Coordination/Home Telehealth settings.

Average days to complete original and supplemental education claims
This measure represents the elapsed time, in days, from receipt of a claim in the regional processing office to closure of the case by issuing a decision. Original claims are those for first-time use of this benefit. Any subsequent school enrollment is considered a supplemental claim. (Education)

Average days to process – DIC actions
This measure represents the average length of time (in days) it takes to process a Dependency and Indemnity Compensation (DIC) claim from the date the claim is received by VA to the date the claim is completed. The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of claims completed. DIC actions are all Original Service Connected Death Claims (End Product 140) processed. (Compensation)

Average number of days to process TSGLI disbursements
Traumatic Injury Protection Program (TSGLI) is a disability rider to the SGLI program that provides automatic traumatic injury coverage to all service members covered under the SGLI program who suffer losses due to traumatic injuries. TSGLI payments range from $25,000 to a maximum of $100,000 depending on the type and severity of injury. Processing time, calculated as days, begins when the veteran's claim is complete and ends when the internal controls staff approves the disbursement. (Insurance)

Clinical Practice Guidelines Index II
The Clinical Practice Guidelines Index is a composite measure comprised of the evidence and outcomes-based measures for high-prevalence and high-risk diseases that have significant impact on overall health status. The indicators within the Index are comprised of several clinical practice guidelines in the areas of ischemic heart disease, hypertension, diabetes mellitus, major depressive disorder, schizophrenia, and tobacco use cessation. The percent compliance is an average of the separate indicators. As clinical indicators become high performers, they are replaced with more challenging indicators. The Index is now in Phase II. (Medical Care)

Foreclosure avoidance through servicing (FATS) ratio
The FATS ratio measures the effectiveness of VA supplemental servicing of defaulted guaranteed loans. The ratio measures the extent to which foreclosures would have been greater had VA not pursued alternatives to foreclosure. (Loan Guaranty)

National accuracy rate (Compensation core rating work)
This measure assesses claims processing accuracy for compensation claims that normally require a disability or death rating determination. Review criteria include: addressing all issues, Veterans Claims Assistance Act (VCAA)-compliant development, correct decision, correct effective date, and correct payment date if applicable. Accuracy rate is determined by dividing the total number of cases with no errors in any of these categories by the number of cases reviewed. (Compensation)

National accuracy rate (Pension authorization work)
This measure assesses claims processing accuracy for pension claims that normally do not require rating decisions (i.e., determinations and verifications of income as well as dependency and relationship matters). Review criteria include: correct decision, correct effective date, and correct payment date when applicable and Veterans Claims Assistance Act (VCAA)-compliant development. Accuracy rate is

determined by dividing the total number of cases with no errors in any of these categories by the number of cases reviewed. (Pension)

Non-rating pension actions - average days to process
This measure represents the average length of time (in days) it takes to process a pension claim that does not require a rating decision from the date the claim is received by VA to the date the claim is completed. The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of claims completed. Includes the end products (EPs): Disability and Death Dependency Claims (EP 130); Income, Estate and Election Issues (EP 150); Income Verification Match Cases (EP 154); Eligibility Verification Report Referrals (EP 155); and Original Death Pension Claims (EP 190). (Pension)

Percent of graves in national cemeteries marked within 60 days of interment
This measure represents the number of graves in national cemeteries for which a permanent marker has been set at the grave or the reverse inscription completed within 60 days of the interment divided by the number of interments, expressed as a percentage. (Burial)

Percent of patients rating VA health care service as very good or excellent: Inpatient and Outpatient
Data are gathered for these measures via a VA survey that is applied to a representative sample of inpatients and a sample of outpatients. The denominator is the total number of patients sampled who answered the question, "Overall, how would you rate your quality of care?" The numerator is the number of patients who respond 'very good' or 'excellent.' (Medical Care)

Percent of primary care appointments scheduled within 30 days of desired date
This measure tracks the time between when the primary care appointment request is made (entered into the computer) and the date for which the appointment is actually scheduled. The percent is calculated using the numerator, which is all appointments scheduled within 30 days of desired date (includes both new and established patient experiences), and the denominator, which is all appointments in primary care clinics posted in the scheduling software during the review period. (Medical Care)

Percent of respondents who rate national cemetery appearance as excellent
This measure represents the number of survey respondents who agree or strongly agree that the overall appearance of the national cemetery is excellent divided by the total number of survey respondents, expressed as a percentage. (Burial)

Percent of respondents who rate the quality of service provided by the national cemeteries as excellent
This measure represents the number of survey respondents who agree or strongly agree that the quality of service received from national cemetery staff is excellent divided by the total number of survey respondents, expressed as a percentage. (Burial)

Percent of specialty care appointments scheduled within 30 days of desired date
This measure tracks the time between when the specialty care appointment request is made (entered into the computer) and the date for which the appointment is actually scheduled. This includes both new and established specialty care patients. The percent is calculated using the numerator, which is all appointments scheduled within 30 days of desired date, and the denominator, which is all appointments posted in the scheduling software during the review period in selected high volume/key specialty clinics. (Medical Care)

Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence
The measure is the number of veterans served by a burial option divided by the total number of veterans, expressed as a percentage. A burial option is defined as a first family member interment option (whether for casketed remains or cremated remains, either in-ground or in columbaria) in a national or state veterans cemetery that is available within 75 miles of the veteran's place of residence. (Burial)

Prevention Index III
The Prevention Index is an average of nationally recognized primary prevention and early detection interventions for nine diseases or health factors that significantly determine health outcomes. The nine diseases or health factors include: rate of

immunizations for Influenza and Pneumococcal pneumonia; screening for tobacco consumption, alcohol abuse, breast cancer, cervical cancer, colorectal cancer, and cholesterol levels; and prostate cancer education. Each disease has an indicator. Each indicator's numerator is the number of patients in the random sample who actually received the intervention they were eligible to receive. The denominator is the number of patients in the random sample who were eligible to receive the intervention. As prevention indicators become high performers, they are replaced with more challenging indicators. This Index is now in Phase III. (Medical Care)

Progress towards development of one new treatment for post-traumatic stress disorder (PTSD)

Background: Clinical trials include in their construct, clear interim milestone achievements leading to the final phase or conclusion of the trial process. These milestones mark a level of achievement and provide the researchers an opportunity to assess the progress to that point in achieving the end goal and completion of the trial.

PTSD is an anxiety disorder that can develop after a person has been exposed to a terrifying event or ordeal in which physical harm occurred or was threatened, as in the example of combat. PTSD related to combat exposure is a major concern in the health of the veteran population. The long-term goal of this research is to develop at least one new effective treatment for PTSD and publish the results by 2011.

Rating-related actions - average days to process

The average elapsed time (in days) it takes to complete claims that require a rating decision is measured from the date the claim is received by VA to the date the decision is completed. The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of cases completed. Includes the end products (EPs): Original Compensation, with 1-7 issues (EP110); Original Compensation, 8 or more issues (EP010); Original Service Connected Death Claim (EP140); Reopened Compensation Claims (EP020); Review Examination (EP310); Hospitalization Adjustment (EP320); Original Disability Pension claims (EP180) and Reopened Pension claims (EP120). (Compensation and Pension)

Rating-related compensation actions - average days pending

The measure is calculated by counting the number of days for all pending compensation claims that require a rating decision from the date each claim is received through the current reporting date. The total number of days is divided by the total number of pending claims. Compensation Rating includes all pending claims in the following categories: EPs 110, 010, 020, 140, 310, and 320. (Compensation)

Vocational Rehabilitation and Employment (VR&E) Rehabilitation Rate

The rehabilitation rate calculation is as follows: (a) the number of disabled veterans who successfully complete VA's vocational rehabilitation program and acquire and maintain suitable employment and veterans with disabilities for which employment is infeasible but who obtain independence in their daily living with assistance from the program divided by (b) the total number leaving the program—both those rehabilitated plus discontinued cases with a plan developed in one of three case statuses (Independent Living, Rehabilitation to Employability, or Employment Services) minus those individuals who benefited from but left the program and have been classified under one of three "maximum rehabilitation gain" categories: (1) the veteran accepted an employment position incompatible with disability limitations, (2) the veteran is employable but has informed VA that he/she is not interested in seeking employment, or (3) the veteran is not employed and not employable for medical or psychological reasons.

The results calculation for FY 2007 is shown below:

Base Data

Total number of rehabilitations:	11,008
Discontinued:	6,068
Maximum Rehabilitation Gains	2,025
Discontinued (Excluding MRGs)	4,043

Results Calculation

11,008/(11,008+6,068-2,025) = **73.1%** rehab. rate.

Rehabilitation totals are provided below for the past 5 years:

Year	Employment	Independent Living	Total
2003	7,525	2,024	9,549
2004	8,392	2,737	11,129
2005	9,279	2,734	12,013
2006	9,225	2,892	12,117
2007	8,252	2,756	11,008

Definitions of Supporting Measures

Accuracy of decisions (Services)
This measure represents the percent of cases completed accurately for veterans who receive Chapter 31 (disabled veterans receiving vocational rehabilitation) services and/or educational/vocational counseling benefits under several other benefit chapters. Accuracy of service delivery is expressed as a percent of the highest possible score (100) on cases reviewed. (VR&E)

Accuracy of Vocational Rehabilitation program completion decisions
This measure seeks to ensure the accuracy of decisions made to declare a veteran rehabilitated or discontinued from a program of services. (VR&E)

Achieve adoption of recommendations relative to IT systems in compliance with FISMA, regulations, and policies within one year from issuance of a report
This measure represents the percentage of recommendations made in FISMA reports that are implemented by the Department within 1 year from the date the report is issued. (OIG)

Achieve a professional, competent, and credible reputation as a result of work performed
Customer satisfaction scores (measured on a scale of one through five, with five being the highest possible score) are based on surveys returned to OIG by the principals impacted by investigations, audits, health care inspections, and Combined Assessment Program Reviews. In instances where customer surveys are returned with lower than anticipated ratings, management may follow up with survey participants to identify any issues that caused low ratings and possible solutions. (OIG)

Appeals decided per Veterans Law Judge
This measure represents the total number of decisions, remands, dismissals, and vacaturs issued by the Board of Veterans' Appeals, divided by the total number of Veterans Law Judges. (BVA)

Appeals resolution time (in days)
This measure represents the average length of time it takes the Department to process an appeal from the date a claimant files a Notice of Disagreement (NOD) until a case is finally resolved, including resolution at a regional office or by a final decision by the Board. (BVA and Compensation and Pension)

Attainment of statutory minimum goals for service-disabled veteran-owned small businesses expressed as a percent of total procurement
This number represents the percentage of total dollars spent with service-disabled veteran-owned small businesses based on total dollars reported. Data are obtained from the Federal Procurement Data System–Next Generation (FPDS-NG), provided by the Federal Procurement Data Center at https://www.fpds.gov. (Departmental Management)

Average cost of placing participant in employment
This performance measure is a Common Measure under the President's Management Agenda. The annual cost per participant represents the average cost of providing service to all who utilize federal resources allocated to the VR&E program per fiscal year. VA is working with the Departments of Labor, Education, and Health and Human Services to receive the first release of data in January 2008. (VR&E)

Average number of days to process a claim for reimbursement of burial expenses
This measure represents the average length of time (in days) it takes to process burial allowance claims from the date the claim is received by VA to the date the claim is completed. Claims for reimbursement of burial expenses includes all Burial, Plot, Headstone, Marker, and Engraving Claims (End Product 160) processed. (VBA/Burial)

BVA cycle time
BVA cycle time measures the time a case spends at the Board, other than the time the case file is in the possession of a veterans service organization. (BVA)

Conversion rate of disabled SGLI members to VGLI
This measure represents the rate at which servicemembers who are discharged with a DoD disability rating of 50% or greater and are covered under the Servicemembers' Group Life Insurance (SGLI) program convert to the Veterans' Group Life Insurance (VGLI) program after their separation from military service. (Insurance)

Cost – Obligations per unique patient user
This measure represents the average cost of total obligations for medical care divided by unique patients served. (Medical Care)

Cost per case
This measure represents a unit decision cost derived by dividing BVA's total obligational authority by the number of decisions produced. (BVA)

Cumulative percent of FTEs (compared to total planned) included in Management Analysis/Business Process Reengineering (MA/BPR) studies initiated
The MA/BPR initiative studies the effectiveness and efficiency of select VA non-core support functions over a 6-year time horizon. Each function to be studied has a related number of FTE positions coded as being commercial in nature on the FAIR Act inventory. The measure identifies the cumulative total number of FTE associated with functions for which studies have been initiated and compares that number to the total number of FTE to be studied in the 6-year plan, thus indicating how much progress has been made in completing the 6-year plan. (Departmental Management)

Cumulative percentage decrease in facility traditional energy consumption per gross square foot from the 2003 baseline
A 20 percent energy consumption reduction in facilities is called for in the Energy Policy Act of 2005 by 2015 at a 2 percent per year consumption reduction rate starting in 2006. Traditional energy consumption includes electricity, fuel oil, natural gas, purchased steam, LPG/propane, coal, chilled water, and water. (Departmental Management)

Customer satisfaction – high rating
This measure represents the national percentage of respondents to the education customer satisfaction survey who were "very satisfied" or "somewhat satisfied" with the way VA handled their education benefits claim. (Education)

Customer satisfaction (Survey)
This measure represents the percent of veterans who answered "very satisfied" or "somewhat satisfied" overall with the VR&E program (of those who completed or withdrew from the program). (VR&E)

Deficiency-free decision rate
This goal is based on a random sampling of 5 percent of Board decisions. Decisions are checked for deficiencies in the following categories: identification of issues, findings of fact, conclusions of law, reasons and bases/rationale for preliminary orders, and due process. (BVA)

Dollar value of 1st and 3rd party collections
Medical care received within VHA has a co-payment attached in some cases. This co-payment is referred to as 1st party collections. In addition, for veterans who have other insurance, as appropriate, those insurance companies are billed for services. Those collections are referred to as 3rd party collections. (Medical Care)

E-FATS - Efficiency Foreclosure Avoidance Through Servicing
This efficiency measure represents the ratio of dollars saved as a result of VA Loan Administration FTE successfully intervening on defaulted VA-guaranteed loans compared to the amount of dollars spent by VA on Loan Administration FTE who performed the intervention work. (Loan Guaranty)

Gross Days Revenue Outstanding (GDRO) for third party collections
GDRO compares cash flow and level of receivables. For VHA, it represents the number of days to collect from Third Party payors measured from the Bill Authorization Date to Payment Date. GDRO is widely used in the healthcare industry as it specifically defines the age of outstanding receivables and the number of accounts receivable liquidation days. (Medical Care)

Maintain unqualified audit opinion of financial statements containing no material weaknesses or reportable conditions (Yes/No)
An unqualified or "clean" audit is a complete examination and verification of the Department's financial records and supporting documents. (OIG)

Medical residents' and other trainees' scores on a VHA survey assessing their clinical training experience
The satisfaction survey for residents and other medical trainees assists VHA in determining how well we are achieving VA's academic mission of providing innovative and high-quality health care training for VA and the Nation. The survey results

are used to learn what satisfies medical trainees and to improve the clinical training experience. The sources of this data are the responses to a summary question from the Learners' Perceptions Survey. (Medical Care)

Monetary benefits gained from review of VA activities and processes (dollars in millions)
Monetary benefits represent the actual and potential monetary benefits identified during the conduct of OIG investigations, audits, inspections, and other reviews. (OIG)

Montgomery GI Bill usage rate: All program participants
The MGIB usage rate is derived by dividing the number of veterans who have received MGIB benefits by the number of all veterans who participated in the MGIB program and have separated from active military service, including those veterans who are still within their 10-year eligibility period but have not, as yet, applied for education benefits. (Education)

Montgomery GI Bill (MGIB) usage rate: Veterans who have passed their 10-year eligibility period
The MGIB usage rate is derived by dividing the number of veterans who have received benefits and are beyond their 10-year delimiting date by the number of all veterans who have participated in the MGIB program and whose 10-year period in which to use the benefit has expired. (Education)

National accuracy rate (Compensation authorization work)
This measure represents claims processing accuracy for compensation claims that do not require a rating decision. Review criteria include: addressing all issues, Veterans Claims Assistance Act (VCAA)-compliant development, correct decision, correct effective date, and correct payment date if applicable. Accuracy rate is determined by dividing the total number of cases with no errors in any of these categories by the number of cases reviewed. (Compensation)

National accuracy rate (fiduciary work)
This measure represents the national percentage of field examinations and account audits completed and determined to be technically accurate. The accuracy rate for the Nation is a compilation of the C&P Service's review of a sampling of field examinations and account audits completed by the 57 regional offices. Accuracy rate is determined by dividing the total number of cases with no errors by the number of cases reviewed. (Compensation and Pension)

National accuracy rate (Pension core rating-related work)
This measure represents claims processing accuracy for pension claims that normally require a disability or death rating determination. Review criteria include: addressing all issues, Veterans Claims Assistance Act (VCAA)-compliant development, correct decision, correct effective date, and correct payment date if applicable. Accuracy rate is determined by dividing the total number of cases with no errors in any of these categories by the number of cases reviewed. (Pension)

National Accuracy Rate for burial claims processed
This measure represents the percentage of burial claims (EP 160) completed and determined to be technically accurate. Accuracy rate is determined by dividing the total number of cases with no errors by the number of cases reviewed. (VBA/Burial)

Number of arrests, indictments, convictions, administrative sanctions, and pretrial diversions
This number represents the output resulting from the conduct of an OIG investigation into allegations of criminal activities related to programs and operations of VA or into allegations against senior VA officials and other high profile matters of interest to Congress and the Department. (OIG)

Number of audit qualifications identified in the auditor's opinion on VA's Consolidated Financial Statements
Audits are performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and the requirements of OMB Bulletin No. 06-03, *"Audit Requirements for Federal Financial Statements."* This measure reports how many audit qualifications are identified each year in VA's consolidated financial statements. (Departmental Management)

Number of CAP reports issued that include relevant health care delivery pulse points
Combined Assessment Program (CAP) reviews provide cyclical oversight of VA facilities focusing on the quality, efficiency, and effectiveness of services provided. Pulse points are identified in order

to assess key areas of management concern derived from concentrated and continuing analysis of operational databases and management information. (OIG)

Number of disbursements (death claims, loans, and cash surrenders) per FTE
This measure is calculated by dividing the number of disbursements -- which includes death claims, loans, and cash surrenders -- by the total number of FTE who process those disbursements. (Insurance)

Number of distinct data exchanges between VA and DoD
Data exchanges are defined as the routine transfer of data between DoD and VA using an information technology system. The results data will be verified by monitoring the number of data exchanges via VA network monitoring tools and through the joint VA/DoD Benefits Executive Committee (BEC) and Health Executive Council (HEC). (Departmental Management)

Number of inpatient admissions and outpatient visits at Joint Ventures and significant sites (Facilities providing 500 or more outpatient visits and/or admissions per year)
This measure captures the cumulative total of DoD beneficiaries being seen at VA facilities as outpatients. (A way of collecting data on inpatient admissions has not yet been established.) (Medical Care)

Number of international and domestic benefit reviews conducted to determine the appropriateness of monetary benefits processing for claimants
The Veterans Benefits Administration pays millions in monetary benefits each month to beneficiaries living outside the United States. OIG reviews involve data matching, analysis, and verification of eligibility for beneficiaries living outside the 50 states. Previous reviews at the VA regional office in Manila in 2003, and in Puerto Rico in 2004, identified 5-year savings in excess of $66 million. Additional reviews are scheduled to be conducted in Europe, Mexico, and Canada. (OIG)

Number of material weaknesses identified during the annual independent financial statement audit or separately identified by management
Audits are performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and the requirements of the Office of Management and Budget (OMB) Bulletin No. 01-02, *"Audit Requirements for Federal Financial Statements,"* as amended. This measure reports how many material weaknesses are identified each year in VA's consolidated financial statements. (Departmental Management)

Number of new enrollees waiting to be scheduled for their first appointment (electronic waiting list)
This measure represents the number of veterans that have recently enrolled with the VA healthcare system who have not been scheduled for their first appointment but who have requested an appointment and have been placed on an electronic waiting list until they are scheduled for their first appointment. (Medical Care)

Number of reports issued that identify opportunities for improvement and provide recommendations for corrective action
This measure shows the number of reports issued by the OIG in which substantive corrective actions, in the form of report recommendations, are documented and which require remedial action by the Department. (OIG)

Out of all original claims filed within the first year of release from active duty, the percentage filed at a BDD site prior to a service member's discharge
This is the percentage of original claims filed by separating servicemembers through the Benefits Delivery Discharge (BDD) program. The percentage is determined by dividing the number of claims filed at the BDD sites by the total number of original claims that are filed within 1 year of discharge from service. (Compensation)

Overall satisfaction rate (Compensation)
This measure represents the percentage of respondents to the C&P customer satisfaction survey who were "very satisfied" or "somewhat satisfied" with the way VA handled/is handling their compensation claim. (Compensation)

Overall satisfaction rate (Pension)
This measure represents the percentage of respondents to the C&P customer satisfaction survey who were "very satisfied" or "somewhat satisfied" with the way VA handled/is handling their pension claim. (Pension)

Payment accuracy rate
This measure assesses how well decisions reflect payment at the proper rate for the correct period of time. (Education)

Percentage of beneficiaries that believe their VA educational assistance has been either very helpful or helpful in the attainment of their educational or vocational goal
This draft measure will determine the proportion of beneficiaries who report their VA educational benefits helped them accomplish their educational or vocational goal. (Education)

Percentage of preaward recommendations sustained during contract negotiations
The OIG reviews contracts to determine if lower contract prices could be negotiated to allow for better use of funds. This measure shows the percent of OIG preaward recommendations sustained after negotiation with vendors. (OIG)

Percentage of recommendations implemented to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural changes in VA
This measure represents the percentage of recommendations made in OIG reports that are implemented by the Department in order to improve operations. (OIG)

Percentage of responses to pre- and post-hearing questions that are submitted to Congress within the required timeframe
VA's Office of Congressional and Legislative Affairs monitors on a monthly basis the timeliness of VA's responses to pre-and post-hearing questions received from Congress. (Departmental Management)

Percentage of successful prosecutions
This measure represents those cases referred for prosecution for which a conviction was obtained. (OIG)

Percentage of testimony submitted to Congress within the required timeframe
VA's Office of Congressional and Legislative Affairs monitors on a monthly basis the timeliness of VA's submission of testimony to Congress. (Departmental Management)

Percentage of title 38 reports that are submitted to Congress within the required timeframe
VA's Office of Congressional and Legislative Affairs monitors on a monthly basis the timeliness of VA's submission of title 38 reports to Congress. (Departmental Management)

Percentage of VA employees who are veterans
This is the percentage of employees who are entitled to statutory types of preference in the federal service based on certain active military service. (Departmental Management)

Percent change in earnings from pre-application to post-program employment
This performance measure is a Common Measure under the President's Management Agenda. It measures the percentage change in earnings pre-registration to post-program. VA is working with the Departments of Labor, Education, and Health and Human Services to receive the first release of data in January 2008. (VR&E)

Percent Condition Index (owned buildings)
This measure is calculated by comparing the cost of repair needs to plant replacement value. (Departmental Management)

Percent of admission notes by residents that have a note from attending physician within one day of admission: Surgery
This measure represents the percent of attending physician notes that are entered within one day after admission notes are entered by a resident; this attests to the supervision of residents and ensures a higher level of quality of care. (Medical Care)

Percent of applications for headstones and markers for the graves of veterans who are not buried in national cemeteries processed within 20 days
This measures the timeliness of processing applications for headstones and markers -- using NCA's Automated Monument Application System -- for the graves of veterans who are not buried in national cemeteries. This percentage represents the number of headstones and markers ordered within 20 days of receipt of the application divided by the number of applications for headstones and markers received. (Burial)

Percent of appointments for primary care scheduled within 30 days of desired date for veterans and service members returning from a combat zone
This measure ensures veterans and servicemembers returning from a combat zone have priority access to primary care appointments. (Medical Care)

Percent of compensation recipients who perceive that VA compensation redresses the effect of service-connected disability in diminishing the quality of life
This measure represents the percent of veterans in receipt of compensation who believe that they are justly compensated for the disabilities they incurred in service. (Compensation)

Percent of compensation recipients who were kept informed of the full range of available benefits
This measure represents the national percentage of respondents to the C&P customer satisfaction survey who indicated that VA kept those in need of such information informed of the full range of VA benefits and services available. (Includes both persons applying for and receiving compensation.) (Compensation)

Percent of DIC recipients above the poverty level
This measure represents the percent of DIC recipients who are above the poverty level threshold set by Congress. (Compensation)

Percent of DIC recipients who are satisfied that VA recognized their sacrifice
This measure represents the percent of DIC recipients who believe the DIC benefits they are receiving fairly compensate them for their sacrifice. (Compensation)

Percent of funeral directors who respond that national cemeteries confirm the scheduling of the committal service within 2 hours
This measure represents the percent of funeral directors who respond that the amount of time it typically takes to confirm the scheduling of an interment is less than two hours. (Burial)

Percent of gravesites that have grades that are level and blend with adjacent grade levels
This percentage represents the number of gravesites that are level and blend with adjacent grade levels divided by the number of gravesites assessed. (Burial)

Percent of headstones and markers ordered by national cemeteries for which inscription data are accurate and complete
This percentage represents the number of headstone and marker inscriptions ordered by national cemeteries for which inscription information is correctly and accurately recorded by cemetery personnel divided by the total number of inscriptions ordered. (Burial)

Percent of headstones and markers that are undamaged and correctly inscribed
This percentage represents the number of headstones and markers that are undamaged and correctly inscribed, divided by the number of headstones and markers ordered. (Burial)

Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment
This percentage represents the number of headstones and markers in national cemeteries that are at the proper height and alignment divided by the total number assessed. (Burial)

Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations
This percentage represents the number of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations divided by the total number assessed. (Burial)

Percent of lenders who indicate that they are satisfied with the VA Loan Guaranty Program
This measure represents the percent of VA participating lenders who indicate via survey that they are “very satisfied” or “somewhat satisfied” with the VA Loan Guaranty Program. (Loan Guaranty)

Percent of Montgomery GI Bill participants who successfully completed an education or training program
This draft measure will determine the proportion of Montgomery GI Bill participants who accomplished their education or training goals. (Education)

Percent of participants employed first quarter after program exit
This performance measure is a Common Measure under the President’s Management Agenda. It measures the percentage of disabled veterans employed in the first quarter after VR&E program

exit. VA is working with the Departments of Labor, Education, and Health and Human Services to receive the first release of data in January 2008. (VR&E)

Percent of participants still employed three quarters after program exit
This performance measure is a Common Measure under the President's Management Agenda. It measures the percentage of disabled veterans employed in the first quarter after VR&E program exit that were still employed in the second and third quarter after program exit. VA is working with the Departments of Labor, Education, and Health and Human Services to receive the first release of data in January 2008. (VR&E)

Percent of patients who report being seen within 20 minutes of scheduled appointments at VA health care facilities
This measure represents the percent of patients who report in the Survey of Health Care Experiences of Patients that they were seen by the provider within 20 minutes or less of their scheduled appointment time. (Medical Care)

Percent of pension recipients who believe that the processing of their claim reflects the courtesy, compassion, and respect due to a veteran
This measure represents the national percentage of respondents to the C&P customer satisfaction survey who signified that the claims process was carried out in a courteous, compassionate, and respectful manner. (Includes both persons applying for and receiving pension.) (Pension)

Percent of pension recipients who said their claim determination was very or somewhat fair
This measure represents the national percentage of respondents to the C&P customer satisfaction survey who indicated that VA's determination of their claim was "somewhat" or "very" fair. (Includes both persons applying for and receiving pension.) (Pension)

Percent of pension recipients who were informed of the full range of available benefits
This measure represents the national percentage of respondents to the C&P customer satisfaction survey who indicated that VA kept those in need of such information informed of the full range of VA benefits and services available. (Includes both persons applying for and receiving pension.) (Pension)

Percent of respondents who would recommend the national cemetery to veteran families during their time of need
This measure represents the percent of survey respondents who agree or strongly agree that they would recommend the national cemetery to veteran families during their time of need. (Burial)

Percent of servicemembers covered by SGLI
This is the percentage of active duty military servicemembers who are insured by the Servicemembers' Group Life Insurance (SGLI) program. (Insurance)

Percent of severely-injured or ill OEF/OIF servicemembers/veterans who are contacted by their assigned VA case manager within 7 calendar days of notification of transfer to the VA system as an inpatient or outpatient
This measure represents the percentage of OIF/OEF servicemembers that have been contacted by a VA case manager within 7 days of being notified of their transfer into the VA health care system. This measure provides a way for veterans and their families to navigate VA's system of health care and financial benefits and ensures a smooth transition for wounded servicemembers into VA health facilities in a timely and efficient manner. The percentage is calculated monthly and reported regionally on a quarterly basis. This provides a monitoring system to identify process and system issues that can then be resolved in a timely manner. (Medical Care)

Percent of space utilization as compared to overall space (owned and direct-leased)
This measure is calculated by comparing owned and direct-leased square feet not needed to the owned and direct-leased square feet available. (Departmental Management)

Percent of Specially Adapted Housing (SAH) grant recipients who indicate that grant-funded housing adaptations increased their independence
This measure represents the national percentage of SAH grant recipients who indicated via survey that adaptations made to their homes increased their independence of living. (Loan Guaranty)

Percent of tort claims decided accurately at the administrative stage
This measure represents, at the administrative level, the percent of veterans' tort claims decided accurately. The process aims to fairly compensate veterans who have been injured by substandard medical treatment. These veterans will not have to file law suits in federal court. Administrative settlement of meritorious claims will reduce the cost of handling tort claims against the government. (Departmental Management)

Percent of Under Secretaries, Assistant Secretaries, and Other Key Officials who self-certify their teams "ready to deploy" to their COOP site
The goal of this performance measure is to ensure that the highest levels of leadership within the Department know the requirements for maintaining continuity of operations and service to veterans and have plans in place and are ready to relocate to their alternate site if necessary.
(Departmental Management)

Percent of VA beneficiaries receiving financial assistance for medical expenses
This measure represents the percent of beneficiaries whose pension benefit is increased because unreimbursed medical expenses reported reduced their countable income for VA purposes. (Pension)

Percent of veterans in receipt of compensation whose total income exceeds that of like-circumstanced veterans
This measure represents the percent of service-connected disabled veterans in receipt of compensation whose available income and other cash and non-cash resources exceed the total income of similarly situated nonservice-connected veterans. (Compensation)

Percent of veterans returning from a combat zone who respond "yes completely" to survey questions regarding how well they perceive that their VA provider listened to them and if they had trust and confidence in their VA provider
The continual assessment of patient satisfaction tells VHA what patient expectations are and what dimensions of care concern veterans the most. This enables VHA to identify our strengths and to quickly address areas where patients are less satisfied. VHA continues to be a leader in achieving a high level of patient satisfaction. (Medical Care)

Productivity Index
This efficiency measure determines the output generated by VBA FTE nationally and for each regional office. (Compensation and Pension)

Progress towards development of a standard clinical practice for pressure ulcers
Background: Clinical trials include in their construct, clear interim milestone achievements leading to the final phase or conclusion of the trial process. These milestones mark a level of achievement and provide the researchers an opportunity to assess the progress to that point in achieving the end goal and completion of the trial.

The cumulative number of milestones achieved for three clinical trials on pressure ulcers is expressed as a percentage of the total number of milestones. The long-term goal is to develop treatments or interventions that will prevent or lessen the duration and severity of pressure ulcers. (Medical Research)

Rate of high veterans' satisfaction ratings on services delivered
This measure represents the percent of insurance customers who rate different aspects of insurance services in the highest two categories, based on a 5-point scale, using data from the insurance customer survey. (Insurance)

Rating-related pension actions – average days pending
This measure represents the average length of time (in days) that pension claims requiring a rating decision are pending. The measure is calculated by counting the number of days for all currently pending pension claims from the date each claim is received through the current reporting date. The total number of days is divided by the total number of pending claims. Includes the end products (EPs): Original Disability Pension Claims (EP180) and Reopened Pension Claims (EP120). (Pension)

Ratio of non-mission dependent assets to total assets
This measure is calculated by comparing the number of non-mission dependent assets to total assets. (Departmental Management)

Ratio of operating costs per gross square foot
This measure is calculated by dividing operating costs by owned and direct-leased square feet. Operating and maintenance costs are actual costs

based on roads and grounds maintenance, utility plant operations, rent, energy, cleaning and janitorial services, and recurring maintenance and repairs. (Departmental Management)

Ratio of premium rates charged per $1,000 by other organizations compared to the SGLI premium rates charged per $1,000 by VA for similar coverage.
This measure is calculated by comparing the premiums charged by other organizations for $1,000 of similar coverage to the cost per $1,000 of SGLI coverage. (Insurance)

Ratio of premium rates charged per $1,000 by other organizations compared to the VGLI premium rates charged per $1,000 by VA for similar coverage.
This measure is calculated by comparing premiums charged by other organizations for $1,000 of similar coverage to the cost per $1,000 of VGLI coverage. (Insurance)

Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average enlisted service member
The calculation of this measure occurs in two steps: (1) dividing $400,000 (SGLI maximum coverage) by the average salary of the average enlisted service member, which yields the multiple of salary that SGLI covers and (2) then dividing that number by six, which is the multiple of salary that the private sector covers. (Insurance)

Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average officer
The calculation of this measure occurs in two steps: (1) dividing $400,000 (SGLI maximum coverage) by the average salary of the average officer, which yields the multiple of salary that SGLI covers and (2) then dividing that number by six, which is the multiple of salary that the private sector covers. (Insurance)

Serious Employment Handicap Rehabilitation Rate
The serious employment handicap rehabilitation rate calculation is as follows: (a) the number of disabled veterans with a serious employment handicap who successfully complete VA's vocational rehabilitation program and acquire and maintain suitable employment and veterans with disabilities for which employment is infeasible but who obtain independence in their daily living with assistance from the program divided by (b) the total number of disabled veterans with a serious employment handicap leaving the program—both those rehabilitated plus discontinued cases with a plan developed in one of three case statuses (Independent Living, Rehabilitation to Employability, or Employment Services) minus those individuals with a serious employment handicap who benefited from but left the program and have been classified under one of three "maximum rehabilitation gain" categories: (1) the veteran accepted a position incompatible with disability limitations, (2) the veteran is employable but has informed VA that he/she is not interested in seeking employment, or (3) the veteran is not employed and not employable for medical or psychological reasons. (VR&E)

Speed of entitlement decisions in average days
This measure represents the average number of days from the time the application is received until the veteran is notified of the entitlement decision. (VR&E)

Statistical quality index
This is a quality index that reflects the number of correct Loan Guaranty actions, as determined by Statistical Quality Control reviews, expressed as a percentage of total actions reviewed. (Loan Guaranty)

Study subject accrual rate for multi-site clinical trials
The percentage of study sites that reach 100 percent of annual targets for patient recruitment is calculated to ensure that multi-site clinical trials are completed in a reasonable amount of time. Timely completion of studies will ensure that costs are contained and that clinical benefits are not postponed. (Medical Research)

Total annual value of joint VA/DoD procurement contracts for high-cost medical equipment and supplies
This measure represents the dollar value of the amount of purchases made through joint procurement contracts with DoD for high-cost medical equipment and supplies. VA and DoD jointly negotiate procurement contracts to reduce costs through bulk purchasing. (Medical Care)

Veterans satisfaction level
This measure represents the percentage of veterans answering the Loan Guaranty customer satisfaction survey who were "very satisfied" or "somewhat satisfied" with the process of obtaining a VA home loan. (Loan Guaranty)

Definitions of Financial and Other Terms

Accounts payable
This term is defined as the money VA owes to vendors and other federal entities for products and services purchased. This is treated as a liability on the balance sheet. (Financial)

Accounts receivable
This term is defined as the amount of money that is owed to VA by a customer (including other federal entities) for products and services provided on credit. This is treated as a current asset on the balance sheet and includes such items as amounts due from third-party insurers for veterans' health care and from individuals for compensation, pension, and readjustment benefit overpayments. (Financial)

Allowance
This term is defined as the amounts included in the President's budget request or projections to cover possible additional proposals, such as statutory pay increases and contingencies for relatively uncontrollable programs and other requirements. As used by Congress in the concurrent resolutions on the budget, allowances represent a special functional classification designed to include amounts to cover possible requirements, such as civilian pay raises and contingencies. Allowances remain undistributed until they occur or become firm, then they are distributed to the appropriate functional classification(s). (Financial)

Apportionment
This term is defined as a distribution made by the Office of Management and Budget of amounts available for obligation in an appropriation or fund account. Apportionments divide amounts available for obligation by specific time periods (usually quarters), activities, projects, objects, or a combination thereof. The amounts so apportioned limit the amount of obligations that may be incurred. (Financial)

Appropriation
This term is defined as the specific amount of money authorized by Congress for approved work, programs, or individual projects. (Financial)

Appropriation Authority
This term is defined as the authority granted by Congress for the agency to spend government funds. (Financial)

Average daily census
The number is the average number of patients enrolled in the specified programs over the course of the year. Specified programs include Home and Community-Based Care programs (e.g., Home-Based Primary Care, Purchased Skilled Home Health Care, Spinal Cord Injury Home Health Care, Adult Day Health Care (VA and Contract), Home Hospice, Outpatient Respite, Community Residential Care, and Homemaker/Home Health Aide Services). (Medical Care)

Balance sheet
This term is defined as a summary of all the assets the agency owns and the liabilities owed against those assets as of a point in time (the end of the fiscal year for VA is September 30). This statement always shows two consecutive fiscal year snapshots so the reader can compare the information. There is no "owners' equity" in a federal agency as there is in a non-government company. However, we instead report our "net position," which is the amount of unexpended appropriation authority. (Financial)

Budget Authority
This term is defined as the authority provided by law to enter into obligations that will result in immediate or future outlays involving Federal Government funds, except that budget authority does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government. The basic forms of budget authority are appropriations, authority to borrow, and contract authority. Budget authority may be classified by the period of availability (1-year, multiple-year, no-year), by the timing of congressional action (current or permanent), or by the manner of determining the amount available (definite or indefinite). (Financial)

Budgetary resources
Budgetary resources are forms of authority given to an agency allowing it to incur obligations. Budgetary resources include new budget authority, unobligated

balances, direct spending authority, and obligation limitations. (Financial)

CARES – Capital Asset Realignment for Enhanced Services
CARES is the VA program designed to assess veteran health care needs in VHA Networks, identify service delivery options to meet those needs in the future, and guide the realignment and allocation of capital assets to support the delivery of health care services. (Medical Care)

Chief Financial Officers Act of 1990
This legislation was enacted to improve the financial management practices of the Federal Government and to ensure the production of reliable and timely financial information for use in the management and evaluation of federal programs. (Financial)

Exchange Revenue
Exchange revenues arise when a federal entity provides goods and services to the public or to another government entity for a price. (Financial)

Federal Credit Reform Act of 1990
This legislation was enacted to improve the accounting for costs of federal credit programs. (Financial)

Federal Financial Management Improvement Act (FFMIA)
The FFMIA requires agencies to produce timely and reliable financial statements that demonstrate their compliance with federal financial management systems requirements, federal accounting standards, and the U.S. government standard general ledger. If an agency believes its systems are not FFMIA-compliant, it must develop a remediation plan to achieve compliance within 3 years. (Financial)

Federal Information Security Management Act of 2002 (FISMA)
The purposes of this act are to:

- Provide a comprehensive framework for ensuring the effectiveness of information security controls over information resources that support federal operations and assets.
- Recognize the highly networked nature of the current federal computing environment and provide effective governmentwide management and oversight of the related information security risks, including coordination of information security efforts throughout the civilian, national security, and law enforcement communities.
- Provide for development and maintenance of minimum controls required to protect federal information and information systems.
- Provide a mechanism for improved oversight of federal agency information security programs.
- Acknowledge that commercially developed information security products offer advanced, dynamic, robust, and effective information security solutions, reflecting market solutions for the protection of critical information infrastructures important to the national defense and economic security of the nation that are designed, built, and operated by the private sector.
- Recognize that the selection of specific technical hardware and software information security solutions should be left to individual agencies from among commercially developed products. (Information Security)

Federal Information Systems Control Audit Manual (FISCAM)
This manual describes the computer-related controls that auditors should consider when assessing the integrity, confidentiality, and availability of computerized data. It is a guide applied by GAO primarily in support of financial statement audits and is available for use by other government auditors. It is not an audit standard. (Information Security)

Federal Managers' Financial Integrity Act (FMFIA) of 1982
This legislation requires federal agencies to establish processes for the evaluation and improvement of financial and internal control systems in order to ensure that management control objectives are being met. (Financial)

Franchise Fund
VA's fund is comprised of six enterprise centers that competitively sell common administrative services and products throughout the Federal Government. The funds are deposited into the Franchise Fund. The Centers' operations are funded solely on a fee-for-service basis. Full cost recovery ensures they are self-sustaining. (Departmental Management)

Fund Balance with the Treasury
This term is defined as the aggregate amount of funds in VA's accounts with the Department of the Treasury for which we are authorized to make expenditures and pay liabilities. This account includes clearing account balances and the dollar equivalent of foreign currency account balances. (Financial)

Government Management Reform Act of 1994
This legislation was enacted to provide more effective and efficient executive branch performance in reporting financial information to Congress and committees of Congress. (Financial)

Heritage Assets
Heritage Assets are unique and are generally expected to be preserved indefinitely. Heritage assets may have historical or natural significance; be of cultural, educational, or artistic importance; or have significant architectural characteristics. (Financial)

Intragovernmental assets
These assets arise from transactions among federal entities. These assets are claims of the reporting entity against other federal entities. (Financial)

Intragovernmental liabilities
These liabilities are claims against the reporting entity by other federal entities. (Financial)

Inventory
An inventory is a tangible personal property that is (i) held for sale, including raw materials and work in process, (ii) in the process of production for sale, or (iii) to be consumed in the production of goods for sale or in the provision of services for a fee. (Financial)

Management (or internal) controls
This term is defined as safeguards (organization, policies, and procedures) used by agencies to reasonably ensure that (i) programs achieve their intended results; (ii) resources are used consistent with agency mission; (iii) programs and resources are protected from waste, fraud, and mismanagement; (iv) laws and regulations are followed; and (v) reliable and timely information is obtained, maintained, reported, and used for decision making. (Financial)

Material weakness
This term is defined as a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. (Financial)

Memorial Service Network
NCA's field structure is geographically organized into five Memorial Service Networks (MSNs). The national cemeteries in each MSN are supervised by the MSN Director and staff. The MSN offices are located in Philadelphia, Pennsylvania; Atlanta, Georgia; Indianapolis, Indiana; Denver, Colorado; and Oakland, California. The MSN Directors and staff provide direction, operational oversight, and engineering assistance to the cemeteries located in their geographic areas. (Burial)

National Institute of Standards and Technology (NIST) and its Computer Security Division
NIST is a non-regulatory federal agency within the U.S. Commerce Department's Technology Administration. NIST's mission is to promote U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve our quality of life. The Computer Security Division is one of eight divisions within NIST's Information Technology Laboratory. The mission of the Computer Security Division is to improve information systems security. (Information Security)

Net cost of operations
Net cost of operations is the gross cost incurred by VA less any exchange revenue earned from its activities. The gross cost of a program consists of the full cost of the outputs produced by that program plus any non-production costs that can be assigned to the program. (Financial)

Net position
Net position comprises the portion of VA's appropriations represented by undelivered orders and unobligated balances (unexpended appropriations) and the net results of the reporting entity's operations since inception, plus the cumulative amount of prior period adjustments (cumulative results of operations). (Financial)

Net program cost
Net program cost is the difference between a program's gross cost and its related exchange revenues. If a program does not earn any exchange revenue, there is no netting and the term used might be total program cost. (Financial)

Notes to the Consolidated Financial Statements
The notes provide additional disclosures that are necessary to make the financial statements more informative and not misleading. The notes are an integral part of the financial statements. (Financial)

Obligations
Obligations represent the amount of orders placed, contracts awarded, services received, and other transactions occurring during a given period that would require payments during the same or future period. (Financial)

OMB Circular No. A-123
The Office of Management and Budget (OMB) issued Circular No. A-123 to provide guidance to federal managers on improving the accountability and effectiveness of federal programs and operations by establishing, assessing, correcting, and reporting on management controls. (Financial)

OMB Circular No. A-127
The Office of Management and Budget (OMB) issued Circular No. A-127 to prescribe policies and standards for executive departments and agencies to follow in developing, operating, evaluating, and reporting on financial management systems. (Financial)

OMB Circular No. A-130, Appendix III
The Office of Management and Budget (OMB) issued Circular No. A-130, Appendix III to establish a minimum set of controls to be included in federal automated information security programs; assign federal agency responsibilities for the security of automated information; and link agency automated information security programs and agency management control systems established in accordance with OMB Circular No. A-123. (Information Security)

Outlay
Outlay is the amount of checks, disbursement of cash, or electronic transfer of funds made to liquidate a Federal obligation. Outlays also occur when interest on the Treasury debt held by the public accrues and when the Government issues bonds, notes, debentures, monetary credits, or other cash-equivalent instruments in order to liquidate obligations. (Financial)

Program evaluation
This term is defined as an assessment, through objective measurement and systematic analysis, of the manner and extent to which federal programs achieve intended outcomes. (Departmental Management)

Prompt Payment Act
The Prompt Payment Final Rule (formerly OMB Circular No. A-125, "Prompt Payment") requires executive departments and agencies to pay commercial obligations within certain time periods and to pay interest penalties when payments are late. (Financial)

Property, Plant, and Equipment
Property, plant, and equipment consist of tangible assets, including land, that have estimated useful lives of 2 years or more, not intended for sale in the ordinary course of operations, and have been acquired or constructed with the intention of being used, or being available for use, by the reporting entity. (Financial)

PTSD – Post-Traumatic Stress Disorder
PTSD is an anxiety disorder that can occur following the experience or witnessing of life-threatening events, such as military combat, natural disasters, terrorist incidents, serious accidents, or violent personal assaults such as rape. People who suffer from PTSD often relive the experience through nightmares and flashbacks, have difficulty sleeping, and feel detached or estranged. These symptoms can be severe enough and last long enough to significantly impair the person's daily life. Common PTSD stressors in veterans include war zone stress (e.g., combat and exposure to mass casualty situations), the crash of a military aircraft, or sexual assault. VA is committed to providing an integrated, comprehensive, and cost-effective continuum of care for veterans with PTSD. (Medical Care)

Reportable Conditions
This term is defined as matters coming to the auditor's attention that, in the auditor's judgment, should be communicated because they represent significant deficiencies in the design or operation of internal control that could adversely affect the organization's ability to properly record, process, and summarize transactions and comply with applicable laws and regulations. (Financial)

Research and Development
Research and development investments are expenses included in the calculation of net costs to support the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new and improved products and processes, with the expectation of maintaining or increasing national economic productivity capacity or yielding other future benefits. (Financial)

Significant Deficiency
A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles (GAAP) such that there is more than a remote likelihood that a misstatement of the entity's financial statements, that is more than inconsequential, will not be prevented or detected. (Financial)

State Veterans Cemetery
State veterans cemeteries, which complement VA's system of national cemeteries, provide burial options for eligible veterans and their family members. These cemeteries may be established by the States with the assistance of VA's State Cemetery Grants Program (SCGP). The SCGP provides grants to states of up to 100 percent of the cost of establishing, expanding, or improving state veterans cemeteries. (Burial)

Statement of Budgetary Resources
This term is defined as a financial statement that provides assurance that the amounts obligated or spent did not exceed the available budget authority, obligations and outlays were for the purposes intended in the appropriations and authorizing legislation, other legal requirements pertaining to the account have been met, and the amounts are properly classified and accurately reported. (Financial)

Statement of Changes in Net Position
This term is defined as a financial statement that provides the manner in which VA's net costs were financed and the resulting effect on the Department's net position. (Financial)

Statement of Financing
This term is defined as a financial statement that explains how budgetary resources obligated during the period relate to the net cost of operations. It also provides information necessary to understand how the budgetary resources finance the cost of operations and affect the assets and liabilities of the Department. (Financial)

Statement of Net Costs
This term is defined as a financial statement that provides information to help the reader understand the net costs of providing specific programs and activities, and the composition of and changes in these costs. (Financial)

Statement of Written Assurance
A statement of written assurance is required by the Federal Managers' Financial Integrity Act. Each year, the head of each executive agency must prepare a statement that the agency's systems of internal accounting and administrative control fully comply with the requirements of the law, or that they do not comply. In the latter case, the head of the agency must provide a report that identifies (a) the material weaknesses in the agency's system of internal accounting and administrative controls and (b) the plans and schedules for correcting any such weaknesses. (Financial)

Status of Budgetary Resources
This term is defined as the obligations incurred, the unobligated balances at the end of the period that remain available, and unobligated balances at the end of the period that are unavailable except to adjust or liquidate prior year obligations. (Financial)

Stewardship Land
This term is defined as land not acquired for or in connection with items of general property, plant, and equipment. (Financial)

Stewardship Property, Plant, and Equipment (PP&E)
This term is defined as assets whose physical properties resemble those of general PP&E that are traditionally capitalized in financial statements. However, due to the nature of these assets, (1) valuation would be difficult and (2) matching costs with specific periods would not be meaningful. Stewardship PP&E consists of heritage assets, national defense PP&E, and Stewardship Land. (Financial)

Telehealth
This term is defined as the use of electronic communications and information technology to provide and support health care when distance separates the participants. It includes health care practitioners interacting with patients, and patients interacting with other patients. (Medical Care)

Telemedicine
This term is defined as the provision of care by a licensed independent health care provider who directs, diagnoses, or provides clinical treatment via electronic communications and information technology when distance separates the provider and the patient. (Medical Care)

Unobligated Balances
This term is defined as balances of budgetary resources that have not yet been obligated. (Financial)

VA Domiciliary
A VA domiciliary provides comprehensive health and social services in a VA facility for eligible veterans who are ambulatory and do not require the level of care provided in nursing homes. (Medical Care)

VA Hospital
A VA hospital is an institution that is owned, staffed, and operated by VA and whose primary function is to provide inpatient services. Note: Each division of an integrated medical center is counted as a separate hospital. (Medical Care)

VA National Cemetery
A VA national cemetery provides gravesites for the interment of deceased veterans and their eligible family members. VA's 125 national cemeteries are national shrines that are important sites for patriotic and commemorative events.

VA Regional Office
A VA regional office is located in each state plus Puerto Rico and the Philippines. The regional offices receive and process claims for VA benefits. (VBA)

Veterans Integrated Service Network (VISN)
VA's 21 VISNs are integrated networks of health care facilities that provide coordinated services to veterans to facilitate continuity through all phases of health care and to maximize the use of resources. (Medical Care)

Abbreviations and Acronyms

ACSI
American Customer Satisfaction Index

AFGE
American Federation of Government Employees

ALS
Amyotrophic Lateral Sclerosis

AMC
Appeals Management Center

BDD
Benefits Delivery at Discharge

BDN
Benefits Delivery Network

BHIE
Bi-Directional Health Information Exchange

BPA
Blanket Purchase Agreement

BVA
Board of Veterans' Appeals

C&A
Certification and Accreditation

C&P
Compensation and Pension

CAMS
Capital Asset Management System

CAP
Combined Assessment Program

CARES
Capital Asset Realignment for Enhanced Services

CBOC
Community-based Outpatient Clinic

CFS
Consolidated Financial Statements

CHAMPVA
Civilian Health and Medical Program of the Department of Veterans Affairs

CIO
Chief Information Officer

COOP
Continuity of Operations Plan

COTS
Commercial Off-the-Shelf

CPEP
Compensation and Pension Examination Program

CSRS
Civil Service Retirement System

DMDC
Defense Manpower Data Center

DIC
Dependency and Indemnity Compensation

DOOR
Distribution of Operational Resources

EA
Enterprise Architecture

E-GOV
Electronic Government

EVM
Earned Value Management

EVR
Eligibility Verification Reports

EWL
Electronic Wait List

F&FE
Fiduciary and Field Examination

FASAB
Federal Accounting Standards Advisory Board

FASB
Financial Accounting Standards Board

FATS
Foreclosure avoidance through servicing

FECA
Federal Employees' Compensation Act

FERS
Federal Employees Retirement System

FFMIA
Federal Financial Management Improvement Act

FHIE
Federal Health Information Exchange

FISMA
Federal Information Security Management Act

FLITE
Financial and Logistics Integrated Technology Enterprise

FMS
Financial Management System

FRPC
Federal Real Property Council

FSC
Financial Services Center

FTE
Full-time Equivalent

GAO
Government Accountability Office

GPRA
Government Performance and Results Act

GWOT
Global War on Terror

HAC
Health Administration Center

HIPAA
Health Information Portability and Accountability Act

HRPP
Human Research Protection Program

IHS
Indian Health Service

IPIA
Improper Payments Information Act of 2002

IVM
Income Verification Match

JCAHO
Joint Commission on Accreditation of Healthcare Organizations

JFMIP
Joint Financial Management Improvement Program

LGY
Loan Guaranty

LTC
Long-Term Care

MCCF
Medical Care Collections Fund

MSN
Memorial Service Network

MTF
Military Treatment Facility

NAGE
National Association of Government Employees

NCA
National Cemetery Administration

NDMS
National Disaster Medical System

NRP
National Response Plan

OA&MM
Office of Acquisition and Materiel Management

OAI
Organizational Assessment and Improvement

OGC
Office of General Counsel

OIF/OEF
Operation Iraqi Freedom/Operation Enduring Freedom

OLCS
On Line Certification System

OWCP
Office of Workers' Compensation Program

P&F
Program and Financing

PAID
Personnel and Accounting Integrated Data

PAR
Performance and Accountability Report

PART
Program Assessment Rating Tool

PMA
President's Management Agenda

PMC
Pension Maintenance Center

PP&E
Property, Plant & Equipment

PPA
Prompt Payment Act

PTSD
Post-Traumatic Stress Disorder

RPO
Regional Processing Office

RVSR
Rating Veterans Service Representative

SAH
Specially Adapted Housing

SCI
Spinal Cord Injury

SFFAS
Statement of Federal Financial Accounting Standards

SGLI
Servicemembers' Group Life Insurance

SMC
Strategic Management Council

SSA
Social Security Administration

STAR
Systematic Technical Accuracy Review

TBI
Traumatic Brain Injury

TOP
Treasury Offset Program

TSGLI
Traumatic Injury Protection

VAMC
VA Medical Center

VARO
VA Regional Office

VBA
Veterans Benefits Administration

VETSNET
Veterans Services Network

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