U.S. Department of Veterans Affairs

I CAN THINK OF NO HIGHER RESPONSIBILITY THAN ENSURING THAT THE MEN AND WOMEN WHO HAVE SERVED OUR NATION IN UNIFORM ARE TREATED WITH THE CARE AND RESPECT THAT THEY HAVE EARNED.

ERIC K. SHINSEKI, SECRETARY OF VETERANS AFFAIRS

2013 Performance and Accountability Report

Honoring All Who Have Served

THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

December 16, 2013

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) 2013 Performance and Accountability Report.* This report highlights our accomplishments in improving the timeliness, accessibility, and quality of health care and benefits delivery to our Veterans.

We are transforming VA into a 21st century organization focused on increasing Veterans' access to VA health care and services, ending the backlog in compensation claims, and ending Veteran homelessness—both in 2015—to fulfill our Nation's enduring commitment to Veterans.

VA's major initiatives are successfully transitioning to sustainment and have been a part of our core programs since 2009.

This past year, VA has made progress on all three major initiatives. We provided more than 44,000 homeless Veterans with permanent housing through our ongoing collaborative partnership with the Department of Housing and Urban Development. The number of unsheltered Veterans has declined by nearly 28 percent since 2009 as we move toward the goal of eliminating Veterans homelessness in 2015. We processed more than 1 million disability claims for the 4th year in a row in our commitment to eliminate the claims processing backlog in 2015. At the same time, we increased the national accuracy rate for pension maintenance claims to 98 percent. VA's provision of telehealth-based clinical services has grown by 24 percent, increasing access to care for rural Veteran patients. Veterans continue to increase their use of eBenefits to access VA information and services with over 2.8 million Veterans using the tool. We also continued to increase access to burial benefits through funding the establishment of a new State and a new Tribal Veterans Cemetery.

We hold ourselves to the same high standards of performance that the Nation and its Veterans do. The linkage between our goals, objectives, strategies, and programs has never been clearer, and our employees' performance is evaluated carefully against the Department's plans.

In addition, we received our 15th consecutive unqualified (clean) audit opinion on our consolidated financial statements. As stated in my "Statement of Assurance", VA has assessed the reliability and completeness of financial data and actions the Department is taking to resolve its one material weakness.

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

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

Sincerely,

Eric K. Shinseki

2013 Performance and Accountability Report

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Notes:
[(1)] In this report, with the exception of table and chart titles, references to years (e.g., 2009, 2012) are fiscal years unless stated otherwise.

Executive Summary

Introduction

In 2013, with more than $150 billion in obligations and approximately 312,841 full-time equivalent employees, VA took numerous actions that helped improve the quality of life for America's Veterans and their families. Our major achievements are summarized below.

Implementing Agency Priority Goals (APG)

VA has three Agency Priority Goals (APG) that continue to serve as a platform to transform VA into a 21st century organization that is people-centric, results-driven, and forward-looking. Each APG is designed to solve a key problem facing the Department and/or the Veterans we serve. Information on how well VA is doing on specific APG's begins on page I-16.

Medical Services: *Delivering High-Quality Health Care*

In 2013, VA maintained the largest integrated health care system in America. Throughout the year, VA continues to implement new innovative practices to improve Veterans' access to health care, such as telemedicine and mobile clinics, to provide care to more than 6 million unique patients. Our commitment to delivering timely, high-quality health care to America's Veterans while controlling costs, remains a top priority.

Key performance results for 2013 include: (Details included on pages Part II -18 through II - 61)

- Quality of Health Care: VA continues to improve performance on nationally-recognized industry standards, such as the Clinical Practice Guidelines Index (CPGI) and the Prevention Index (PI).
- Patient Access: 93 percent of primary and specialty care, and 95 percent of mental health appointments for established patients were completed within 14 days of desired appointment date.
- Homeless Veterans: Program enhancements under the Eliminate Veteran Homelessness Initiative will ensure the provision of housing, health care, benefits, employment, and residential stability so that every Veteran has access to a safe, stable environment. No Veteran should be unsheltered. Investments in effective strategies like rapid re-housing and permanent supportive housing, along with unprecedented collaboration between Federal, state, and local agencies, with the support of the United States Interagency Council on Homelessness, have yielded substantial reductions in Veteran homelessness.

  During 2013, 146,557 Veterans were served by VA's Health Care for Homeless Veterans outreach initiatives, an increase of approximately 23 percent from 2012. In partnership with the Department of Housing and Urban Development (HUD), a total of 45,153 Veterans had permanent housing through the HUD-VA Supportive Housing (HUD-VASH) Program, as of September 30, 2013. These Veterans were also provided with dedicated case managers and access to high-quality VA health care. The total number of Veterans who obtained housing during 2013 in HUD-VASH was 14,484, while over 28,000 additional Veterans obtained housing with assistance from other VHA homeless programs during that same time period.

- Telehealth Programs: VA's telehealth programs continue to be the largest and most comprehensive in the Nation. In 2013, VA-specific telehealth applications -clinical video teleheath (CVT), home telehealth (HT) and store and forward telehealth (SFT)- provided care to 603,532 patients, care that amounted to 1,787,181 telehealth-based episodes of care. CVT is the use of real-time interactive video conferencing to assess, treat and provide care to a patient remotely. HT applies principles to coordinate care using health informatics, disease management and technologies such as in-home and mobile monitoring, messaging and/or video technologies. SFT is the use of technologies to acquire and store clinical information (e.g. data, image, sound and video) that is then forwarded to or retrieved by a provider at another location for clinical evaluation. VA achieved a 20-percent expansion in the HT services it provides in support of non-institutional care, chronic care management, acute care management, and health promotion/disease prevention services delivered to 143,281 Veterans with medical and mental health conditions. These services enabled these Veterans to live independently in their own homes and local communities. VA has seen a 24-percent expansion in 2013 in the number of Veteran patients receiving care via CVT-based telemental health services that supported 95,059 Veterans. Telemental health enables Veteran patients to receive services in their local communities reducing the need for both patients and clinicians to travel, with travel-associated cost savings of $34.45 per consultation. VA's provision of telehealth-based clinical services has grown by 24 percent, thereby increasing access to care for rural Veteran patients and reducing avoidable travel. Telehealth services for the care of Veterans continues to expand in size and scope supporting new services that provide TeleDermatology, TelePathology, TeleAudiology, Tele-Intensive Care, and Women's telehealth services, as well as clinical consultations by VA providers to 2,077 Veterans directly in their homes via video telehealth connections. Additionally, VA completed 8,948 TeleAudiology encounters in 2013 (80 percent growth compared to 2012).
- Mental Health: Veterans requiring mental health services continues to grow, increasing from 927,052 Veterans in 2006 to more than 1.46 million Veterans in 2013. These numbers are expected to continue to grow. To meet this need, VA has increased the mental health budget in 2013 by over 39 percent since 2009. Additionally, VA has increased the number of mental health providers in 2013 by more than 1,600 staff since 2012. VA continues to monitor access to mental health care, including care in specific mental heatlh programs.

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

In 2013, VA received over 1 million claims for disability benefits and processed 1,169,085 claims. Throughout 2013, VA achieved a number of significant, positive performance results in the benefits delivery area:

- Reducing the Claims Backlog: In April 2009, VA defined the claims backlog for the first time as claims pending over 125 days and began redesign of the entire system with a goal of processing claims within 125 days or less in 2015, at 98 percent accuracy. VBA's aggressive Transformation Plan integrates people, process, and technology initiatives to achieve these long-term goals. Of note, VBA realigned its regional offices into a more efficient organizational model, revamped its training program, and deployed an end-to-end paperless electronic claims processing system known as the Veterans Benefits Management System at every regional office by June 10, 2013. To address the lengthening wait times that many Veterans faced for decisions on their disability compensation claims during this period of change, VA implemented an "oldest claims first" initiative on April 19, 2013. VBA has completed all claims pending more than 2 years and will complete all claims pending more than 1 year by the end of 2013. As of September 30, 2013, the inventory of disability claims was 722,013 claims-the lowest since November 2010.
- Joint VA/Department of Defense (DoD) Integrated Disability Evaluation System (IDES) Program: In coordination with DoD, VA has developed and implemented an IDES to provide wounded, ill, or injured Servicemembers fitness-for-duty determinations for continued military service and, if separated, expeditious payment of VA disability benefits. IDES now operates at 139 Military Treatment Facilities worldwide and covers 100 percent of Servicemembers who are referred to Medical Evaluation Boards for fitness determinations. IDES simplifies the process for disabled Servicemembers transitioning to Veteran status, improves the consistency of disability ratings and improves customer satisfaction. The average days to complete IDES claims, following the participant's separation from service in 2012, was 54 days, with an average of 78.4 days in 2013. Since the inception of the IDES pilot in 2007, more than 88,000 Servicemembers have been referred to the program, and more than 34,000 Servicemembers are currently enrolled. VA and DoD continue to work together to improve IDES processing and timeliness.
- Seamless Transition: VA and DoD have jointly developed and implemented the Benefits Delivery at Discharge (BDD) and the Quick Start (QS) programs to allow Servicemembers to submit claims while on active duty. VA completed 59,877 pre-discharge claims in 2012 and completed 62,697 pre-discharge claims in 2013. VA and DoD are reviewing current processes to improve the efficiency and timeliness of the pre-discharge programs.
- Quality: VA improved national compensation benefit entitlement (rating) accuracy from 85 percent to 86 percent in 2012, on a 12-month cumulative basis. Rating accuracy for 2013 is 89 percent. VBA began tracking issue-based quality measures in October 2012. Reporting on both issue-based and claims-based quality allows VBA to target specific areas for which the workforce needs remedial and more effective training. Issue-based quality, on a 3-month cumulative basis, is 96.7 percent as of September 2013.

- Dependency and Indemnity Compensation (DIC): As a result of VBA's prioritization of rating claims, combined with simplified procedures for processing DIC claims, VA reduced the backlog of DIC claims from 8,742 at the end of January 2013, to 2,954 as of the end of September 2013. In addition to reducing inventory, VA reduced the average days to complete DIC claims by nearly 12 percent, from 165 to 145 days at the end of September 2013, and reduced the average days pending for DIC claims by 42 percent, from 159 days at the end of January to 92 days at the end of September 2013.
- Insurance: VA issued life insurance policies to over 41,000 Veterans and separating Servicemembers, many of whom are disabled and would not have been able to purchase life insurance in the commercial insurance industry due to their impaired insurability resulting from military service.
- Education: VA provided education benefits to approximately 1,023,000 students in 2013. The number of students receiving education benefits continues to increase since the implementation of the Post-9/11 GI Bill; claims completed increased 28 percent over the 2012 level to approximately 4.5 million in 2013.
- Vocational Rehabilitation and Employment: VA rehabilitated over 8,050 (estimate) Veterans in 2013, providing more than 6,730 (estimate) of them with the required tools and skills needed to obtain and maintain career employment. More than 1,330 (estimate) Veterans were provided with assistance in gaining independence in daily living.
- Housing: In 2013, VA guaranteed approximately 629,312 loans to Veterans. Of these, 241,205 were for the purchase of a home, and 388,107 were for the refinance of a home loan. In 2013, VA also provided 1,099 Specially Adapted Housing grants to severely-disabled Veterans and Servicemembers to construct an adapted dwelling or modify an existing one to meet their special needs.

Burials and Memorials: *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, State, and Tribal cemeteries as national shrines, by furnishing headstones, markers, and medallions for the graves of Veterans buried in private cemeteries, and providing Presidential Memorial Certificates (PMC) to honor the service of deceased American Veterans.

Key performance results for 2013 are as follows:

- More Veterans Served by Burial Option: A new VA-funded State Veterans cemetery opened to serve Veterans in the area of Spanish Fort, Alabama and a new VA-funded Tribal Veterans cemetery opened to serve Veterans of the Rosebud Sioux Tribe in Rosebud, South Dakota.
- Timeliness: VA achieved a 95 percent threshold of the proportion of graves in National cemeteries marked within 60 days of interment.
- Quality: 99 percent of survey respondents rated National cemetery appearance as "Excellent." Ninety percent of survey respondents also rated the quality of headstones or markers received from VA as "Excellent."

Finance: *Ensuring Proper Stewardship of Taxpayer Dollars*

VA is extremely proud to have obtained an unqualified audit opinion on its financial statements for the 15th consecutive year. VA has worked diligently on remediating its one remaining material weakness, "Information Technology (IT) Security Controls," and has made significant progress; however, this will remain a material weakness in 2014. VA successfully remediated its significant deficiency from 2012, Undelivered Orders.

In 2013, VA continued to use American Recovery and Reinvestment Act of 2009 (Recovery Act) funds to improve its medical facilities and national cemeteries, as well as to provide grants for State nursing homes and domiciliary facilities. Following the successful obligation in July 2010 of 100 percent of VA's Recovery Act funds (totaling $1.86 billion, including one time payments to Veterans), VA concentrated efforts during 2013 to increase outlays. As of September 2013, VA has made outlays totaling $1.83 billion (98 percent of Recovery Act funds).

Executive Order 13589 dated November 15, 2011 directed agencies to cut waste in spending and identify opportunities to promote efficient and effective spending in specific areas; travel, IT devices (inventories, usage, and controls,) printing, executive fleet, supplies and materials, and promotional item use and purchases. With the exception of Management Support Contracts, the Administrations and Staff Offices have the flexibility to take reductions across the categories of Travel, Supplies and Materials, and Printing, as determined best for their organization. VA developed and executed a plan to reduce the cost associated with activities covered in the order. The reduction to be taken in these areas was defined as 20 percent below VA's 2012 budget request, to be accomplished in 2012 and 2013. VA monitors spending monthly and reports status 30 days after the close of each quarter to OMB. In 2013, VA exceeded its spending reduction target of $173.5 million by 24.6 percent.

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 nearly 150 years ago – describe better than any others the mission of the Department of Veterans Affairs (VA). We care for Veterans, their families, and Survivors – men and women who have responded when their Nation needed help. Our mission is clear, direct, and historically significant. It is a mission that every employee is proud to fulfill.

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

Our Programs: *What We Do*

Veterans Health Administration

Providing Medical Care

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

Web: http://www1.va.gov/health/index.asp

Conducting Veteran-Centered Research

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

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

Web: http://www.research.va.gov

Veterans Benefits Administration

Delivering Compensation Benefits

The Compensation program provides monthly payments and ancillary benefits to Veterans in accordance with rates specified by law, in recognition of the average potential loss of earning capacity caused by a disability or disease incurred in or aggravated during active military service.

This program also provides monthly payments, as specified by law, to surviving spouses, dependent children, and dependent parents in recognition of the economic loss caused by the Veteran's death during active military service or, subsequent to discharge from military service, as a result of a service-connected disability.

Web: www.vba.va.gov/bln/21/compensation/

Providing Pension Benefits

Pension benefits are monthly payments, specified by law, provided to Veterans with nonservice-connected disabilities, who served in a time of war. Veterans must meet specific income limitations and must be permanently and totally disabled or must have reached the age of 65. This program also provides monthly payments, as specified by law, to income-eligible surviving spouses and dependent children of deceased wartime Veterans who die as a result of a disability unrelated to military service.

Web: www.vba.va.gov/bln/21/pension/

Providing Fiduciary Services

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

Web: http://www.vba.va.gov/bln/21/Fiduciary/

Providing Educational Opportunities

VA's education programs provide eligible Veterans, Servicemembers, Reservists, Survivors, and dependents the opportunity to achieve their educational or vocational goals. Education programs also assist the Armed Forces in recruitment and retention and help Veterans readjust 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, the Post-9/11 GI Bill, and the Veterans Retraining Assistance Program (VRAP), which provides financial support to unemployed Veterans between 35 and 60 years old who are not eligible for other VA education benefits. VRAP training programs must begin on or after July 1, 2012, and the authority to make payments ends on March 31, 2014.

Web: www.gibill.va.gov

Delivering Vocational Rehabilitation and Employment Services

VA's Vocational Rehabilitation and Employment (VR&E) program provides a wide range of vocational and employment services to Veterans, active-duty Servicemembers, and eligible dependents. These services are designed to help Servicemembers and Veterans choose a career path and assist them in achieving their employment goals. Assistance includes interest and aptitude testing, occupational exploration, career counseling, training, and job placement services.

This program also provides services to enhance an individual's opportunity to obtain career employment through training. VA pays the costs of tuition, fees, books, supplies, equipment, and, if needed, special services. VA also provides a monthly benefit allowance to help with living expenses.

Web: http://www.vba.va.gov/bln/vre/index.htm

Providing Educational and Vocational Counseling

VA's Vocational Rehabilitation and Employment program administers the Educational and Vocational Counseling benefit to transitioning Servicemembers and current beneficiaries and new Veterans eligible under all Education chapters. The counseling services may include career decision making for civilian and military occupations, assistance with choosing an appropriate civilian occupation and developing a training program, selection of an academic facility, and academic and adjustment counseling to resolve barriers that impede success in training and/or employment.

Promoting Home Ownership

VA's Loan Guaranty program helps eligible Veterans, active duty personnel, surviving spouses, and members of the Reserves and National Guard in purchasing homes. VA also assists these borrowers in retaining their homes through joint servicing efforts with VA-guaranteed loan servicers via foreclosure avoidance services. In addition, VA offers Specially Adapted Housing grants to Veterans and Servicemembers who have certain service-connected disabilities for the purpose of constructing an adapted dwelling or modifying an existing one to meet their special needs.

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

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

Meeting Insurance Needs

VA's Insurance program provides all Servicemembers and their families with universally available life insurance, which is automatically issued without underwriting. The program provides Servicemembers the option to continue insurance coverage after separating from the military. The Insurance program also offers Servicemembers traumatic injury protection. The program continues to provide life insurance coverage to World War II and Korean War-era Veterans, and to Veterans who have lost or impaired insurability resulting from military service and therefore cannot obtain commercial insurance at standard rates applicable to healthy individuals. In total, the program insures 6.9 million Veterans, Servicemembers, and their families.

Insurance coverage is made available in reasonable amounts and at premium rates comparable to those offered by commercial companies. The program ensures a competitive, secure rate of return on investments held on behalf of the insured.

Web: http://www.insurance.va.gov

National Cemetery Administration

Delivering Burial and Memorial Services to Veterans

Primarily through the National Cemetery Administration (NCA), VA honors Veterans and their families with final resting places in National shrine cemeteries and with lasting tributes that commemorate their service and sacrifice to our Nation.

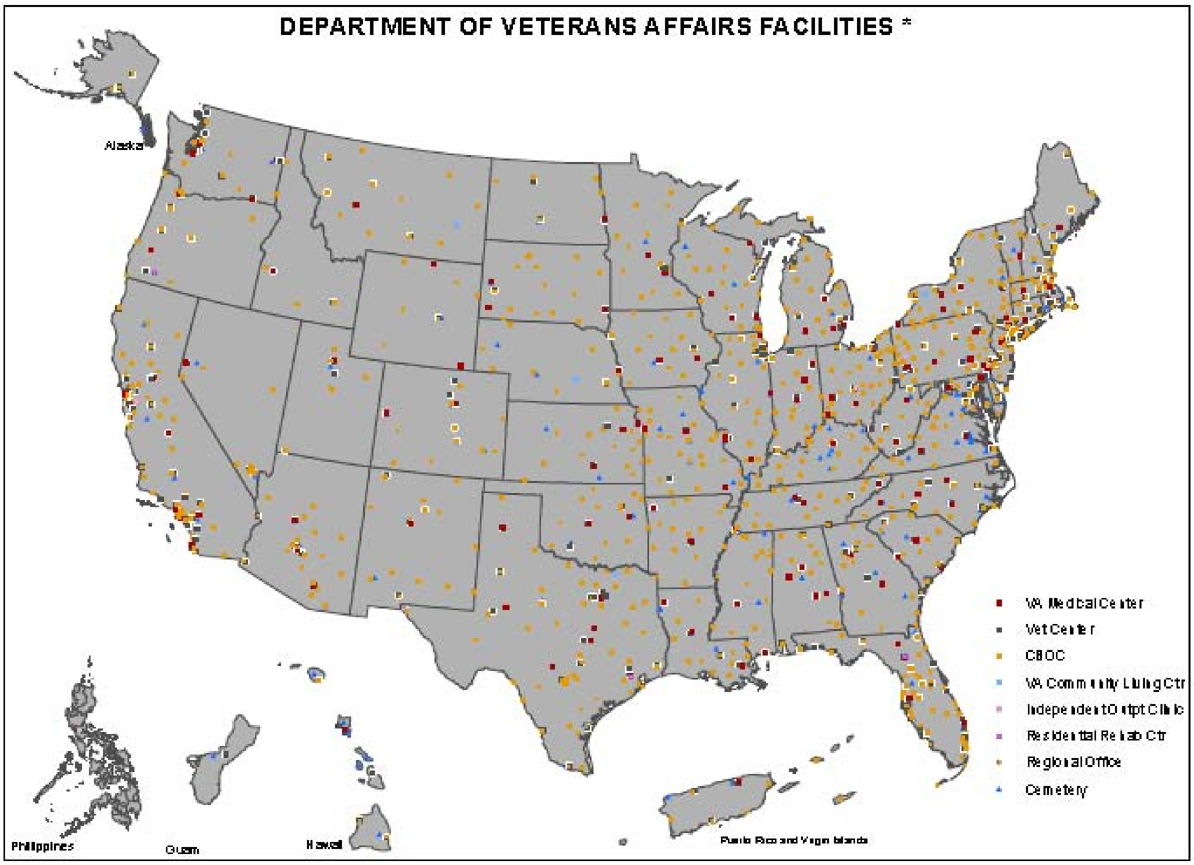
Web: http://www.cem.va.gov

Staff Offices

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

Our Programs: *Where We Are Located*

VA provides medical care, benefits, and burial services throughout the Nation. Shown below is a depiction of VA's geographical locations as of March 30, 2013. The map identifies 151 Medical Centers, 300 Vet Centers, 827 Community-based Outpatient Clinics, 135 VA Community Living Centers, 6 Independent Output Clinics, 103 Residential Rehabilitation Centers, 225 National and State Cemeteries, and 56 Regional Offices.



Source: VAST Q2FY13 VA Office of Policy and Planning -- National Center for Veterans Analysis and Statistics (008B1)

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

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. VA's commitment to those who have "borne the battle" continues. The chart below describes how many participants are being served by VA.

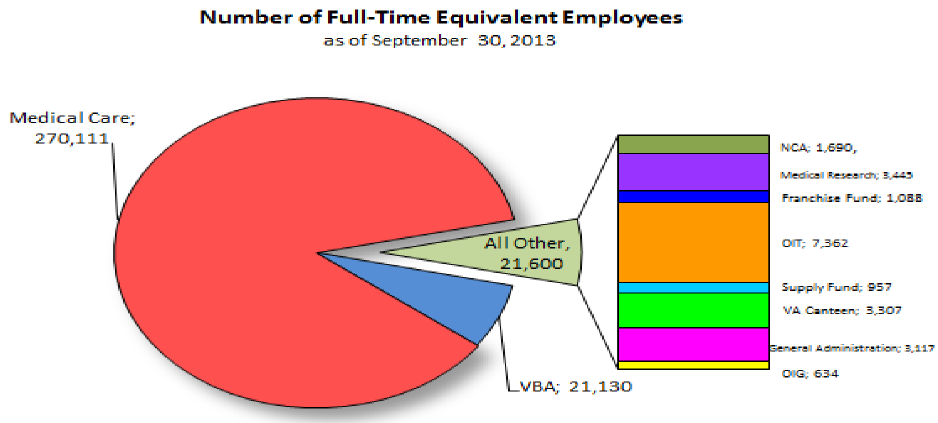
Program	Year-to-Year Comparison		
	2012 Participants	2013 Participants	Percent Change
***Medical Care**			
Unique Patients	6,333,100	6,418,439	1.3%
Compensation			
Veterans	3,534,457	3,743,259	5.9%
Survivors/Children	365,220	376,979	3.2%
Pension			
Veterans	313,870	308,140	-1.8%
Survivors	206,688	210,450	1.8%
Education(1)(2)			
Veterans/Servicemembers	660,800	703,100	6.4%
Reservists	79,400	79,900	0.6%
Survivors/Dependents	204,000	240,000	17.6%
Vocational Rehabilitation(2)			
Program Participants	114,281	124,570	9%
Housing			
Loans Guaranteed	539,900	629,300	16.6%
Specially Adapted Housing (SAH) Grants (Approved)	1,205	1,099	-8.8
Insurance			
Veterans	1,328,696	1,258,152	-5.3%
Servicemembers/Reservists	2,387,500	2,350,500	-1.5%
Spouses/Dependent Children	3,202,000	3,121,000	-2.5%
Burial			
Interments	118,200	124,800	5.6%
Graves Maintained	3,226,500	3,309,700	2.6%
Headstones/Markers (Processed)	354,600	358,600	1.1%
Presidential Memorial Certificates	719,100	654,500	-9.0%

(1)Figures represent 12-month rolling data through September.
(2)Does not represent unique participants. Some participants trained under more than one education program.
*VHA's 2013 number is an estimate.

Resources: *Our People*

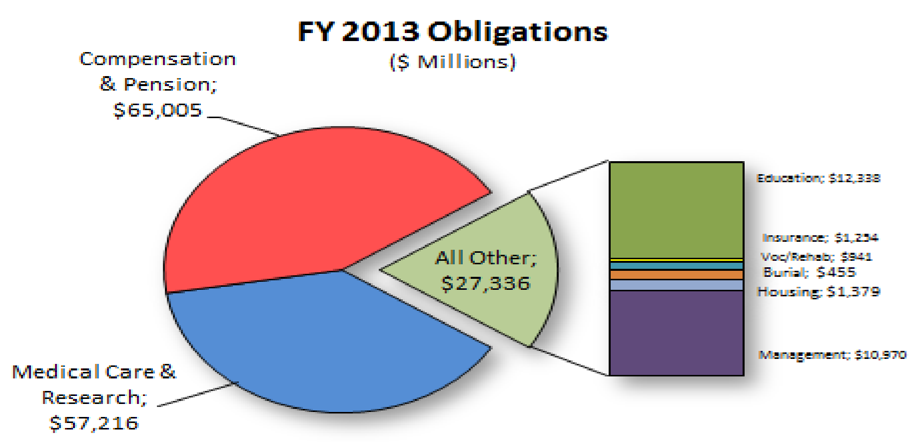
As of September 30, 2013, the Department employed about 312,841 full-time equivalent (FTE) employees nationwide. The charts below show the distribution of FTE employees by program area.

As shown below, more than 270,000 FTE support VA's health care system, one of the largest in the world. Of the remaining FTE, approximately 21,130 are involved with providing compensation and pension, as well as other benefits to Veterans and their families. About 1,700 FTE provide burial and memorial services for Veterans and their eligible spouses and children, and about 10,479, located primarily in the Washington, DC area, provide policy, administrative, information technology, and management support to the programs.



Resources: Our Budget

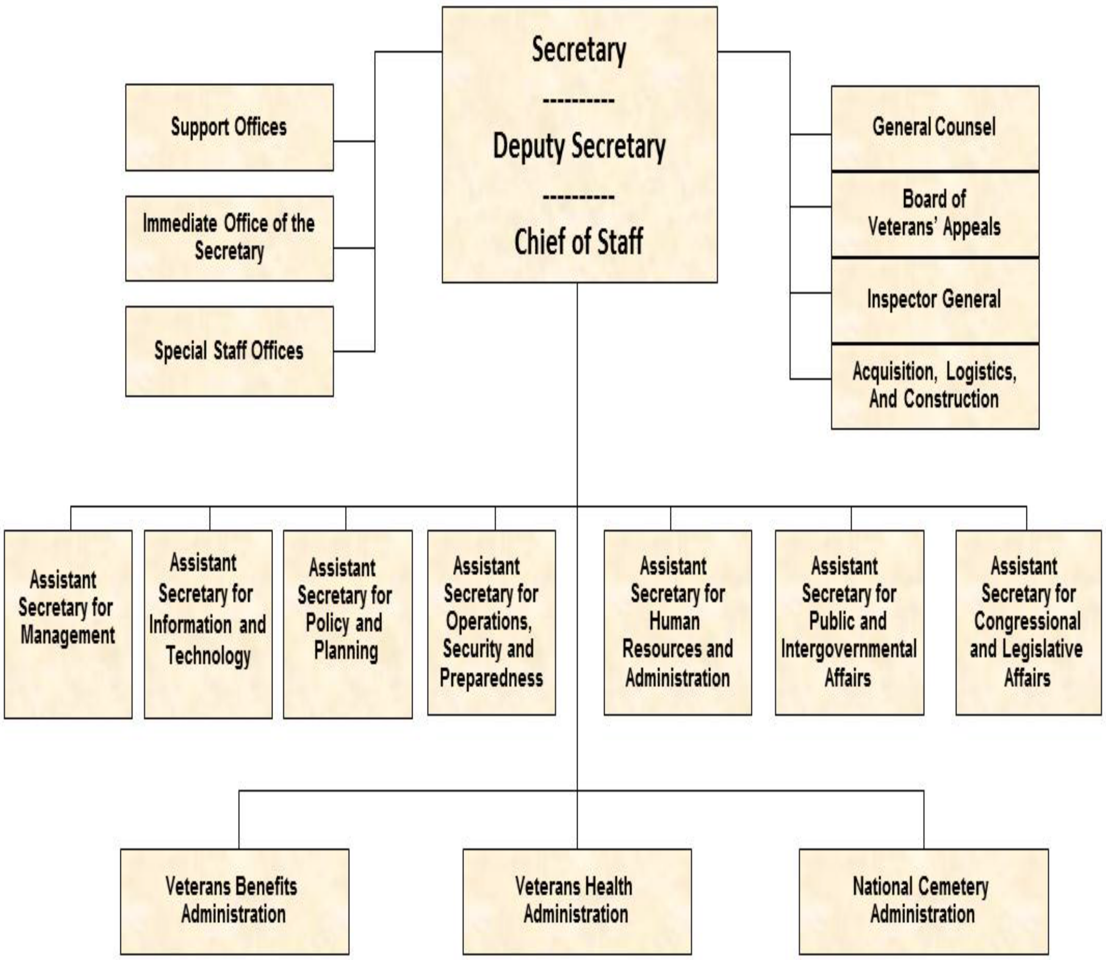
In 2013, VA obligated approximately $150 billion. *Approximately 98 percent of total funding went directly to Veterans in the form of monthly payments of benefits or for direct services, such as medical care. The depictions below show how VA spent the funds with which it was entrusted.



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

Our Organization

DEPARTMENT OF VETERANS AFFAIRS



Leadership and Governance

VA senior leadership makes policy decisions through various internal governing bodies. Four of the most critical are described below with key actions they undertook in 2013.

Governance	Major 2013 Actions
VA Executive Board	
Membership The VA Executive Board (VAEB) is chaired by the Secretary and includes the Deputy Secretary; Chief of Staff; Under Secretaries for Health, Benefits, and Memorial Affairs; Assistant Secretaries; General Counsel; and the Chairman of the Board of Veterans' Appeals. **Purpose** The VAEB is the Department's most senior management decision-making forum. VAEB reviews, discusses, and, through the decisions of the Secretary, provides direction on Departmental policy, strategic direction, resource allocation, and performance in key areas.	The VAEB reviewed the following: • Fiscal Year (FY) 2015-2019 Programming Decision Memorandum • FY 2015 Budget Submission • 2014-2020 Strategic Plan • VA Enterprise Risk Management • FY 2016-2020 Planning Guidance • FY 2016-2020 Programming Guidance
Strategic Management Council	
Membership The Strategic Management Council (SMC) is chaired by the Deputy Secretary and includes the Assistant Secretaries; the Deputy Under Secretaries for Health, Benefits, and Memorial Affairs; the General Counsel; Chairman of the Board of Veterans' Appeals; and the Chief of Staff. **Purpose** The SMC serves as a collaborative and deliberative body that provides oversight and guidance on key strategic and operational issues that are likely to require action by VA decision-makers.	The SMC reviewed the following: • FY 2015 Budget Submission • 2014-2020 Strategic Plan • VA Enterprise Risk Management • HRA Strategic Plan • Acquisition Program Management Framework • FY 2013 Transition Planning • FY 2016-2020 Planning Guidance • FY 2016-2020 Programming Guidance

Governance	Major 2013 Actions
Senior Review Group	
Membership The Senior Review Group (SRG) is chaired by the Chief of Staff and includes Principal Deputy Assistant Secretaries; the Chiefs of Staff for Health, Benefits, and Memorial Affairs; the Deputy General Counsel; and the Vice Chairman for the Board of Veterans' Appeals. **Purpose** The SRG serves as a collaborative and deliberative body that provides oversight and guidance on key strategic and operational issues and makes recommendations on issues that should be considered as part of VA's governance process. Some governance meetings were conducted jointly in 2013 as SRG/SMC meetings.	The SRG reviewed the following: • FY 2015 Budget Submission • 2014-2020 Strategic Plan • VA Enterprise Risk Management • HRA Strategic Plan • Acquisition Program Management Framework • 2013 Transition Planning • ELB Reconstruction Proposal • Action Planning on Employee Survey Results • VA Central Office Space Reduction Initiative • Revitalizing VA's Governance Process
Operational Management Review	
Membership The Operational Management Review (OMR) is chaired by the Deputy Secretary or Chief of Staff. Attendees include the Executive Sponsor and Senior Program Managers for the Department's Major Initiatives and priority programs and represent the key supporting organizations, the Assistant Secretaries for the Offices of Information and Technology (OIT), Human Resources and Administration (HRA), Acquisition, Logistics, and Coordination (OALC) and other program stakeholders. **Purpose** The OMR is a performance management process that oversees the planning and execution of the Department's Major Initiatives and programs of record (POR). The Executive Sponsor and Senior Program Managers present their actual vs. planned status in regards to Cost, Schedule, and Performance. The focus is on risk management and issue resolution. In addition, an overarching purpose of this monthly forum is to build VA's capabilities and cross-Departmental coordination to promote and sustain long-term, effective execution.	Major actions achieved during 2013 included the following: • Provided oversight of eight Major initiatives/portfolios/Acquisition Programs/process improvements, including regular OMR meetings with the Deputy Secretary or Chief of Staff, monthly performance reporting, and weekly Trans Sync meetings. • Added two priority Corrective Action Programs to the OMR process: Capital Programs Improvement Plan, to address root causes to performance issues in VA Major Construction; and Integrated Acquisition Management, to address root causes to performance issues in VA and VHA acquisition. • Implemented weekly OMR sessions for topics central to the success of VBA Transformation and elimination of the backlog, resulting in near real-time risk and issue management at the highest levels of VA leadership. • Continued implementation of the capability-based Integrated Health Portfolio. • Through the collective efforts of the Department's Enterprise Program Management Office (ePMO), OALC, and OIT, tracked progress in awarding of Information Technology (IT) contracts, implementing corrective actions as needed to improve performance. • Held a Major Initiative Summit that shared program management best practices with VA Program Managers. • Partnered with OALC to prepare for implementation of VA's Acquisition Program Management Framework, leveraging best practices and lessons learned from VA's OMR process to further enhance program execution across the Department.

VA has identified three APGs, which represent the Department's highest priorities. Each of the three APGs is focused on improving direct service delivery to Veterans and eligible beneficiaries and requires extensive collaboration across VA organizations and with non-VA partners. In addition, each APG will result in short-term and high impact improvement in VA performance. Refer to www.Performance.gov for additional information.

HOMELESSNESS (AGENCY PRIORITY GOAL)

Problem Being Addressed	2013 Actions and Progress
• In 2012, homeless population estimates noted that approximately 62,619 Veterans were homeless in the United States on a single night. • Single male Veterans are disproportionally represented among the homeless population. Based on the most recent data available, at any given time approximately 14 percent of the homeless adult population are Veterans. Veterans comprise roughly 9.6 percent of the total adult population of the United States.	• During 2013, 146,557 Veterans were served by VA Health Care for Homeless Veterans outreach initiatives, an increase of approximately 23 percent from 2012. • In partnership with HUD, a total of 45,153 Veterans had permanent housing through the HUD-VASH Program as of September 30, 2013. These Veterans were also provided with dedicated case managers and access to high-quality VA health care. • In 2013, the total number of Veterans who obtained housing in HUD-VASH was 14,484, while over 28,000 additional Veterans obtained housing with assistance from our other homeless programs during that same time period. • Investments in effective strategies like rapid re-housing and permanent supportive housing, along with unprecedented collaboration between council agencies, have yielded substantial reductions in Veterans homelessness.

VBA Access (Agency Priority Goal)

Problem Being Addressed	2013 Actions and Progress
• Improved awareness of VA services and benefits by increasing the timeliness and relevance of on-line information available to Veterans, Servicemembers, and eligible beneficiaries.	• Both performance measures which support the 2013 Access APG of increasing eBenefits registered user base have been exceeded. These measures are: - Increasing the number of letters generated by clients via eBenefits - Increasing the number of page views (per quarter) of Compensation and Pension claims status accessed by clients via eBenefits • Single sign-on technology has been deployed allowing seamless access between eBenefits, MyHeatheVet, TRICARE Online, VetSuccess, and VA for Vets • Sixteen consecutive quarterly releases since October 2009 have produced over 50 self-service features within the eBenefits portal • Servicemembers are now required to get an account shortly after accession • Over 2.8 million registered users since launch in October 2009 • Used by Servicemembers and Veterans in over 25 countries • Over 27 million visits in 2013 and in September 2013 over 3.9 million visits • Expanded access to survivors to view claims and payment information in spring 2013

VBA BACKLOG (AGENCY PRIORITY GOAL)	
Problem Being Addressed	**2013 Actions and Progress**
• Reducing the length of time it takes to process compensation and pension rating-related claims is an integral part of VA's mission to serve Veterans by providing all possible benefits under the law to eligible claimants in a timely, accurate, and compassionate manner. • VA seeks to eliminate the disability claims backlog in 2015 and ensure that no Veteran has to wait more than 125 days for a high-quality decision. • Cross Agency Collaboration	• To achieve processing efficiencies that will enable VA to reduce the claims backlog and improve decision quality, VA is employing a synchronized and integrated transformation strategy that incorporates people, processes, and technology initiatives. • Veterans Benefits Management System (VBMS) and Veterans Claims Intake Program (VCIP) work collaboratively to assist in the transition from the paper environment to the digital operating environment. o VCIP delivers solutions for intake of source material, documentation, electronic records, and data in direct support of the VBA claims process, while working collaboratively with all stakeholders to manage VBA's transition from the paper environment to the digital operating environment. • VBA has implemented VBMS, a paperless IT claims processing system. All 56 Regional Offices (RO) and the Appeals Management Center (AMC) are operating in VBMS as of June 2013. At the end of 2013, over 250 million pieces of paper were scanned into digital format, resulting in 63 percent of all paper-based claims being made available for processing in VBMS. VBA began tracking issue-based quality in October 2012 as an enhancement to the Quality Review Team (QRT) initiative that is functioning in all Regional Offices. The QRT mission is to improve the accuracy of VBA rating decisions and ensure Veterans receive the correct rating, the first time. Reporting on both issue-based and claims-based quality allows for more effective training and case management when claims are reviewed and tracked by medical issue. • Currently, VBA maintains RO claims processing jurisdictions that are aligned with state boundaries. In recent years, VBA has "brokered" claims between ROs to maximize resources. While VBA intends to continue its traditional brokering practices in 2014, the future state of VBA's brokering capabilities lies in the development of a digital operating environment. This environment includes a national work queue that will allow claims to be routed automatically on logic, based on VBA's priorities. VBA began utilizing the National Work Queue in April 2013. • The Board of Veterans Appeals has increased Video Teleconference hearings, which reduces travel expenditures and Veteran wait time for Board hearings. • The Board of Veterans Appeals, VBA, and VHA collaborate closely to eliminate avoidable remands.

Major Accomplishments

Advances in Telehealth
In 2013, VA's telehealth programs provided 1,787,181 telehealth-based episodes of care to a total of 603,532 Veterans. VA has achieved a 20 percent expansion in home telehealth services; 24 percent expansion in clinic-based telehealth services of which 95,059 Veterans received telemental health. These services support Veteran patients in their local communities and reduce the need for both patients and clinicians to travel. Services added in 2013 include telespirometry, tele-Intensive Care, teleAudiology and expanded video-consultation into Veteran's homes.

Adoption and Expansion of Blue Button®
A critical tool by which patients may share health information, VA's *Blue Button™* is emerging within the larger ecosystem of health information exchange being promoted by Meaningful Use regulations. *Blue Button Plus™* facilitates the interoperability of health data and promotes health data exchange for the benefit of patients. As evidence of growing momentum, over 450 health care providers, third party insurance companies, patient advocacy groups, and technology companies are now participating to ensure a future in which individuals are able to view, download, and share their health data, thereby becoming active members of their health care team.

Progress in Million Veteran Program
The Million Veteran Program (MVP), a ground-breaking genomic medicine program, endeavors to collect genetic samples and general health information from 1 million Veterans in the next 5-7 years. The program is on track to establish one of the largest genomic and health information research resources available in the world, which should help provide answers to many pressing medical questions and lead to improvements in care and prevention for Veterans and the Nation. As of September 30, 2013, 204,471 Veterans have enrolled. Contracts were awarded for genotyping, as well as whole exome and whole genome sequencing. Whole and full genome sequencing of the first few hundred samples has been initiated.

Access Improvements for Mental Health
In 2013 VHA successfully hired an additional 1,669 new mental health providers under the President's Executive Order and established 24 pilot programs with community providers across 9 states and 7 Veterans Integrated Service Networks (VISN) to improve access to mental health care. In addition, telemental health usage is increasing at an average rate of 25 percent more encounters per year and Veterans receiving mental health services within the primary care is averaging a 58 percent yearly growth since 2008. More than 1.46 million Veterans received specialized mental health treatment from VA in 2012 up from 1.39 million in 2012.

Ending Veteran Homelessness
During 2013, 146,557 Veterans have been served by VA health care for homeless Veterans outreach initiatives, an increase of 23 percent from 2012. In partnership with the Department of Housing and Urban Development (HUD), 45,153 Veterans were in permanent housing through the HUD-VASH program as of September 30, 2013. These Veterans have also been assigned dedicated case managers and provided access to comprehensive health services. Although methods for estimating the total number of street and sheltered homeless have limitations, most recent data (HUD, December 2012) showed a 20 percent decline in homelessness among Veterans since January 2010.

Continuing Support for Caregivers
VA continues successful Caregiver Support Program implementation. As of the end of 2013, 11,957 approved family caregivers have received stipends and additional benefits, including health insurance coverage and mental health treatment. VA expanded services to family caregivers of Veterans of all eras. VA launched Building Better Caregivers™ an evidence-based 6-week online workshop designed to reduce caregiver stress, depression, and increase family caregiver well-being. The VA family caregiver Web site (www.caregiver.va.gov) receives over 1,300 hits a day and the Caregiver Support Line (1-855-260-3274) has received over 92,000 calls. The Caregiver Support Program offers peer support mentoring and additional education programs.

Health care Quality Improvements
Recognizing the need to address emerging risks and prioritize existing problems, VHA has established a Chief Risk Officer position. Using industry standard principles of Enterprise Risk Management, VHA is better able to address risk areas that may impair our ability to achieve strategic priorities. This concept has been rolled out to several VISNs and a newly developed risk registry tool has been developed and is undergoing testing.

Rural and American Indian and Native Alaskan Veteran Care
Improving access to high quality health care for rural Veterans, as well as American Indian and Native Alaskan Veterans, is a priority for VHA. From October 2010 through September 2013, 1.5 million Veterans were served closer to home by rural health-funded initiatives to increase access to care, including opening new rural clinics, deployment of mobile clinics, partnerships with community-based providers, and increased use of telemedicine. In 2013, VA and the Indian Health Service (IHS) signed a National Reimbursement agreement resulting in 81 local implementation plans. VA has reimbursed over 1 million dollars in claims to IHS and other tribal health programs serving over 450 Native Alaskan/American Indian Veterans.

Progress on Disability Claims
VA is implementing a comprehensive organizational Transformation Plan—a series of people, process, and technology initiatives—to increase productivity and accuracy of disability claims processing across its 56 Regional Offices. As part of transformation efforts, VA has adopted a new organization model in processing claims through the use of segmented lanes. When a

Veteran files a claim or sends evidence to support his or her claim, the Intake Processing Centers sort it into one of three segmented lanes: Express, Core, or Special Operations. This allows VBA to identify, at the earliest possible point, any Veteran who requires expedited handling, such as a Veteran experiencing financial hardship, a homeless Veteran, or a Veteran who has a terminal illness. Each lane has dedicated claims processors whose skills and expertise match the lane to which they are assigned. This allows the VA to process claims more quickly and more accurately.

On April 19, 2013, VBA implemented an initiative to expedite processing of disability claims for Veterans who have waited longer than 1 year for a decision. VBA initially focused its efforts on claims pending over 2 years, completing over 67,000 of these claims in 2 months. Since June 20, 2013, VBA has focused on claims pending over 1 year. As a result, at the end of 2013, the inventory of disability claims was 722,013 claims – the lowest since November 2010. VBA continues to work with Veterans Service Organizations (VSO) and communicates with Veterans through social media, encouraging participation in the Fully Developed Claim (FDC) program. FDC allows for more timely claims decisions. In 2013, VBA completed 67,967 compensation FDCs, with an average days to complete (ADC) of 120 days, compared to the ADC of 347.6 days for regular disability compensation claims.

VBA and VHA have collaborated to implement the Acceptable Clinical Evidence (ACE) program. Under ACE, VHA clinicians complete a Disability Benefits Questionnaire by reviewing existing medical evidence and supplement it with information obtained during a telephone interview with the Veteran. This alleviates the need for the Veteran to report to an in-person examination and allows for more timely claims decisions.

Progress on Pension Claims

VBA is improving the delivery of benefits by eliminating inefficient pension procedures. In December 2012, VBA eliminated the need for pension beneficiaries to file an annual eligibility verification report (EVR). The work associated with annually sending and processing an estimated 150,000 EVRs, including the suspension and reinstatement of benefits, burdened pension beneficiaries and significantly disrupted VBA's ability to timely work pension, DIC, and burial benefits claims during the annual EVR season (January through April). VBA will continue to amend awards based on changes in unreimbursed medical expenses and income reports to us. However, by eliminating the EVR requirement, VBA will be able to redirect significant resources within the Pension Management Centers to address the backlog of pension and DIC claims. As a result, VBA reduced the backlog of original and reopened DIC claims from 8,742 at the end of January 2013, to 2,954 as of the end of September 2013.

Improving Automation

Veterans Benefits Management System (VBMS) is a Web-based, electronic claims processing solution designed as the technology platform for faster and more accurate disability claims decisions. VBA completed national deployment of VBMS in June 2013, which was 6 months ahead of schedule and allowed access to over 22,000 end-users. Generation Two of VBMS in

2013 focused on building additional system capabilities, such as the correspondence and work queue tools, while leveraging simple automation features, such as integrating rules-based rating calculator functionality.

VBA established the Veterans Claims Intake Program (VCIP), which is streamlining processes for receiving digital records and data into VBMS and other VBA systems. VCIP manages such primary intake capabilities as scanning and the transfer of Veteran data into VBMS. Document scanning has become the main mechanism for transitioning from paper-based claims folders to the new electronic environment. The uploading of scanned documents to the electronic folders began on October 14, 2012. Approximately 112 million images had been uploaded to date.

eBenefits is a joint VA/DoD Web portal that provides resources and self-service capabilities to Veterans, Servicemembers, and their families to research, securely access, and manage their VA and military benefits and personal information. Since October 2009, eBenefits has enrolled over 3.059 million individuals and provided over 50 self-service features through 14 quarterly releases that have increased user accessibility as their personal information and documents required for benefit eligibility are accessible 24 hours a day. To date, over 367,000 home loan certificates of eligibility have been generated and over 353,000 military document requests have been fulfilled via eBenefits.

The release of Veterans Online Application (VONAPP) Direct Connect (VDC) allows claimants to submit disability compensation claims via the eBenefits portal. At initial release, VDC employs an interview-style process to gather the information necessary to auto-populate VA Form 21-526EZ, *Application for Disability Compensation and Compensation Related Benefits*, to automatically establish a control in the system and save all claim information in VBA's corporate database. Additionally, the claimant may upload up to five supporting documents (up to five megabytes per document) with the claim.

VA deployed the Stakeholder Enterprise Portal (SEP) which provides VSOs a window into a Veteran's active and historical benefit requests, as well as the ability to conduct online transactions related to the application for benefits and services on behalf of Veterans for whom they have been granted power of attorney; SEP has 877 registered users since inception.

VBA was able to eliminate the annual EVR requirement because it worked with the Internal Revenue Service (IRS) and Social Security Administration (SSA) to improve interagency data sharing for purposes of verifying income eligibility for its needs-based benefits. Under the improved process, IRS and SSA provide VBA income information on a weekly basis for those applying for needs-based benefits. By providing VBA with the capability to verify the income of applicants at the time of application, the data sharing initiative preserves the integrity of the pension program for those with genuine need, reduces overpayments, and reduces VA's reliance on self-reported data.

Declining Veteran Unemployment

VetSuccess.gov is a one-stop shop for employment and transition resources for all Veterans. The Web site was integrated with eBenefits in September 2013, allowing Veterans receiving other VA benefits to access employment information through VetSuccess.gov. In 2013, nearly 230,000 Veterans and 6,500 employers registered on VetSuccess.gov. The new users added in 2013 represent a 25 percent increase in Veteran registrants and a 28 percent increase in employer registrants since 2012. Since inception, nearly 35,000 jobs have been posted to the site, with 3,500 new job postings added in 2013. Vetsuccess.gov also links Veteran job seekers to millions of career opportunities through the Veterans job bank.

Expansion and Improvements in Post-9-11 GI Bill Program

VA's Long Term Solution (LTS) system processes over 44 percent of supplemental claims within 1 day of receipt. In addition, over 80 percent of all Post-9/11 GI Bill supplemental claims are automated – partially or fully. Since activation of automation in 2013, approximately 1,236,210 claims have been fully processed end-to-end without human intervention. As of the end of September 2013, the average days' pending for an original claim is 26 days, and a supplemental claim is 10 days. With the success of LTS, the increased productivity gains have allowed the agency to reallocate 100 Veterans claims examiners from Education Service to Compensation Service to work on eliminating the disability claims backlog.

Housing

Despite challenges in the nationwide mortgage industry, the VA Home Loan program continued to maintain the lowest foreclosure rates in the mortgage industry (for the last 21 quarters) through the last quarter of data availability (Q2 CY 2013). VA guaranteed loans achieved a lower foreclosure rate than even prime loans. This strong performance can be attributed to VA's practice of making contact with borrowers early in the default process to ensure they have every possible chance to save their home. In 2013, VA helped 79.4 percent of borrowers in serious default to retain their home or avoid foreclosure (over 73,000 borrowers total).

Insurance

Since 2009, Veterans have been able to apply for Veterans' Group Life Insurance (VGLI) online. Since then, online enrollment rates have steadily increased, while enrollment via paper applications has decreased. There are several benefits to enrolling for VGLI online:

- It is secure – Strong security software helps safeguard members' information.
- It is convenient – Members can enroll for VGLI 24 hours a day, 7 days a week, from anywhere they have an Internet connection.
- It is user friendly – Clear instructions guide members step-by-step through the enrollment process.
- It is "green" – A paperless process means less clutter for the member, and the planet.

In 2013, 64 percent of all VGLI applications were completed online. The VGLI online enrollment Web site is currently being revamped to help create an even more user-friendly and intuitive process.

Integrated Disability Evaluation System (IDES)
VA and DoD signed a memorandum of understanding for the purpose of providing Vocational Rehabilitation and Employment (VR&E) services at the earliest opportunity to active duty Servicemembers. These services include: a comprehensive evaluation to determine abilities, skills, and interests for employment; and development of a rehabilitation plan of training and other needed assistance and case management. By physically placing VR&E counselors at IDES locations, quality and timeliness of benefits delivery will improve by beginning the process of developing a new career that is uniquely appropriate for each individual's desires and abilities during the transition process. At the end of 2013, 75 IDES sites have a VR&E counselor on location.

VetSuccess on Campus
The "VetSuccess on Campus" program provides on-campus support to Veteran students to assist in the pursuit and successful completion of educational and career goals. The program is currently located on 94 college campuses; serving approximately 94,000 Veteran students. Services include career and academic counseling, adjustment counseling, mental health treatment, benefits assistance, job readiness, and job placement assistance.

Increasing Access to a Burial Option
In 2013, the National Cemetery Administration (NCA) continued working to increase and improve Veterans' access to a burial option in a national, state, or tribal Veterans cemetery through various strategies:

- Developing five new national cemeteries that will serve more than 550,000 currently unserved Veterans in the areas of Central East Florida; Tallahassee, Florida; Western New York; Omaha, Nebraska; and Southern Colorado. As of the end of 2013, NCA has acquired land for the Tallahassee and Central East Florida sites and the Omaha, Nebraska site. Construction activities for these national cemeteries are planned to begin in 2014.

- Establishing columbaria cemetery facilities close to the Veteran population in large urban areas where the location of the existing national cemetery has proven to be a barrier to burial and visitation. These urban initiative facilities will be located in New York, New York; Los Angeles, California; San Francisco, California; Chicago, Illinois; and Indianapolis, Indiana.

- Establishing national Veterans burial grounds through a Rural Veterans Burial Initiative to improve access to a burial option for Veterans who reside in sparsely populated areas where access to a national or state Veterans cemetery does not exist. New national Veterans burial grounds will be located within existing public or private cemeteries and operated by NCA in Maine, Wisconsin, North Dakota, Montana, Wyoming, Nevada, Idaho, and Utah.

Tribal Cemetery Grants
VA continues to partner closely with the tribal Veteran community, and to date, has awarded a total of five grants to tribal organizations for the construction of new Veterans cemeteries on tribal trust lands. VA awarded one additional grant to a tribal organization in 2013 to the Seminole Nation of Oklahoma and is currently reviewing five new tribal pre-applications submitted for funding consideration in 2014. VA approved its fourth grant to establish a Veterans cemetery on tribal trust lands in 2012, as authorized in P. L. 109-461. Of the four grants for tribal Veteran cemeteries awarded, three began construction. The fourth one, a new tribal Veterans cemetery serving the Veterans of the Rosebud Sioux Tribe, was dedicated in 2012 and opened in 2013 in Rosebud, South Dakota.

Homeless Veterans Cemetery Caretaker Apprentice Program
NCA fully implemented the Homeless Veterans Cemetery Caretaker Apprentice program in collaboration with the Veterans Health Administration and VA Learning University. In 2013, 29 Veterans were selected to participate in the Cemetery Caretaker Apprentice pilot program at 6 national cemeteries. Veterans that successfully complete the 12-month competency-based training are expected to graduate in November 2013, and will be offered permanent employment as cemetery caretakers at a VA national cemetery. NCA has incorporated lessons learned from this inaugural year to improve Veterans' participation and graduation success rate. NCA expects to accept up to 25 homeless Veterans in 2014.

Open Source Electronic Health Record Community
We have focused efforts to enable health care projects to accommodate ideas from outside VA, accept open source development from outside VA, and accelerate the ability to merge with an open integrated Electronic Health Record, or iEHR. Our Code in Flight program releases unfinished software and design documents for sharing works-in-progress, which helps address the increased need for more software design standards that support isolation of sensitive and restricted parts from non-sensitive parts. We have been reducing dependencies on closed architecture and commercial tools and focusing on adoption of open source tools and open architecture. VistA standardization has returned all VA medical centers to a single national baseline in one third of our products.

Network Security
VA continued to make progress in improving its information security posture in 2013. This has resulted in a more comprehensive security program that better protects sensitive information. In 2013, VA has either initiated or completed enterprise-wide actions addressing security management, segregation of duties, access controls, contingency planning, and configuration management. VA continued to implement the Continuous Readiness in Information Security Program (CRISP) program, which has resulted in significant improvement in remediation of many of the information security deficiencies associated with its information security program. As part of CRISP, VA ensured that over 98 percent of VA staff has received the mandatory information security training they need to protect the information of Veterans and their families. VA is also implementing the Visibility into Everything initiative, which allows VA

to see and view, measure, and secure all information technology (IT) assets across the VA enterprise.

Improved Veteran-Owned Small Business (VOSB) Verification

2013 marked a major turning point in the verification program at the Center for Veterans Enterprise (CVE). The expansion of the verification assistance program and simplified renewal, along with the introduction of the pre-determinations finding program completely eliminated the backlog of verification applications. As of February 2013, all firms listed in the Vendor Information Pages database of verified VOSBs were verified under the expanded verification process required by the Verification Act (P.L. 111-275, Section 104).

National Veterans Small Business Conference

The centerpiece of the National Veterans Small Business Conference was a plan to connect small business owners with procurement decision makers from Federal agencies and private industries. Over 361 training and business requirement sessions were held and direct and online networking opportunities were provided with senior government procurement decision makers from across the country. More than 2,200 Veteran-Owned Small Business representatives were able to discuss their capabilities with nearly 500 government participants at 1,300 networking roundtable sessions. Participants made more than 54,690 contacts using technology that enabled them to collect profile data to facilitate future connections.

Standardizing End-to-End Construction Program Management

As part of VA's continuing commitment to deliver high quality facilities, at best value, to serve our Nation's Veterans, VA and its partners have successfully implemented several key initiatives to improve VA construction of facilities. First, VA instituted a requirement that major construction projects have 35 percent of the design complete before VA requests major construction funding. The 35 percent design threshold leverages industry best practices and minimizes the risk of significant changes and potentially lengthy delays and cost increases. Second, to improve the speed of activations of facilities, VA established a mechanism to incorporate the various funding streams, particularly medical and IT equipment, and coordinate the various funding processes. Third, VA successfully completed a seven-project pilot of TRIRIGA software for the management of major construction, minor construction, non-recurring maintenance, and major lease projects. TRIRIGA is a commercial project management software package that replaces VA's previous tool for managing major construction, and provides a more robust capability to establish and more tightly integrate project management controls, which helps reduce project cost and schedule risk.

Hiring Veterans within VA

The Veteran Employment Services Office (VESO) supports Veteran recruitment, retention, and reintegration through the development and implementation of innovative and comprehensive programs, services, and procedures. VA hired more than 15,000 Veterans in 2013 and now employs more than 108,000 Veterans. The total number of Veterans in the workforce increased by more than 4,600 in 2013 (103,638 for 2012 and 108,319 for 2013). VA for Vets is the high-tech, high-touch program that VESO sponsors to help meet its mission. The VA for Vets Web site provides a suite of online tools to help Veterans become career ready, including a military skills translator, resume builder, career assessment, and job search engine. VESO also signed several agreements with agencies to utilize the VA for Vets program to hire Veterans in their workforces.

Contingency and Reconstitution Planning

VA participated in the annually mandated Eagle Horizon 2013 Continuity Exercise. The focus of the national, full-scale exercise gave VA an opportunity to exercise its plan on how VA would reoccupy Washington, DC after an evacuation (VA Reconstitution Plan) and train Reconstitution Emergency Relocation Group members. VA is regarded as a leader in the Federal community concerning reconstitution planning and was given the opportunity to directly collaborate with the Administrator of General Services Administration (GSA) as an outcome of this exercise. These opportunities resulted in the refinement of VA's reconstitution planning process and overall VA Reconstitution Plan.

Going Green

This year, more than 150 megawatts of renewable power is operating, under construction, or awarded, representing a 67 percent increase from 2012. About 54 percent of VA's fleet of over 17,000 vehicles is alternatively fueled. VA facilities are operating 30 new plug-in electric vehicles, and will receive an additional 53 vehicles under the new GSA electric vehicle pilot program. VA is completing its "Green Routine" pilot program to engage VA employees in greening activities, and will implement the program nationally. These and other accomplishments create cost savings and operational efficiencies.

VA also continues to invest in green technologies at national cemeteries. Through the use of photo voltaic systems and wind turbines, VA receives credit for generating 16 percent of its energy through renewable sources in accordance with the Energy Policy Act of 2005, which is well in excess of Federal targets. Several VA national cemeteries were recognized for their environmentally friendly efforts in 2013. Ft. Bliss Texas National Cemetery received The Texas Commission on Environmental Quality environmental award for water conservation, Bakersfield, California, National Cemetery received the VA Sustainability Award in the category of water conservation, and Riverside, California National Cemetery received an honorable mention in the VA Sustainability Award category of green purchasing for eliminating all petroleum-based cleaners and using only bio-based cleaning products.

VA/DoD Collaboration

In 2013, the Office of Interagency Collaboration and Integration supported efforts to establish an agreement between VA and DoD to implement a common separation health assessment that would improve VA's ability to adjudicate disability claims and help prevent future backlogs. That process is anticipated to be implemented in 2014. The office supported additional improvements in the process to transition Servicemembers to Veteran status through the Veterans Employment Initiative Task Force and helped meet the November 21, 2012, deadline for compliance with the Veterans Opportunity to Work to Hire Heroes Act of 2011. The office continued to support the implementation of IDES through continued process improvements.

Social Media and Outreach Initiatives

VA is a leader in social media. In the last year, VA has more than doubled the number of individuals connected with the Department on social media channels. VA has more than 150 Facebook pages, most of which belong to individual VA medical centers, with a combined subscribership of more than 975,000 fans. VA's extensive online presence also includes the VAntage Point blog, a Flickr page containing more than 17,000 photos, and a YouTube channel with nearly 700 videos, which has amassed over 2.4 million views. The Department also uses its nearly 90 Twitter feeds to reach almost 240,000 people every day. At the local level, VA medical center Facebook pages reach over 167,000 Veterans, their family members, and dependents.

Improving National Veterans Sports Programs

VA provided a monthly assistance allowance to over 130 Veterans training for the U.S. Paralympic Team achieving 36 percent growth in recipients during the year, as well as establishing new allowance standards and processes to enhance partnerships and capabilities with the National Governing Bodies and subordinate entities nationwide for all 27 Paralympic sports. We also developed a new adaptive sports Web site, online and social media outreach, and training capabilities providing new tools and resources to Veterans, clinicians, and family members. With the U.S. Olympic Committee, VA co-hosted the National Adaptive Sports Training Conference and Paralympic Leadership Conference, which trained 90 VA officials and clinicians from every VISN and linked in over 300 officials from diverse paralympic and adaptive sport entities at the national, regional, and community-based levels to facilitate establishing therapeutic adaptive sport programs for disabled Veterans and disabled members of the Armed Forces.

In partnership with the U.S. Olympic Committee, SPIRE Institute, VA's mental health community, and the Center for posttraumatic stress disorder (PTSD), created the National Veterans Health and Wellness Program to incorporate adaptive exercise, competitive sports and lifestyle skills into a more comprehensive therapy program for Veterans with active PTSD.

Women Veterans Task Force

On September 11, 2012, the Center for Women Veterans assumed responsibility for the newly formed Women Veterans Program (WVP). Using the defined priority issues from the *Strategies for Serving Our Women Veterans* Report – Capacity and Coordination of Services, Environment of Care and Experience, Employment and Training, Data Collection and Evaluation of Services, and Organizational Accountability, Collaboration, and Transparency – as the foundation for the WVP, the Center set about developing a Departmentwide integrated action plan for meeting the needs of women Veterans. In 2013, VA finalized an internal operating/action plan, which established deliverables and milestones and serves as the roadmap to the WVP futures state until 2015. WVP also made new training for VA employees available on VA's Talent

Management System that specifically addresses women Veterans issues. "Serving Women Veterans," a 20-minute training module, was a collaborative effort that includes vignettes for employees to better serve women Veterans in the areas of health care, benefits, and memorial affairs.

Most Important Achievements and Challenges

The Department's most important 2013 achievements, as well as its current challenges are summarized below.

Most Important Achievements

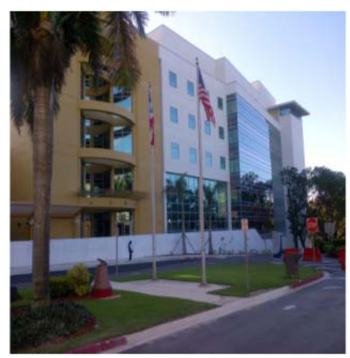
Care Delivery/Access

- VA continues to lead the nation in care delivery that improves population health, as evidenced by performance in Prevention and Chronic Disease Management that is concordant with Clinical Practice Guidelines

- **Increasing Veteran Access to Health care through Major Leases**
  VA awarded 15 lease contracts for $1.567 billion in total contract value; delivered 19 newly leased facilities with a total contract value of $533 million; and acquired 10 parcels of land, including base realignment and closure transfers from DoD, such as the Outpatient Clinic (OPC) in Laredo, Texas. The Laredo OPC opened on May 7, 2013, and has 18,464 net usable square feet (nusf) and 151 parking spaces. The clinic, which replaced a 10,000 nusf facility, provides Veterans with primary care, mental health, specialty care, social work, nutrition, and women's health care.

- **Major Construction: Increasing Veteran Access and Making Smart Infrastructure Investments**
  VA awarded 37 major construction contracts worth $934 million in total contract value.

  VA has successfully completed projects, such as the the New Administration building at the San Juan, Puerto Rico VA Caribbean Healthcare System. The new administration building project, with approximately 170,072 square feet of new construction, will improve the administrative operations of the VA medical center by providing a new central office building to consolidate existing employees, who currently are located throughout the complex. Approximately 1,400 employees and visitors are expected to use the building.

  San Juan's New Administration Building

- **Land Acquisition for New Cemeteries**
  Finding suitable land for these new cemeteries, urban facilities, and rural burial grounds is a challenge. Potential sites must be large enough to meet current and future burial needs of Veterans and their families. Location, liens and encumbrances, environmental concerns, historical or archeological significance, and the availability of natural resources, such as water, are other important factors. NCA has acquired land for three of the five new national cemeteries and has identified potentially suitable properties for

the remaining two national cemeteries and all five urban initiative sites. NCA is also working to identify suitable sites for national Veterans burial grounds.

Homeless Veterans

- Substantial progress has been made with homeless outreach and provision of permanent and supportive housing, as well as access to comprehensive health care. During 2013, 146,557 Veterans have been served by VA health care for homeless Veterans outreach initiatives, an increase of 23 percent from 2012. In partnership with the Department of Housing and Urban Development (HUD), 45,153 Veterans were in permanent housing through the HUD-VASH program as of September 30, 2013. These Veterans have also been assigned dedicated case managers and provided access to comprehensive health services. Although methods for estimating the total number of street and sheltered homeless have limitations, most recent data (HUD, December 2012) showed a 20 percent decline in homelessness among Veterans since January 2010.

- **Homeless Veterans Cemetery Caretaker Apprentice Program**

  NCA fully implemented the Homeless Veterans Cemetery Caretaker Apprentice program in collaboration with the VHA and VA Learning University. In 2013, 29 Veterans were selected to participate in the Cemetery Caretaker Apprentice pilot program at 6 national cemeteries. Veterans that successfully complete the 12-month competency-based training are expected to graduate in November 2013 and will be offered permanent employment as cemetery caretakers at a VA national cemetery. NCA has incorporated lessons learned from this inaugural year to improve Veterans' participation and graduation success rate. NCA expects to accept up to 25 homeless Veterans in 2014.

Mental Health

More Veterans than ever are receiving mental health services from VA, and to meet the demand, VA has increased the number of mental health providers in 2013 by more than 1,600 staff.

Telehealth

- VHA's telehealth programs continue to be the largest and most sophisticated in the Nation. In 2013, VA specific telehealth services were delivered to 603,532 Veterans with medical and mental health conditions, enabling these Veterans to live independently in their own homes and local communities.
- VHA has seen a 24 percent expansion in 2013 in the number of Veteran patients receiving care via clinical video telehealth-based telemental health services that supported 95,059 Veterans.

VA Appeals Process

- The VA appeals process has multiple stages, and these steps are shared between VBA and the Board of Veterans' Appeals (Board). The Board continued to leverage technology to better serve Veterans through the promotion and use of video teleconference hearings, which has reduced costs and hearing wait time for Veterans.
- The Board executed an aggressive hiring plan in 2013, which will position the Board to meet the rising appeals inventory in upcoming fiscal years.

Burial/Cemetery Options

Increasing Access to a Burial Option

In 2013, NCA continued working to increase and improve Veterans' access to a burial option in a national, state, or tribal Veterans cemetery through various strategies:

- Developing five new national cemeteries that will serve more than 550,000 currently unserved Veterans in the areas of Central East Florida; Tallahassee, Florida; Western New York; Omaha, Nebraska; and Southern Colorado. As of the end of 2013, NCA has acquired land for the Tallahassee and Central East Florida sites and the Omaha, Nebraska site. Construction activities for these national cemeteries are planned to begin in 2014.

- Establishing columbaria cemetery facilities close to the Veteran population in large urban areas where the location of the existing national cemetery has proven to be a barrier to burial and visitation. These urban initiative facilities will be located in New York, New York; Los Angeles, California; San Francisco, California; Chicago, Illinois; and Indianapolis, Indiana.

- Establishing national Veterans burial grounds through a Rural Veterans Burial initiative to improve access to a burial option for Veterans who reside in sparsely populated areas where access to a national or State Veterans cemetery does not exist. New national Veterans burial grounds will be located within existing public or private cemeteries and operated by NCA in Maine, Wisconsin, North Dakota, Montana, Wyoming, Nevada, Idaho, and Utah.

Veterans Cemetery Grants Program

- In 2013, VA awarded a total of 18 cemetery grants to state and tribal organizations, 2 grants to establish new Veterans cemeteries, and 9 grants to expand existing cemeteries to ensure there are no interruptions in burial service for Veterans and their families. In addition, VA awarded a total of seven grants to state cemeteries to fund improvements to physical infrastructure and cemetery appearance. In 2013, VA traveled to participate in the dedication of three new state and tribal Veterans cemeteries.

Tribal Cemetery Grants

- VA continues to partner closely with the tribal Veteran community and to date has awarded a total of five grants to tribal organizations for the construction of new Veterans cemeteries on tribal trust lands. VA awarded one additional grant to a tribal organization in 2013 to the Seminole Nation of Oklahoma and is currently reviewing five new tribal pre-applications submitted for funding consideration in 2014.

- VA approved its fourth grant to establish a Veterans cemetery on tribal trust lands in 2012, as authorized in P. L. 109-461. Of the four grants for tribal Veteran cemeteries awarded, three began construction. The fourth one, a new tribal Veterans cemetery serving the Veterans of the Rosebud Sioux Tribe, was dedicated in 2012 and opened in 2013 in Rosebud, South Dakota.

Benefits

Reducing the VBA Claims Backlog

- All 56 regional offices transformed their organizational structure by establishing segmented processing lanes and integrated teams to improve efficiency, 9 months ahead of schedule.
- We completed the deployment of our new paperless electronic claims processing system, VBMS, in June 2013 – a full 6 months ahead of schedule.
- On April 19, 2013, VBA implemented an initiative to expedite processing of disability claims for Veterans who have waited longer than 1 year for a decision. VBA initially focused its efforts on claims pending over 2 years, completing over 67,000 of these claims in 2 months.
- Since June 20, 2013, VBA has focused on claims pending over 1 year. As a result, in 2013, the inventory of disability claims was 722,013– the lowest since November 2010.
- Claims over 125 days old are down 31 percent in 2013 from their high on March 25, 2013. (611,073 versus 418,472)
- VBA completed 1,169,085 rating claims in 2013. This represents a 12 percent increase over claims completed in FY12 and a 13 percent increase over FY11.

Improving Accuracy

- The national quality data now contains information at both a claim and an issue level.
- Previously, VA only evaluated rating decisions at the claim level, finding a case to be either completely correct or in error. VA now also evaluates each claimed disability (issue) separately because of their increasing complexity and number.

- Issue-based quality allows a more accurate assessment of actual rating quality, timely feedback to regional offices, and greater ability to conduct targeted training to correct deficiencies.
- Issue-based quality, on a 3 month cumulative basis, is 96.7 percent as of September 2013.

National Deployment of VBMS

- VBMS is a Web-based claims processing solution complemented by improved business processes. It assists in eliminating the claims backlog and serves as the technology platform for faster, more accurate claims processing.
- VBA completed national deployment of VBMS in June 2013, 6 months ahead of schedule, with over 22,000 end-users. 2013 releases focused on building additional system capabilities while leveraging simple automation features.

Veterans Relationship Management (VRM)

- VRM expanded self-service features available via the eBenefits portal; with over 3 million registered users and 50 self-service features.
- VRM provides the ability to apply for benefits online via guided interview questions; receiving since inception over 26,116 claims for original/supplemental compensation and 41,092 claims involving dependent information.
- VRM released the SEP, which provides VSOs the ability to file claims, submit information, and view records for claimants they represent. SEP has a total of 1,041 registered users.

Pension and Fiduciary

Pension Income Verification
VBA was able to eliminate the annual EVR requirement because it worked with the IRS and SSA to improve interagency data sharing for purposes of verifying income eligibility for its needs based benefits. Under the improved process, IRS and SSA will provide VBA income information on a weekly basis for those applying for needs-based benefits. By providing VBA with the capability to verify the income of applicants at the time of application, the data sharing initiative will preserve the integrity of the pension program for those with genuine need, reduce overpayments, and reduce VA's reliance on self-reported data.

Education

- VA's LTS system processes over 44 percent of supplemental claims within 1 day of receipt. In addition, over 80 percent of all Post-9/11 GI Bill supplemental claims are automated – partially or fully. Since activation of automation in September 2012 through September 2013, approximately 1,236,210 claims have been fully processed end-to-end without human intervention.
- VA identified 6,337 campuses who voluntarily agreed to comply with Executive Order 13607, called the "Principles of Excellence." VA's outreach efforts disseminated information that strengthens oversight, enforcement, and accountability within Veteran and military educational benefit programs.
- VA made great strides in the development of the Comparison Tool /GI Bill Benefit Estimator. This tool will enable prospective students to compare educational institutions using key measures of affordability and value through access to school performance information, and consumer protection information. Deployment of the Comparison Tool is anticipated in 2014.

Veteran Outreach

At the end of the 2013, Minority Veterans Program Coordinators (MVPC) from the three VA Administrations conducted 12,427 outreach activities, and contacted 1,011,306 Veteran stakeholders, of which 40 percent were minority Veterans. This work addresses the lack of awareness Veterans have regarding their benefits and services and exposes them to those services, which in turn increases Veterans access.

VA's Center for Faith-Based and Neighborhood Partnerships (CFBNP) develops partnerships with and provides relevant information to faith, nonprofit and community organizations. The goal is to expand their participation in VA programs in order to serve the needs of our Veterans, their families, Survivors, and caregivers. VA CFBNP uses the following outreach events each fiscal year to educate, engage and inform faith-based, nonprofit, community leaders, and organizations. VA CFBNP achieved the following during 2013:

- VA CFBNP co-hosted three regional Veterans outreach events for faith-based, nonprofit, and community leaders, and organizations in partnership with VBA VR&E Service and the VR&E regional office of the host city. Two regional Veterans outreach events were co-hosted in Muskogee, Oklahoma and Syracuse, New York, which are rural communities.
- VA CFBNP participated in the White House of Faith-Based and Neighborhood Partnerships (WHOFBNP) events entitled "Connecting Communities for the Common Good Conferences," along with the Centers at 12 other Federal agencies.
- VA CFBNP collaborated with local faith-based and community-based partners to facilitate Veterans informational workshops.

- VA CFBNP hosted workshops and disseminated VA program and services materials at major and minor faith-based denominations conventions.

- VA CFBNP leveraged faith-based and community organizations resources to service the needs of Veterans and eligible dependents.

- VA CFBNP participated in the Faith and Neighborhoods in Action: A Symposium to Address Economic Recovery Through Strong Communities and Job Creation at Norfolk State University – Norfolk, Virginia. VA CFBNP collaborated with the WHOFBNP and the Small Business Administration Center for Faith-Based and Neighborhood Partnerships and co-hosted a community symposium. Approximately 200 Pastors and community leaders participated.

The VA Office of Survivors Assistance (OSA) serves as a resource regarding benefits and services furnished by VA to Survivors and dependents of deceased Veterans. OSA ensures that surviving spouses, children, and parents of deceased Veterans have knowledge of and apply for benefits to which they may be entitled. OSA uses the following outreach activities to promote and increase awareness of Survivor benefits: conducting presentations/briefings, serving as panel members, participating in conference calls, and hosting and staffing exhibit booths, as well as other events as requested. OSA achieved the following during 2013:

- OSA continued to facilitate, coordinate, and actively attend and participate in a variety of outreach events with internal and external partners to promote open and ongoing dialogue with VA and its stakeholders to increase awareness of available benefits and services for eligible Survivors.

- OSA commenced distribution of the new Survivor Benefits and Services QuickSeries Mobile eGuide, leveraging technology to improve information delivery to customers.

- OSA increased participation in targeted outreach and faith based events with the Center for Minority Veterans.

- OSA continues to leverage the diversity of its partnerships through cooperative efforts to facilitate achieving organizational goals and objectives of promoting and increasing knowledge of benefits and services for Survivors.

The *Feds for Vets* initiative was created by VESO to extend the *VA for Vets* solution to other Federal agencies and nonprofit organizations. *Feds for Vets* was designed to serve as the single talent exchange for Veterans, transitioning Servicemembers, Guard and Reserve members, HR professionals, and hiring managers to increase Veteran hiring Government-wide. As of July 31, 2013, VA employs 108,319 Veterans, which is 32.50 percent of our workforce. VA hired 12,524 Veterans in 2013, which is 34.2 percent of new hires.

Information Technology

- On March 18, 2013, VA's Office of Information and Technology (OIT) held the grand opening dedication ceremony for the new Hoteling/Collaborative Center at the Tech World Building in Washington, DC. The center complies with mandates by the President and Office of Management and Budget (OMB), requiring Federal agencies to reduce lease space. IT Space and Facilities Management managed the remodeling of the 5,000 square feet area, furnishing, and development of the design concepts that allows for comfort, functionality, increase in space usage, and state of the art technology.

The Office of Emergency Management:
Supported VA's efforts in response to Hurricane Sandy by coordinating both intra-VA and Federal interagency efforts for response and recovery. Intra-VA, the VA Integrated Operations Center supported the response efforts at the Manhattan VA Medical Center, which sustained extensive water damage during the hurricane. Additionally, the Office of Operations, Security, and Preparedness represented VA in the President's Hurricane Sandy Recovery Task Force, ensuring VA's response and recovery efforts were aligned with the President's priorities for Hurricane Sandy rebuilding.

General Counsel

- Achieved VA's standards for completing regulations in a timely manner: completing proposed and final rules in less than 22.4 months and final rules not subject to public comment in less than 10.8 months, with actual performance averaging 19.7 months and 7.2 months, respectively. VA's regulatory processing times are now much shorter than most other Federal agencies.

- Published a number of important regulations for America's Veterans and their families, including regulations that extended the statutory period for compensation for certain disabilities due to undiagnosed illnesses and medically unexplained chronic multi-symptom illnesses; implemented legislation to exclude slayers from Servicemembers' Group Life Insurance proceeds; extended the period of time disabled Veterans can apply for Veterans Group Life Insurance without proof of insurability; automated contractor payment requests; implemented legislation that authorized VA to enter into contracts or provider agreements with State homes for the nursing care of certain disabled Veterans; implemented legislation providing tentative presumptive eligibility for psychosis and other mental illnesses; prevented increases in copayments for medications; implemented VA's authority to share drug information and participate in state prescription drug monitoring programs to reduce negative health outcomes; provided grants and per diem payments to public and nonprofit private entities that assist homeless Veterans; established a pilot program to provide grants to eligible community-based organizations and local and state entities to assist Veterans in transition from the military in rural or underserved communities; implemented legislation to provide grants to assist Veterans in highly rural areas with innovative transportation services to receive VA medical care; removed a 30-day residency requirement before VA pays per diem for Veterans who do not stay overnight; prioritized grants for states constructing or acquiring state homes when remedying life or safety deficiencies; established a pilot program to provide private dental insurance for eligible Veterans; authorized compliance waivers for minor deficiencies at community residential care facilities; and eliminated a regulatory procedure that denied patient access to their records.

- Completed VA's 21st proposed rule for the Compensation and Pension regulation rewrite project, consolidating 20 previously proposed rules into a single document that will give Veterans, the public, and VSOs an additional opportunity to submit comments to improve VA's claims adjudication regulations.

Green VA

VA's green management activities resulted in careful stewardship of energy, environmental, and vehicle fleet resources, and reduced the Department's costs, thereby allowing more resources to be available to serve Veterans and their families.

VA continues to invest in projects that improve its internal capacity to serve Veterans, enhance security and emergency response, and demonstrate responsible stewardship of taxpayer resources through:

- Increasing the number of alternatively fueling stations at VA medical centers;
- Pioneering the use of 30 plug-in electric vehicles;
- Increasing renewable-fueled on-site electric generation capacity to 150 megawatts;
- Piloting Green Routine programs to reduce the environmental footprint at two additional locations; and
- Continuing to add sustainable certifications to buildings in the VA portfolio.

Strategic and Capital Planning

The Strategic Capital Investment Planning (SCIP) process is an innovative Departmentwide capital planning and prioritization process designed to improve the delivery of services and benefits to Veterans, their families, and their Survivors, within the safest and most secure infrastructure possible by addressing VA's most critical capital needs first, investing wisely in VA's future, and significantly improving the efficiency of VA's far reaching and wide-range of activities.

VA took the following actions in support of capital investment planning during 2013:

- Completed its third complete SCIP process and results were published in VA's 2014 budget to Congress. SCIP helps to ensure critical infrastructure issues are addressed.
- Implemented enhancements to the SCIP Automation Tool (SAT) including a fully automated budget execution module.

- The 2015 SCIP process scored over 1,500 business cases, resulting in a prioritized list of capital projects and a preliminary long-range action plan to support the development of the 2015 capital budget.

VA took the following actions in support of improved real property portfolio management:

- VA implemented a number of changes in support of OMB's Freeze the Footprint (FTF) initiative related to office and warehouse square footage. New guidance and policy was put into place to establish internal controls to manage FTF. In addition, VA is working to implement a new VA-wide space standard for administrative office space.
- Continued enhancements to the Capital Asset Inventory (CAI) system that improved data integrity, data validation, user navigation, and reporting features and functionality. In addition, SCIP SAT was updated to link directly to CAI, allowing real-time inventory data for use in the capital planning process.
- Completed disposal or reuse actions for approximately 39 assets, accounting for more than 144,000 square feet and 22 acres of vacant and underutilized property so far this year.

VA enhance-use leasing (EUL) authority continues to support the Department's initiative to eliminate Veteran homelessness by 2015.

- In 2013, VA identified 16 additional sites nationwide with high potential for repurposing housing for Veterans and their families who are homeless, or at risk of homelessness.
- Roseburg, Oregon - The Roseburg EUL project with The Eagle Landing was finalized on October 5, 2012. The project will include 54 units of permanent housing for homeless and at-risk Veterans and their families and 1 manager's unit. Pre-leasing has begun and the developer anticipates the first qualified Veterans moved in on November 25, 2013. The dedication ceremony was held on November 22, 2013.
- Leavenworth, Kansas - This project is located at the Dwight D. Eisenhower VA Medical Center in Leavenworth. The project, known as Ridge Top Apartments, will provide 49 units and more than 64,600 square feet of affordable housing with priority placement for Veterans in the Leavenworth area. The first occupancy occurred as scheduled on September 5, 2013.
- Tuscaloosa, Alabama – This project is located at the Tuscaloosa VA Medical Center. The project includes both renovation and new construction to deliver 50 units of permanent housing for homeless and at-risk Veterans and their families. The total square foot of the facility will be approximately 76,000 with priority placement, and is scheduled to open in late 2014.
- The Office of Data Governance and Analysis developed and implemented a system to record new VA clients who enrolled, registered, or used VA services each month. This, along with the completion of the fourth generation of the integrated United States Veterans Eligibility Trends and Statistics multidimensional database enhances the Department's knowledge of the geographic and demographic distribution of Veterans.

- The office also developed a health care scenario-based predictive model for supporting future policy planning and analysis.

Challenges

Homeless Veterans

While we can measure the number of homeless Veterans we serve, it is difficult to obtain an accurate count of homeless Veterans living on the street or in shelters.

Mental Health

While its mental health workforce has expanded, VHA continues to assess the optimal size and the manner in which to best deploy its workforce. A staffing metric and a model for interdisciplinary team-based care within mental health programs is being piloted to ensure ready access to high quality care. VHA makes over 80 million appointments a year. While our aggregate performance in appointment timeliness is favorable, it is still the case that a small but significant fraction of patients wait too long for their appointments, tests, or procedures. While the issue is hampered by very old scheduling software, VHA has been able to develop better dashboards and reports for clinicians and managers to use in improving access.

Benefits

Disability Claims Backlog

- While VA reduced the backlog of disability claims in 2013, its goal is to decide all claims within 125 days of receipt and with 98 percent accuracy in 2015. To meet this challenge, it must fully fund and timely implement all the technology programs that support claims processing, such as VBMS and VRM.
- VA expects to receive a significant number of new compensation claims as a result of the benefits briefings mandated by the Veterans Opportunity to Work to Hire Heroes Act (VOW Act) and the Veterans Employment Initiative (VEI).

Claims Processing Accuracy

To achieve 98 percent accuracy of claims processing by the end of 2015, VA must timely implement all of the quality and training programs, and software automation planned for VRM/VBMS. Automation is critical to achieving 98 percent accuracy. VBA began tracking issue based quality measures in October 2012. Reporting on both issue-based and claims-based quality allows VBA to target specific areas for which the workforce needs remedial and for more effective training.

VBMS/VRM Challenges

- To maximize the efficiencies of VBMS/VRM, claims and supporting documents must be filed electronically, received electronically, and processed electronically. This requires Veterans, VSOs, DoD, and other stakeholders transfer and/or submit information electronically. VA must continue to work with all stakeholders to achieve completely electronic processing.

Education

- While VA has made progress on the deployment and development of the Postsecondary Education Complaint System (PECS), challenges remain when determining the timeline for full deployment of PECS.

Information Technology

- The Office of Data Governance and Analysis is working with Department stakeholders to integrate VA's information architecture, removing stove-piped systems across VA organizations, which negatively impact VA information quality and many ongoing initiatives, such as VLER, VRM, and iEHR. This work, done in concert with organizations across VA, is developing and implementing customer data integration (CDI) framework in VA. A CDI framework will enable VA to capture, store, and share validated common data elements (identity, demographic, military service history, etc.) across multiple VA business operations. To this end, CDI must have defined program management responsibilities, agreement, and participation from all VA-wide stakeholders.

Burial/Cemetery

Gravesite Accountability

The NCA Headstone and Marker Review – the first conducted in the 150-year history of national cemeteries – reviewed headstones and markers for all 3.2 million gravesites at 131 national cemeteries and 33 soldiers' lots administered by NCA. The purpose of the self-initiated, comprehensive review was to confirm that all headstones and markers are set at the proper location and to ensure VA-administered national cemeteries continue to operate under the highest standards as national shrines. NCA leaders administered the review in two phases and the review took slightly over a year to complete, from October 2011, to December 2012. Phase II of the review, which concluded on December 31, 2012, identified 527 corrective actions: 520 headstone/marker errors and 7 potential reburials. Combined with Phase I results, NCA reported a total of 778 errors, representing less than .0003 percent of all headstones/markers in the system. As part of the Phase II corrective actions, NCA conducted five reburials and determined that two reburials were not necessary. Therefore, in total, NCA conducted 13 reburials as a result of mismarked graves identified in the Phase I and Phase II audits. All errors reported in the NCA Headstone and Marker Review have been corrected.

Appeals

The Board of Veterans Appeals' greatest current challenges include:

- Increasing Appeals Workload – As the Department processes more claims for benefits, there is a proportional growth in the number of appeals. To address this challenge, VBA and the Board will continue to collaborate on efficiencies in the appellate process, such as reducing avoidable remands, encouraging Veterans to leverage VTC technology, and advocating for legislative proposals aimed at streamlining the appeals process.

Outreach

The minority Veteran population is projected to increase from its present level of approximately 21 percent to approximately 34 percent by 2040. Additionally, approximately 33 percent of women Veterans are minorities, and this group is also projected to increase. The current challenge is to obtain data that will facilitate targeted outreach to minority Veterans to enhance their access to VA benefits and services, and to position the Department to meet the needs of a more diverse Veteran base.

Challenges within the realm of serving our women Veterans include: collaborative outreach efforts to build awareness among women Veterans of the benefits and services provided by VA, and to champion cultural transformation within VA; data collection gaps, which hamper our understanding of women Veterans' needs and their utilization of VA benefits and services; underutilization of services; and lack of awareness of benefits or eligibility.

Security/Emergency Preparedness

Security Investigations Center:

- Challenges within the Center include: development and deployment for a VA enterprise software application and database (the Personnel Suitability and Security System) for all VA employees, contractors, and affiliates.

Strategic and Capital Investment Planning (SCIP)

- VA's capital infrastructure is large and aging with over 170M square feet and an average building age of about 58 years. Also, the location of this infrastructure does not always align with current Veteran needs. Although SCIP provides a data-driven, long-term plan to modernize and right-size the VA inventory, the large scope of the problem remains a challenge given ongoing fiscal constraints.

- Significant progress has been made over the last 6 years in reducing VA's vacant property inventory. What remains in VA's inventory for disposal presents challenges. Many remaining assets are either in such poor condition that environmental remediation must be completed before the asset can be demolished or they are designated historical and VA has no need for the asset.

- VA's EUL authority expired on December 31, 2011; however, legislation was passed August 6, 2012, giving VA authority to pursue EULs for supportive housing type projects only. VA's 2014 Budget included a legislative proposal to return to a more expansive authority to maximize the opportunities that can be pursued via EUL. Where projects are pursued under the current authority, market conditions for financing can often be a challenge and environmental conditions or historical preservation issues must be addressed before the project can be completed.

Financial Highlights

The principal financial statements have been prepared to report the financial position and results of operations of the Department of Veterans Affairs (VA) pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of VA in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The financial statements should be read with the realization that VA is a component of the U.S. Government, a sovereign entity.

VA received an unqualified ("clean") opinion on *the Department's financial statements for 2013* and 2012 from the external auditing firm of CliftonLarsonAllen LLP (CLA). As a result of its audit work, CLA reported one material weakness in internal controls. The sole material weakness was for "Information Technology (IT) Security Controls," a repeat condition. In 2013, VA successfully remediated its significant deficiency from 2012, Undelivered Orders.

Through its leadership and guidance, VA's Office of Financial Process Improvement and Audit Readiness' (FPIAR) has significantly aided VA's audit remediation efforts. The FPIAR office continues to provide guidance in the remediation of audit findings and improvements to internal controls. VA's financial improvement successes in 2013 reflect the dedication and hard work of staff throughout VA's Administrations and staff offices. In 2014, VA will focus on continuing progress toward remediating the remaining material weakness identified by the external auditors and management's assessment process.

VA programs operated at a net cost of $354 billion in 2013 compared to a net cost of $355.9 billion in 2012 or an overall decrease in net cost of $1.9 billion or 0.52 percent. The overall decrease is due to a decrease in the Changes in Actuarial Liability Assumptions for Veterans' compensation and burial costs of $35.2 billion substantially all of which was offset by an increase of $33.3 billion in Net Program Costs by Administration before Changes in Veterans Benefits Actuarial Liability Assumptions.

The decrease in the Changes in Actuarial Liability Assumptions of $35.2 billion included in net cost was primarily attributable to the lower increase in disability claims rate assumptions. The costs associated with the disability claims rate assumptions for 2013 were $70.4 billion, or a decrease of $53 billion compared to 2012. The disability claims rate assumptions include long-term factors for future disability claims and short-term factors associated with the accelerated processing of the existing backlog of claims through 2015.

Net Program Costs by Administration before Changes in Veterans Benefits Actuarial Liability Assumptions in the Consolidated Statements of Net Cost totaled $239.9 billion and $206.6 billion for 2013 and 2012, respectively. Of this $33.3 billion, or 16.1 percent increase in net costs, approximately $30.0 billion is related to Veterans Benefits Administration (VBA), approximately $3.1 billion is related to Veterans Health Administration (VHA) and approximately $0.2 billion is related to Indirect Administrative Program Costs.

The VBA increase in net costs was primarily a result of the $20.5 billion increase in Experience Changes in Veterans Benefits Actuarial Liability. The 2013 increase in experience changes are based primarily on the processing of the disability case backlog which is higher than previously projected.

The balance of the change in VBA was a net increase in program costs of $9.5 billion. The program cost increase primarily relates to additional payments to Veterans and survivors receiving compensation and pension payments, additional payments to Veterans participating in the new Post-9/11 GI Bill, and increased loan guarantee subsidy costs to cover additional losses in the program.

The VHA increase in net cost of $3.1 billion relates principally to an increase in Medical Care expenses. The increase was primarily due to a $2.3 billion increase in Medical Services, consisting mainly of increased medical personnel and direct patient care costs, and increased purchases of medical equipment and pharmaceuticals. In 2013, 64,000 more Priority 1-6 patients were treated and 9,000 more non-veteran patients were treated. This was in addition to a 9.6% (53,000) patient increase from Operation Enduring Freedom, Operation Iraqi Freedom and Operation New Dawn Veterans. Also, 2,000 full term nurses and 500 full term physicians were hired. In addition to increases in Medical Services, medical facility construction and administrative support costs increased by $287 million and $204 million, respectively.

Assets and liabilities reported in VA's balance sheets do not show significant change from year to year with the exception of Federal Employee and Veterans Benefits Liabilities.

The $213.4 billion increase in the Federal Employee and Veterans Benefits Liabilities in 2013 relates to changes in experience and changes in actuarial liability assumptions. The changes in experience principally consist of increased disability claims filed and processed, including Agent Orange related disabilities and increased interest costs associated with the higher Veterans Compensation and Burial Actuarial Liabilities at the beginning of 2012 and 2013, partially offset by increased benefit amounts paid. The changes in actuarial liability assumptions relate primarily to: the increase associated with the decrease in the single weighted average discount rate used to compute the actuarial balance of Veterans Benefits Liability; decreases in the COLA rates used to project future cash flows; and the upward revision in claims processing required to complete the current pending claims backlog by the target date of 2015 due to the higher ongoing incidence rate and prevalence of presumptive conditions.

Through September 2013, the Department has collected $1.2 billion in delinquent benefit debt. In addition, we have collected $48.2 million through administrative offset on delinquent first party medical debt during 2013.

In 2010, VA developed a set of 11 financial management initiatives. Seven of these were completed in 2011. In 2013, VA continued work on the four remaining multi-year initiatives. VA made significant progress on its centralized Web-based Time and Attendance system this year. System development was completed and it was piloted at several VA facilities.

In 2013, VA also completed a final rule mandating electronic invoicing for payments made by VA’s Financial Services Center (FSC) helping to eliminate the errors and expense associated with traditional paper invoice submission and improving cost effectiveness, payment accuracy, and timeliness for both VA and vendors.

Significant progress is expected on the multi-year initiative to modernize Fee Basis payment capabilities. These financial management priorities drove our efforts during 2013, and continue to help us meet our financial management goals of: Reducing Operating Costs, Eliminating Improper Payments, Strengthening Internal Controls, and Enhancing Data and Analysis.

In 2013, VA continued to ensure that all Recovery Act transparency, reporting, and accountability goals were met. By September 30, 2012, VA had made outlays totaling over $1.83 billion (98 percent) of Recovery Act funds. For USAspending.gov, VA reported 100 percent of all required contract, grant, loan, and other assistance program spending, totaling $106.3 billion.

During 2013, the Department continued the aggressive use of the Governmentwide purchase card program, processing over 5.8 million transactions representing $3.5 billion in purchases. This generated over $72.5 million in refunds for VA compared to $75 million during 2012. VA's daily electronic billing and payment process for centrally billed accounts, along with a higher negotiated refund rate, allow VA to maximize refunds that are returned to VA entities for use in Veterans programs.

Throughout 2013, VA continued to make operational enhancements which resulted in improvements in interest paid, discounts earned, and improper payment collections. Interest improvements occurred largely because the Department centralized payment of VHA-certified payments at the Financial Services Center (FSC) in Austin, Texas, while the percentage of discounts earned remained high because of ongoing operational improvements implemented at the FSC. Interest penalties paid per million dollars disbursed improved 41 percent from $38 per million in 2012 to $23 per million in 2013. At the same time, VA earned over 95 percent ($5.5 million) of its available discounts.

The FSC also leveraged technology to expedite payment of commercial invoices. At the end of 2013, FSC helped VA pay 97 percent of small businesses within 15 days of receipt of proper payment documentation. Additionally, during 2013 VA paid 99.9 percent of all commercial vendor payments within the Prompt Payment Act timeliness standard.

Improvements were made in VHA financial management throughout the year in providing additional and clarifying financial policies, procedures, and guidance to VHA's fiscal community, particularly in the area of internal controls. VHA continues to monitor and improve its financial reporting and oversight process.

During 2013, several national financial training sessions were conducted through live-meeting for Engineering, Finance, and Logistics staff to address audit findings related to Property, Plant, and Equipment, Construction Work-in-Process, Environmental Liabilities, and Deferred Maintenance. Additional training sessions were conducted for Finance and Pharmacy staff to address internal control issues related to the reconciliation of the Pharmacy Prime Vendor account activity.

During 2013, the financial oversight assistance program, which was initiated in 2011, provided on-site assistance and training to finance staff at five VHA facilities. Training centered on researching and correcting accounting errors, and on reviewing and improving facility accounting practices. In addition, the program provided customized training on processing accounting transactions in the financial management systems.

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

Throughout 2013, VBA's Office of Resource Management addressed its prior year financial audit significant deficiencies. VBA developed corrective action plans and monitored the progress as part of its financial process improvement program. The following improvements highlight efforts to enhance the quality of financial reporting:

- Created an Improper Payments Elimination and Recovery Act team within VBA, aided the administration by providing prudent reporting which facilitated matters related to OMB Circular A-123 Appendix C.
- VBA made significant changes to its statistical sampling methodology, and acquired the services of contracted statisticians to validate the results. The refined sampling method eliminated the previous year's significant deficiency.
- VBA made great strides in reducing the balances of aged undelivered orders (UDO). VBA achieved a 66.5 percent reduction in balances of aged UDO's from $59.6 million to $20 million. Ongoing focused efforts will continue to mitigate this significant deficiency.
- VBA reengineered and updated its recertification process. These improvements included the creation of a web-based system that tracks all incoming returned payments, reclamations, payment over cancellations, and limited payability checks. The Recertification Accounting and Tracking System (RATS) will be operational by fiscal year 2015. RATS provides a greater level of internal controls over the process of returning funds to both the appropriation and Veterans. The automation of obsolete manual processes will also provide faster resolution of outstanding items.

Management Controls, Systems, and Compliance With Laws and Regulations

VA management is required to comply with various laws and regulations in establishing, maintaining and monitoring internal controls over operations, financial reporting and financial management systems as discussed below. VA is required to provide assurances related to the Federal Managers' Financial Integrity Act, the Federal Financial Management Improvement Act, and the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) in the section entitled "Management Assurances."

Federal Managers' Financial Integrity Act

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

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

Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act (FFMIA) requires agencies to have systems that generate timely, accurate, and useful information with which to make informed decisions and to ensure accountability on an ongoing basis. The Department faces challenges in building and maintaining financial management systems that comply with FFMIA.

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

Government Charge Card Abuse Prevention Act of 2012

The Charge Card Abuse Prevention Act (Charge Card Act) requires agencies to establish and maintain safeguards and internal controls for purchase cards, travel cards, integrated cards, and centrally billed accounts; to report purchase card violations; and requires Inspectors General to conduct periodic risk assessments of Government charge card programs.

Management Assurances

During 2013, the Secretary of Veterans Affairs emphasized the importance of managers implementing strong internal controls that will enhance the Department's diligent stewardship and wise application of taxpayers' assets and programs to deliver timely and high quality benefits.

OMB Circular A-123, Appendix A, *Management's Responsibility for Internal Control*, defines the requirements for conducting management's assessment of internal control over financial reporting in Federal agencies. In 2013, VA completed a comprehensive assessment of internal controls over financial reporting that covered approximately 41 key business processes that directly affect specific financial management statement accounts and impact the internal control over financial reporting. Management's assessment of internal control over financial reporting included an evaluation of such elements as the design and operating effectiveness of key financial reporting, controls, process documentation, accounting and finance policies and our overall control environment. VA engaged an independent public accounting firm to assist in an internal control assessment pursuant to OMB Circular A-123 Appendix A.

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

OMB Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs* prescribes policies and procedures to agencies regarding how to maintain internal controls that reduce the risk of fraud, waste, and error in government charge. Corrective actions have been taken to mitigate the risk of fraud and inappropriate charge card practices at VA.

After reviewing the results of the assessments outlined in the Statements of Written Assurance provided by the Under Secretaries, Assistant Secretaries, and Other Key Officials, the Secretary of Veterans Affairs provided a qualified statement of assurance including the annual certification for compliance with the Government Charge Card Abuse Prevention Act of 2012, P.L. 112-194. One material weakness was identified under FMFIA, "Information Technology (IT) Security Controls," which carried forward from 2011 through 2013 and will be carried forward into 2014. This is discussed in more detail below.

Based on the results of VA's internal control assessment, no additional material weaknesses were identified in 2013. As the internal control programs mature, VA is increasingly able to improve its internal control environment and assessment of risk.

Summary of Auditor's Internal Control Assessment

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

Progress on Material Weakness

The 2013 *Independent Auditor's Report on Internal Control Over Financial Reporting* disclosed one material weakness, "Information Technology Security Controls," as a weakness under FMFIA. VA managers continue to make progress in correcting this material weakness. During 2013, VA OIT developed new policy and procedures as well as continued in the formulation of an enterprise-wide remediation plan.

Although not a material weakness, VA was also noncompliant with the Debt Collection Improvement Act. The auditors' report on compliance with laws and regulations, also prepared as a result of the 2013 financial statement audit, determined that the Department's financial management systems did not substantially comply with the Federal Financial Management Improvement Act (FFMIA) requirements. The remediation of this non-compliance is being addressed through corrective actions identified for the material weakness, "Information Technology (IT) Security Controls."

December 16, 2013

Statement of Qualified Assurance

The Department of Veterans Affairs' (VA) management is responsible for establishing, maintaining, and assessing internal control to ensure the efficiency and effectiveness of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Based on the annual assessment of the Department's internal control program, VA provides a qualified statement of assurance, identifying one material weakness as it relates to internal control objectives of the Federal Managers' Financial Integrity Act (FMFIA), Section 4. The details of the material weakness and related corrective actions are discussed in Part I, "Management Controls, Systems, and Compliance with Laws and Regulations," under the sections titled "Audit Material Weaknesses Identified by Management," and Part IV, "Other Accompanying Information" under the section titled "Summary of Financial Statement Audit and Management Assurances." No other material weaknesses were found in the design or operation of the internal controls for the fiscal year ended September 30, 2013.

In addition, VA conducted its assessment of the effectiveness of internal controls over financial reporting, which includes the safeguarding of assets and compliance with applicable laws and regulations in accordance with the requirements of Appendix A of revised OMB Circular A-123, "Management's Responsibility for Internal Control." Based on the results of the assessment of key business processes tested during 2013, VA's internal control over financial reporting is operating effectively and no new material weaknesses were identified as of June 30, 2013.

This evaluation was conducted in accordance with the revised OMB Circular A-123. As a result of this evaluation, the Department provides the following:

Effectiveness of Internal Control Over Operations (FMFIA § 2)

Based on information provided, VA provides reasonable assurance that internal control over operations is effective. No new material weaknesses were identified during FY 2013.

Effectiveness of Internal Control Over Financial Reporting (FMFIA § 2)

In accordance with the Department's OMB approved plan for Appendix A of revised OMB Circular A-123, our efforts focused on assessment of the key business processes and financial statement accounts during 2013. Based on information provided for the processes and financial statement accounts assessed, VA provides reasonable assurance that internal control over financial reporting meets the objective. No new material weaknesses were identified during FY 2013.

Conformance with Financial Management System Requirements (FMFIA § 4)

The Department faces challenges in building and maintaining financial management systems that comply with the Federal Financial Management Improvement Act (FFMIA). Under FFMIA, VA is substantially compliant with applicable Federal accounting standards and the U.S. Standard General Ledger at the transaction level. However, VA is not compliant with Federal financial management system requirements as a result of the material weakness identified prior to FY 2013 related to Information Technology (IT) Security Controls.

Compliance with the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), Public Law 112-194

The Department provides a qualified statement of assurance on its annual certification that appropriate policies and controls were in place to ensure overall compliance with the Charge Card Act for the fiscal year ended September 30, 2013. Corrective actions have been taken to mitigate the risk of fraud and inappropriate charge card practices at the VA.

Eric K. Shinseki
Secretary of Veterans Affairs

The one audit-related material weakness reported at the end of 2013 is shown in the table below, which provides the current status of the Department's material weaknesses.

Audit Material Weakness Identified by Management

Description	Status as of September 30, 2013	Resolution Target Date
Information Technology (IT) Security Controls (Audit/FMFIA Section 4 weakness) – VA's assets and financial data are vulnerable to error or fraud because of weaknesses in information security management, access controls, segregation of duties, configuration management and contingency planning.	VA continues to implement the remediation plan defined in 2012 to address the IT Security Controls material weakness and will reassess its approach in response to feedback as a result of the recent audit. The approach will include prioritization of remediation efforts to focus on areas of highest risk. Additional financial, systems and personnel resources have been requested both to further support the corrective action plan and to sustain the program long-term. The Continuous Readiness in Information Security Program (CRISP) team is responsible for implementation of the corrective action plan. The team is actively developing its 2014 program and will have a timeline and project plan completed in January 2014. Improvements to systems, procedures and controls in the specific areas cited in the finding are on-going: • The Security Management and Analytics (SMA) Office was established in 2013. The purpose of this office, in part, is to ensure managerial oversight of the Baseline Configuration Management Program. Baseline Configurations have been established for many systems and the SMA office will continue to determine where a baseline is needed, initiate and oversee actions to modify/maintain, implement baselines, establish baseline review schedules, review baseline compliance, and oversee the baseline configurations for VA in its entirety. In January, 2013 OIT introduced a Monthly Enterprise Wide Vulnerability scanning initiative which allows VA to address continual and ever-changing threats to its information systems. VA continues to improve its patch and vulnerability processes through the expansion of the Patch Vulnerability Team (PVT) to protect VA Systems and Information. The SMA Office was established to analyze existing scanning, patching, remediation, and compliance-reporting tools, processes and dependencies and implement a standard patch management and compliance-reporting program.	2014

Financial Management Systems Framework

Overview

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

The Office of Business Oversight's Internal Controls Service (ICS) provides the CFO with independent review of and advisory services for all aspects of VA's internal controls over financial reporting, to add value and improve the management, acquisition, development, and maintenance of VA financial systems. The Department's scope of work is to ensure its compliance with regulatory requirements such as those prescribed by OMB Circular A-123, Appendix A and the Open Government Directive.

ICS is responsible for planning and conducting Department-wide reviews of internal controls over financial reporting in accordance with OMB Circular A-123, Appendix A. ICS also engages in management-directed program activities and system management reviews of project management processes and results, and monitors corrective action to address deficiencies identified in reviews. For example, in 2013, ICS worked closely with process owners on corrective action plans for remediating findings from the 2012 testing cycle.

VA's financial systems inventory provides details on all major financial and mixed systems. The major financial system initiatives funded by the Department over the last 15 years to achieve VA's strategic goals include the following:

Financial Management System

The Financial Management System (FMS) was designed to replace VA's 1970's central accounting system. In the FMS initiative, completed in 1995, VA successfully met its stated objectives and implemented FMS as its single, core accounting system based on a certified Commercial Off the Shelf (COTS), 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 its mixed systems, and new mission business requirements that could not be supported economically in the current systems.

Recent accomplishments in VA's financial systems, as well as plans for the next five years are detailed as follows.

VA continued production support and maintenance of FMS during 2013. VA will continue to operate FMS as the core financial system in the foreseeable future.

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

Personnel and Accounting Integrated Data System (PAID)
VA continued production support and maintenance of the Personnel and Accounting Integrated Data System (PAID) during 2013. Plans are underway to replace the PAID system with a new Human Resources (HR) Line of Business solution. Primary support and maintenance of PAID relates to HR processing and, as required, enhancements that impact how data flows over to VA's payroll provider, the Defense Finance and Accounting Service (DFAS).

VA Time and Attendance Modernization
VA made significant progress on its centralized Web-based time and attendance system (VATAS) this year. System development was completed and it was piloted at several VA facilities.

Federal Information Security Management Act (FISMA)
VA continues to work on remediation of the IT Security Controls Material Weakness by developing and executing the Continuous Readiness in Information Security Program (CRISP).

The Security Management and Analytics (SMA) Office was established in 2013. The purpose of this office, in part, is to ensure managerial oversight of the Baseline Configuration Management Program. Baseline configurations have been established for many systems and the SMA office will continue to determine where a baseline is needed, initiate and oversee actions to modify/maintain, implement baselines, establish baseline review schedules, review baseline compliance, and oversee the baseline configurations for VA in its entirety.

In January of 2013, a Monthly Enterprise Wide Vulnerability scanning initiative began which allows VA to address continual and ever-changing threats to its information systems. VA continues to improve its patch and vulnerability processes through the expansion of the Patch Vulnerability Team (PVT) to protect VA Systems and Information. The SMA Office was established to analyze existing scanning, patching, remediation, and compliance-reporting tools, processes and dependencies and implement a standard patch management and compliance-reporting program.

In 2014, VA plans to aggressively execute the enterprise remediation plans developed in 2013 for remediation of its material weakness by continuing to improve programs and initiatives which are foundationally geared towards a better-protected VA environment.

IG Act Amendments of 1988
The *Inspector General Act of 1978*, as amended, requires the Office of Inspector General (OIG) to identify recommendations pending implementation over 1 year in its Semiannual Report to Congress until final action is completed. As of September 30, 2013, OIG reports that 47 reports with 136 recommendations remain unimplemented over 1 year from issuance with a total monetary value of over $1.3 billion. (Source: Office of Inspector General)

Audit Follow-Up
VA continues to make improvements and routinely assesses its programs, financial management, and financial systems. In addition, VA is making progress in resolving the one remaining material weakness.

The primary responsibility of the Office of Financial Process Improvement and Audit Readiness (FPIAR) is to define and support a strategy to identify root causes of deficiencies and to improve financial management and internal control deficiencies. The FPIAR office is responsible for audit follow-up and takes the lead in addressing deficiencies. FPIAR coordinates the development of corrective action plans, monitors remediation progress, and provides guidance and support to the Administrations and staff offices. The status of remediation efforts are reported to VA's Senior Assessment Team.

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

Prompt Payment Act

In 2013, VA's Financial Services Center (FSC) continued to serve as VAs centralized payment office for certified and matched invoices for purchased goods and services as well as construction payments. Performance results reflect improvements in payment processing timeliness, accuracy, and cost savings.

Vendor Payment System

VA continued to enhance its vendor payment processes throughout 2013. Interest penalties paid per million dollars disbursed improved 41 percent from $38 per million in 2012 to $23 per million in 2013. At the same time, VA earned over 95 percent ($5.5 million) of its available discounts.

Electronic Invoice System

FSC continued its expansion of a technological solution to facilitate the transition from paper to electronic invoice submission using the e-Invoice format. The FSC e-Invoicing initiative is being performed in partnership with A&T Systems, Inc., and OB10 Inc. (OB10). This initiative goes beyond traditional electronic data interchange methods by offering a solution that does not require vendors to purchase any additional software or hardware. Additionally, all vendors can easily participate without changing existing invoicing formats. OB10 has the capability to accept any invoice format or layout directly from the vendor's existing billing system and utilize the electronic communication method of the vendor's choice. The electronic invoice data are then passed to the FSC to automatically populate the appropriate payment applications. The errors, expense, and time delays associated with traditional paper invoice submissions are eliminated, resulting in improved cost effectiveness, payment accuracy, and timeliness for VA and the vendor.

During 2013, the Department continued the aggressive use of the Governmentwide purchase card program, processing over 5.8 million transactions representing $3.5 billion in purchases. This generated over $72.5 million in refunds for VA compared to approximately $75 million during 2012. VA's daily electronic billing and payment process for centrally billed accounts along with a higher negotiated refund rate allow VA to maximize refunds that are returned to VA entities for use in Veterans' programs.

Fee Basis Purchase Card

VA's Fee Basis purchase card program automates Health Care Fee Basis payments, eliminates processing of paper checks, and earns VA purchase card refunds. In 2013, VA's Fee Basis credit card processed over 201,000 transactions representing over $60 million in payments, and generated over $1 million in refunds. The lack of growth in this program was attributed to a brief lapse in the program as VA transferred payment processing responsibilities to US Bank. US Bank added the service to VA's contract at no additional charge, thus saving VA over $500,000 annually. VA expects the program to grow from here as additional Fee Basis medical providers agree to receive payment via the Fee Basis Purchase Card and as more VA Medical Centers join the program.

Prime Vendor Payment System (Power Track) Power Track automates payments under a nationwide pharmaceutical prime vendor centralized purchasing contract. During 2013, 147 VA medical centers used the Prime Vendor Payment System to electronically process over 627,000 transactions worth over $4.0 billion. The FSC ensures vendors who participate in VA's multi-billion dollar Prime Vendor procurement program are paid on time. These vendors provide VA medical centers with an efficient way to order supplies at low, negotiated contract prices and guarantee delivery within 24 hours, eliminating the need for warehousing large volumes of supplies.

E-Gov Travel Service

The E-Gov Travel Service, also known as FedTraveler.com, gives approximately 100,000 VA frequent travelers and VA managers an efficient and accountable way to plan, book, and track travel arrangements as well as request and approve expense reimbursement. This system which is operating at a steady state, eliminated four separate legacy travel systems with its one-stop, self-service, Web-based site. One of the key performance measurements the General Services Administration (GSA) monitors is the online adoption rate, which measures the percentage of travel plans with air reservations made using the online booking engine. VA's online adoption rate in 2013 averaged 75 percent. For 2013, VA travelers processed approximately 161,771 vouchers in Fed Traveler.com.

The FSC will continue to provide support for VA-wide travel. The FSC provides the following services for program sustainment: Global System Administration; support for local system administrators; sponsor for super user conference calls; user acceptance testing of new software releases; training on new software releases; serving as Contracting Officer's Technical Representative; and participation in meetings hosted by the General Services Administration (GSA) such as Fed Traveler User Group meetings, Program Change Control Board meetings, and Executive Change Control Board meetings.

The FSC is also leading the transition from the existing E-Gov Travel Service (ETS) to the ETS2. In July 2013, VA awarded a task order to Concur Technologies, Inc. Concur's offering is Concur Government Edition (CGE). The FSC met with Concur and kicked off workshops to finalize the project schedule and begin system configuration.

VA's Travel Management Centers (TMC) serves 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 2013, the travel management program processed over 494,000 transactions, disbursed payments of over $55 million, and earned over $985 thousand in refunds.

Vendor Inquiry System

The FSC staff continued to provide vendor payment history on the Internet. The Vendor Inquiry System (VIS) Internet application stores over 7 years of information. Once vendors complete an authentication process, they can access a secure Web site to view payment information for their company. Currently there are over 51,000 active registered vendors. VIS provides FSC vendors an easy-to-use tool for immediate access to their payment information 24 hours a day. VIS has also improved customer service efficiency of FSC staff by handling many routine inquiries and freeing staff to work customers' more difficult issues.

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

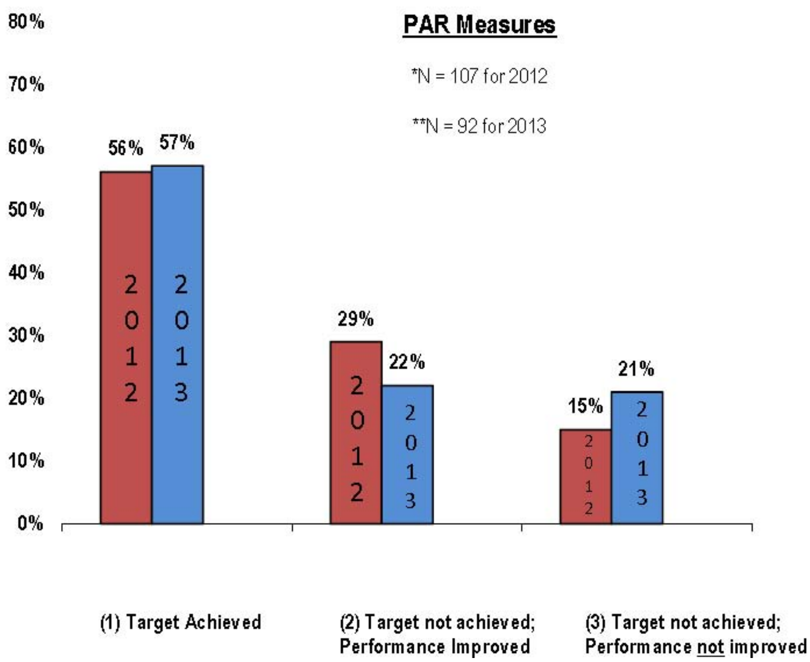
Performance Overview

Purpose of This Report

The Department of Veterans Affairs 2013 Performance and Accountability Report (PAR) describes VA's accomplishments and progress during 2013 toward fulfilling its mission. The report is designed to enable Department management, our stakeholders, and our employees to assess VA's program and financial performance, as compared to its goals, and to use this information to make necessary assessments and improvements.

2013 Performance — *A Department-Level Summary*

Performance Results: The chart below shows how well VA performed in meeting its performance targets. As shown, VA achieved the target for 57 percent of all measures.



*Note: 28 of 135 Measures (N = 107 for 2012) are neutral measures; meaning they have no FY11-12 year-to-year comparison, or they "base-lined" in the FY 2012 Performance Plan.

**Note : 19 of 111 Measures (N = 92 for 2013) are neutral measures; meaning they have no FY12-13 year-to-year comparison, or they "base-lined" in the FY 2013 Performance Plan.

2013 Performance Measures by Program

The following table displays 111 VA performance measures which include our key 25 (identified by an asterisk) and supporting measures by organization and program. For each measure, we show available trend data for 4 years. (N/Av means data not available.) This report highlights the actual 2013 result as compared to the 2012 target. For measures in which the target was not met, 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. Following the table of 111 measures are detailed descriptions of the key 25 performance measures.

Organization/Program/Measure (Key Measures in Bold)	Past Fiscal Year Results 2009	2010	2011	2012 (Final)	2013 Results	2013 Targets	Strategic Targets
Medical Care Programs							
***Prevention Index V** (The 2008 result is PI III. The 2009-2011 results are PI IV. The 2012-2014 targets are PI V.) (see page II-18)	89%	91%	92%	94%	93%	93%	95%
***Clinical Practice Guidelines Index IV** (The 2008 result is CPGI II. The 2009-2011 results are CPGI III. The 2012-2014 targets are CPGI IV.) (see page II-19)	91%	92%	91%	94%	93%	92%	94%
***Percent of new primary care appointments completed within 14 days of the create date for the appointment (New)** [1] In 2012, VHA began measuring the four appointment performance measures using a 14-day standard. (see page II-20)	N/Av	N/Av	N/Av	N/Av	41%	TBD (Baseline)	TBD
***Percent of new specialty care appointments completed within 14 days of the create date for the appointment (New)** (See [1] above) (see page II-21)	N/Av	N/Av	N/Av	N/Av	40%	TBD (Baseline)	TBD
Percent of new mental health appointments completed within 14 days of the create date for the appointment (**New**)	N/Av	N/Av	N/Av	N/Av	66%	TBD (Baseline)	TBD

Causes: •The three main causes of low performance are: 1) Inadequate tools/transparency to both account for and manage provider capacity; (for example, there are over 24,000 "grids" for scheduling in Primary Care, making national level tracking virtually impossible) 2) Lack of provider capacity (for example there is an 8 percent vacancy rate for Primary Care providers, but we don't have numbers for other specialties); and/or 3) Suboptimal clinic operations function. (Data suggest about 2/3 of access issues could be related to team roles, function, and teamwork. Recent qualitative evidence from pilot sites shows BHIP in MH is associated with staff estimates of improved access, continuity, and overall Veteran health status.

Resolution Strategies: •Establish network and facility growth plans as part of the planning and budgeting process. As resources will not be in an ever-expanding state, these plans will require adjustments to meet growth scenarios. • Customize facility goals for those needing to improve clinic operations function vs. those that need resources. • Standardize clinic profile (grid) set up rules to define appointment types, identify total available clinic slots, and other factors. This will increase transparency in expensive staff capacity and allow better oversight and management. • Standardize implementation of strategies known to improve clinic function such as: use the available predictive model to reduce no-shows; make clinic cancellation line easy with one call; • Establish regular site visits to VISNs in order to assess access management and scheduling practices. These site visits will then be extended by the VISNs, following the blueprint established by the ACAP team. • Expand Access Educational efforts. Data shows education is highly valued by employees, decreases burnout and improves clinic function.

Organization/Program/Measure (Key Measures in Bold)	Past Fiscal Year Results 2009	2010	2011	2012 (Final)	2013 Results	2013 Targets	Strategic Targets
***Percent of established primary care appointments completed within 14 days of the desired date for the appointment (New)** (See [1] above) (see page II-22)	N/Av	N/Av	N/Av	N/Av	93%	TBD (Baseline)	TBD
***Percent of established specialty care appointments completed within 14 days of the desired date for the appointment (New)** (See [1] above) (see page II-23)	N/Av	N/Av	N/Av	N/Av	93%	TBD (Baseline)	TBD
Percent of established mental health patients with a scheduled appointment within 14 days of the desired date for the appointment (**New**)	N/Av	N/Av	N/Av	N/Av	95%	TBD (Baseline)	TBD
***Percent of patients rating VA health care as 9 or 10 (on a scale from 0 to 10) (see page II- 24-25)** (VHA has moved to a nationally standardized tool, a family of surveys known as Consumer Assessment of Health Care Plans and Systems (CAHPS). 2009 was a re-baseline year to determine both annual and strategic targets. The 2009 results are not comparable with prior years and cannot be compared to 2010 due to additional changes to the survey instrument and administration protocol that were implemented in 2010.)							
Inpatient (1) Corrected	63% (Baseline)	(1) 64%	64%	64%	65%	66%	75%
Outpatient	57% (Baseline)	55%	55%	55%	54%	58%	70%
Percent of total HUD-VASH vouchers that resulted in a Veteran achieving resident status (**Supports Agency Priority Goal)**	N/Av	88%	100%	92%	92%	88%	90%

Organization/Program/Measure (Key Measures in Bold)	Past Fiscal Year Results				2013		Strategic Targets
	2009	2010	2011	2012 (Final)	Results	Targets	
Percent of targeted population of OEF/OIF Veterans with a primary diagnosis of PTSD who receive a minimum of 8 psychotherapy sessions within a 14-week period	N/Av	11%	15%	15%	53%	67%	97%

Causes • This metric involves a highly complex set of rules . Work on the rules and the resulting formal definitions for this metric were not completed until late in November 2012 and there was also a delay in capturing and posting the initial data. Facilities did not obtain performance results until the end of the 2nd Quarter of FY 2013. As the facilities were unaware of their performance on this metric for the first two quarters of the fiscal year, they were at a disadvantage to address changes needed to overcome less than optimal performance. • Facilities identified the need for a case finder to assist them in locating Veterans requiring psychotherapy sessions under the metric. A case finder was developed and tested by the field, but was not available to all for use until late in the 3rd Quarter of FY2013.

Resolution Strategies • VHA facilities all have the current definitions of this metric. The definition of the numerator and denominator of the metric will not be different in 2014. VHA will continue to have monthly conference calls about the mental health (MH) performance measures. Calls will address both technical aspects of the metric, as well as best practices. There will also be ongoing educational conference calls provided on a regular basis throughout the fiscal year that include dissemination of best practices. • VHA will continue to monitor performance on this metric. Sites remaining significantly below the target at the end of the 1st Quarter of 2014 will be expected to provide a specific action plan related to this metric and technical assistance will be provided. • Some Veterans and providers make a mutual decision to end therapy earlier than the recommended 8 treatment sessions if treatment goals have been achieved. • Engagement in treatment for OEF/OIF/OND Veterans continues to be an issue.

Organization/Program/Measure (Key Measures in Bold)	2009	2010	2011	2012 (Final)	2013 Results	2013 Targets	Strategic Targets
Percent of Veterans being discharged from an inpatient Mental Health unit who receive outpatient mental health follow-up care within 7 days of discharge	N/Av	N/Av	N/Av	N/Av	78%	68%	85%
Percent of NonVA claims paid in 30 days (VHA)	N/Av	N/Av	79%	80%	79%	90%	90%

Causes • Facilities report they struggle to balance incoming claims and backlogged claims. In some instances, facilities have a large volume of backlog that they are working towards reducing, and focus on those backlog claims can affect their ability to address new claims.

• Facilities have reported that staffing deficiencies are a main contributor to not being able to process claims within 30 days.

• Claims processing software / Technical issues:

o Phantom Claims in the Fee Basis Claims System (FBCS), also referred to as orphaned claims, account for approximately 3% of station's backlog. Orphan claims are created when front end staff attempt to disposition, edit or delete the FBCS claim in the Veterans Health Information Systems and Technology Architecture (VistA) system and not in FBCS.

o VHA has implemented a comprehensive set of Program Integrity Tools (PIT) to reduce fraud, waste and abuse and improve payment accuracy in a pre-payment status. Stations consistently report a 48-72 hour delay in claims returning from PIT which has affected timeliness by up to 13%.

o New patch roll outs along with IT migrations from Windows XP to Windows 7 has resulted in numerous latency concerns and periodic system aborts. There have also been Electronic Data Interchange (EDI) Technical issues and Backup server shutdowns that caused claims re-transmission or a major loss of claims data that required new server installations and claims recovery or re-processing.

Resolution Strategies • As more facilities continue to adopt and implement FBCS Optimization, it is expected that timeliness will improve.

• Continued Automation Implementation of Medicare Pricing Methodology within our Claims processing system (also referred to as Patch 12) has been found to reduce errors attributed to the improper application of payment methodologies. It is anticipated that improper payments due to payment methodology errors will continue to be reduced. As a result, proper pricing will reduce claims re-work which in-turn will support more timely claims processing.

Organization/Program/Measure (Key Measures in Bold)	2009	2010	2011	2012 (Final)	2013 Results	2013 Targets	Strategic Targets
Percent of Veterans who report "yes" to the Shared Decision-making questions in the Inpatient Surveys of the Health Experiences of Patients (SHEP) (2011 was a re-baseline year after measure validation was completed in 2010.)	N/Av	71%	72%	72%	74%	72%	75%

Organization/Program/Measure (Key Measures in Bold)	Past Fiscal Year Results 2009	2010	2011	2012 (Final)	2013 Results	2013 Targets	Strategic Targets
The average proportion of patients responding "Always" to receiving timely appointments, care and information (**New**)	N/Av	N/Av	N/Av	N/Av	39%	baseline	TBD
Medical Research							
Percent of Veterans participating in telehealth	N/Av	N/Av	N/Av	9%	11%	15%	75%
Veterans Benefits Administration							
Compensation and Pension							
Performance Measures							
***BACKLOG: Percentage of disability compensation and pension claims pending inventory that is more than 125 days old** (Supports Agency Priority Goal) (see page II-26)	N/Av	36%	60%	66%	58%	40%	0%
Causes: •Factors that have resulted in the submission of more disability claims, and hence contributed to the backlog, include VBA initatives to increase access, and other conditions that increased demand for VBA to address unmet disability compensation needs: • Increased Access: (1) Increased use of technology and social media by Veterans to inform themselves about available benefits and resources. (2) Creation of additional presumptions of service connection resulting in more claims for exposure-related disabilities. (3) Extensive and successful use of VBA outreach programs to inform more Veterans of their earned benefits, which can include compensatin claims. (4) Improved access to benefits through the joint VA and DoD Pre-Discharge programs. • Increased Demand: (1) 12 years of war with increase survival rates for our wounded. (2) Aging population of Veterans from previous eras, such as Vietnma and Korea, whose conditions are worsening. (3) Impact of a difficult economy. (4) Growth in the complexity of claims decisions as a result of the increase in the average number of medical conditions for which each claimant files. Resolution Strategies: • In 2013, VBA focused on completing 1- and 2- year old claims, thereby decreasing the inventory that is more than 125 days old from 72 to 59 percent. • Continued processing of older compensation rating claims will achieve the 40 percent target for 2014 as well as the Secretary's goal of having no rating claim over 125 dats in 2015 (Q4). • The deployment of future VBMS releases will result in increased efficiencies, resulting in a lower ADC and backlog. (Ongoing)							
***National accuracy rate - compensation entitlement claims (see page II-27)** (Supports Agency Priority Goal)	84%	84%	84%	86%	89%	90%	98%
Compensation maintenance claims - average days to complete	N/Av	99	106	128	166	110	60
Causes: • Because VBA focused on processing older claims, the ADC for maintenance claims rose; however, this focus on older claims will improve future performance. Resolution Strategies: • As VBA reduces its compensation rating backlog, it will reallocate resources to process its maintenance compensation inventory. (Q4) • Rules-based applications will lead to greater automation of maintenance workload, such as dependency claims. (Ongoing)							

Organization/Program/Measure (Key Measures in Bold)	Past Fiscal Year Results 2009	2010	2011	2012 (Final)	2013 Results	2013 Targets	Strategic Targets
***Compensation entitlement claims - average days to complete** (Supports Agency Priority Goal) (see page II-28)	161	166	188	287	378	250	90
Causes: • Increased completion of 1- and 2-year old claims increases the average days to complete (ADC). This focus on older claims will improve future performance. Resolution Strategies: • Continued processing of older compensation entitlement claims will achieve the Secretary's goal of having no rating claims over 125 days old in 2015. • The deployment of Veterans Benefits Management System (VBMS) will result in increased efficiencies, resulting in a lower ADC. (Ongoing)							
Burial claims processed - average days to complete (Pension)	78	76	113	178	174	140	21
Causes: • VBA received over 140,000 burial claims in each of the last three years (2010-2012), and received over 150,000 claims for burial benefits in 2013. •The current design of the burial program is labor and paper intensive and requires VA employees to review receipts and other documents to determine the precise amount of reimbursement for a relatively small one-time payment that VA nearly always pays at the maximum rate permitted by law. Resolution Strategies: •VBA is working to streamline the burial program by simplifying evidentiary requirementsd, paying eligible surviving spouses without application based on evidence in VBA systems at the date of the Veteran's death, and establishing flat-rate payments for certain burial benefits. • Implementations of such a plan requires amendments of VA's burial regulations; a proposed regulation was recently received by the Office of Management and Budget (OMB). VBA has since resubmitted to OMB a revised version of the proposed regulation and will determine the way forward after reviewing any new OMB Comments (Q2-Regulation)							
National accuracy rate -- compensation maintenance claims	95%	96%	97%	95%	95%	97%	98%
National accuracy rate - burial claims processed (Compensation)	93%	96%	97%	100%	Error in data collection	98%	98%
Pension and Fiduciary (P&F) Service is unable to report an accuracy figure for burial claims because we identified an error in our sampling methodology. In addressing issues with State plot payments during the year, we determined that our methodology for tracking and reporting burial accuracy did not include all of the relevant burial claims. Previous accuracy reports measured only the accuracy of consolidated State plot payments worked under end product (EP) 160; however, the majority of burial claims were actually worked under EPs 161 and 167. P&F service has corrected the issue by revising the scope of the sample, and will now track for accuracy purposes burial claims worked under EPs 161 and 167.							
***National accuracy rate - pension maintenance claims (see page II-29)**	95%	96%	97%	98%	98%	98%	98%
Number of registered eBenefits users **(Supports Agency Priority Goal)**	N/Av	N/Av	1M (Baseline)	1.93M	3.06M	2.5M	3.5M
***Percentage of DIC Claims Inventory Pending Over 125 Days (see page II-30)**	N/Av	N/Av	N/Av	41.0%	26%	38%	0
National accuracy rate - original and reopened pension claims	95%	96%	98%	97%	98%	98%	98%
***Percentage of Original and Reopened Pension Claims Inventory Pending Over 125 days (see page II-31)**	N/Av	N/Av	N/Av	34%	37%	36%	0
***Average Days to Complete Pension Maintenance Claims (see page II-32)**	N/Av	N/Av	N/Av	135	184	100	60
Average days to complete original survivors pension claims	N/Av	N/Av	N/Av	231 (baseline)	251	230	90

Organization/Program/Measure (Key Measures in Bold)	Past Fiscal Year Results				2013		Strategic Targets
	2009	2010	2011	2012 (Final)	Results	Targets	
***Original and reopened pension claims - average days to complete (Supports Agency Priority Goal) (new) (see page 33)**	N/Av	N/Av	N/Av	113	140	115	90
Causes: • Because statutory program design requires dollar-for-dollar income adjustments, VBA continues to experience a consistently high volume of pension maintenance work, which limits our ability to redirect Pension Management Center (PMC) resources to other work including original claims for pension. • VBA's pension maintenance work accounts for more than half of all PMC workload. VBA received an average of 312,000 pension maintenance work items annually between 2010 and 2012 and expects to receive over 283,000 maintenance work items in 2013. Resolution Strategies: • VBA has reduced pension maintenance work by eliminating annual Eligibility Verification Reports and reducing numbers of Income Verification Matches. VBA is able to make these reductions based on its pension verification initiative. (Q1) • VBA is implementing a PMC realignment plan that will leverage existing best practices and produce efficiencies in claims processing that will enable VBA to more timely complete these claims. (Q1) • VBA will publish guidance reducing or eliminating inefficient and redundant procedures relying on information in VBA systems whenever possible to grant benefits without further development. (Q2)							
National accuracy rate - Fiduciary work	82%	85%	88%	86%	90%	92%	98%
Causes: • Current appeals system is open ended, allowing unlimited submission of evidence, which prolongs appeals resolution. • Decision Review Officers (DROs) provide layered reviews that add steps to processing. Resolution Strategies: • VBA formed the Appeals Design Team, streamlining the appeals process and more efficiently using DRO. On September 24, 2013, VBA released guidance for implementing the Appeals Design Team recommendations. These recommendations reduce the average number of days to resolve appeals. • Implementing Section 501 of PL 112-154 will result in more prompt processing of appeals, as the Board of Veterans' Appeals may receive some evidence without the need for regional offices to consider it first. (Q1)							
National Call Center Client Satsifaction Index Score (New)	N/Av	N/Av	N/Av	744 (baseline)	758	754	765
Percent of IDES participants who will be awarded benefits within 30 days of discharge	N/Av	N/Av	N/Av	31%	16%	60%	90%
Causes: • The Army referred a large number of National Guard and Reserve Component members to IDES, which increased the estimated total caseload from 27,000 to 30,000 to 35,000 cases. • In July 2012, it was determined that 156 additional personnel were needed to effectively manage the increase in projected workload; however, funding for the additional staffing was unavailable. • Benefit Notification receipts per month increase by 211% from an average of 499 in 2012 to an average of 1,552 in 2013, and Preliminary Rating receipts per month increased by 100%, from an average of 1,228 in 2012 to an average of 2,455 in 2013, due to increased MEB and PEB process improvements. Resolution Strategies: • Brokering of 250 Preliminary ratings per month to the Providence Disability Rating Activity Site (DRAS). (To reassess strategy in December 2013). • 20 hours of mandatory overtime for 167 IDES employees at the Seattle DRAS. (Ongoing to end of FY13). • Additional RVSRS to DRAS from D1BC; 60% of rating resources dedicated to final ratings and benefit notification. • Additional personnel from Day 1 Brokering Center to help DRAS with final ratings and benefit notification. • Increase in rating production - 4000 ratings per month by October 2013 and 5000 ratings per month by May 2014.							

Organization/Program/Measure (Key Measures in Bold)	**Past Fiscal Year Results** 2009	2010	2011	2012 (Final)	**2013** Results	Targets	**Strategic Targets**
Education							
Performance Measures							
***Average days to complete original Education claims (see page II-34)**	26	39	24	31	26	28	28
***Average days to complete supplemental Education claims (see page II-35)**	13	16	12	17	10	14	14
Percent of Montgomery GI Bill or Post 9/11 GI Bill participants who successfully completed an education or training program (See (1) above)	N/Av	N/Av	N/Av	Baseline	N/Av	TBD	TBD
Education Claims Completed Per FTE (See (1) above)	N/Av	N/Av	N/Av	Baseline	N/Av	TBD	TBD
Payment accuracy rate (Education)	96%	95%	98%	99%	99%	97%	97%
Education Call Center Client Satisfaction Index Score	N/Av	N/Av	N/Av	753	754	754	765
Percent of beneficiaries very satisfied or somewhat satisfied with the way VA handled their education claim	N/Av	N/Av	N/Av	Baseline	N/Av	TBD	TBD
Percent of beneficiaries that believe their VA educational assistance has been either very helpful or helpful in the attainment of their educational or vocational goal (See (2) above)	N/Av	N/Av	N/Av	Baseline	N/Av	TBD	TBD
Vocational Rehabilitation and Employment							
Performance Measures							
***Rehabilitation Rate (General) (see page II-36)**	74%	76%	77%	77%	68%	77%	80%

Causes: • In 2013, VR&E reported an increase in the number of Veterans that were discontinued from the program fo reasons such as finances, disability issues, family issues, or simply a lack of interest in continuing to receive services due to personal choice. • As more Veterans discontinued their participation, the rehabilitation rate declined, despite a slight increase in the total number of rehabilitations from 2012.
Resolution Strategies: • In the process of updating performance standards to establish measurements where achieving success is both clear and definitive and eliminate measures that encourage holding inactive cases. (Ongoing) •Continued communication with the case managers to ensure that cases are discontinued timely and accurately thorughout the fiscal year. (Ongoing)

Organization/Program/Measure (Key Measures in Bold)	Past Fiscal Year Results 2009	2010	2011	2012 (Final)	2013 Results	2013 Targets	Strategic Targets
Employment Rehabilitation Rate	Baseline	73%	74%	74%	65%	77%	80%
Causes: • Although the labor marker condition improved slightly over the past year, there was still a lack of career opportunities for Veterans completing training and ready to enter the workforce. • As more Veterans discontinued their participation, the rehabilitation rate declined, despite a slight increase in the total number of rehabilitations from 2012. Resolution Strategies: • Continue to focus on Veteran placement, outreach, job development, and community re-entry to assist Veterans obtain and maintain employment. (Ongoing) • Continue collaboration with key partners to create employment opportunites for Veterans. (Ongoing) • Continue to enhance job-seeking tools and training to better equip Veterans to enter suitable careers. (Ongoing)							
Accuracy Rate of Vocational Rehabilitation Program Completion Decisions	96%	97%	97%	97%	97%	97%	99%
Veterans' satisfaction with the Vocational Rehabilitation and Employment Program	N/Av	N/Av	N/Av	N/Av	N/Av	Baseline	TBD
Housing							
Performance Measures							
***Default Resolution Rate (see page II-37)**	71.5%	76.3%	83.0%	80.9%	79.4%	82.0%	85.0%
Program Review Accuracy Rate (Housing)	N/Av	N/Av	Baseline	98.40%	99.2%	98.0%	99.0%
Rate of homeownership for Veterans compared to that of the general population	117.2%	117.2%	122.98%	123.1%	124.5%	120.5%	122.0%
Specially Adapted Housing (SAH) grantees who believe adaptations obtained under the program have helped themlive more independently	N/Av	N/Av	N/Av	N/Av	baseline	baseline	TBD
Veterans' Satisfaction Level with the VA Loan Guaranty Program	92.3%	N/Av	N/Av	N/Av	baseline	baseline	TBD
Insurance							
Performance Measures							
***Rate of high client satisfaction ratings on Insurance services delivered (see page II-38)**	96%	95%	95%	95%	93%	95%	95%
Number of disbursements (death claims, loans, and cash surrenders) per FTE (Insurance)	1,755	1,714	1,786	1,775	1,785	1,750	1,800

Organization/Program/Measure (Key Measures in Bold)	Past Fiscal Year Results				2013		Strategic Targets
	2009	2010	2011	2012 (Final)	Results	Targets	
National Cemetery Administration							
Burial Program							
Performance Measures							
***Percent of graves in national cemeteries marked within 60 days of interment (see page II-41)**	95%	94%	93%	89%	95%	95%	95%
***Percent of Veterans served by a burial option within a reasonable distance (75 miles) of their residence (see page II-42)**	87.4%	88.1%	89.0%	89.6%	89.5%	89.5%	95.0%
***Percent of respondents who rate the quality of service provided by the national cemeteries as excellent (see page II-43)**	95%	95%	95%	96%	96%	98%	100%
***Percent of respondents who rate national cemetery appearance as excellent (see page II-44)**	98%	98%	98%	99%	99%	99%	100%
***Percent of applications for headstones and markers that are processed within 20 days for the graves of Veterans who are not buried in national cemeteries (see page II-45)**	93%	74%	93%	88%	79%	90%	90%

Causes: • President Obama signed S. 3202, "Dignified Burial and Other Veterans' Benefits Improvement Act of 2012", on January 10, 2013. Section 104 of the new public law prohibits burial in a national cemetery or memorialization of certain individuals who committed sex crimes. This law is in addition to the 1997 Capital Crime prohibition. Reviews of the government headstone, marker, medallion and Presidential Memorial Certificate application processes in relation to the new law revealed a need to revise not only the application forms, but to immediately implement a screening of applicants to comply with both laws. To ensure compliance, NCA's Memorial Programs Service (MPS) Case Managers began calling each applicant in to verify this information. Implementation of the new screening process has doubled processing times, despite the implementation of overtime at all processing sites, negatively impacting the timeliness of benefit delivery in this area.
Resolution Strategies: • MPS has revised its application forms to obtain written verification from the applicant that the Veteran for whom the benefit is sought has not committed a capital or sex crime. While these applications are amended, MPS will continue to utilize overtime at all MPS processing sites to mitigate the increased processing time. NCA is also exploring partnerships to leverage capabilities in other parts of VA to assist in this effort. NCA expects that the new application forms and processes will be fully implemented by the spring of 2014 at which time processing performance is expected to return to normal levels.

Percent of respondents who would recommend the national cemetery to Veteran families during their time of need	98%	98%	98%	99%	99%	99%	100%
Percent of gravesites that have grades that are level and blend with adjacent grade levels	90%	89%	91%	93%	94%	87%	95%
Percent of headstones and markers that are delivered undamaged and correctly inscribed	96%	96%	95%	96%	96%	97%	98%
Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations	82%	85%	82%	82%	84%	83%	95%

Organization/Program/Measure (Key Measures in Bold)	Past Fiscal Year Results 2009	2010	2011	2012 (Final)	2013 Results	2013 Targets	Strategic Targets
Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment	64%	67%	70%	69%	70%	71%	90%
Percent of respondents who agree or strongly agree that the quality of the headstone or marker received from VA was excellent	N/Av	94%	95%	91%	90%	96%	100%
Percent of respondents who agree or strongly agree that the quality of the Presidential Memorial Certificate received from VA was excellent	N/Av	96%	94%	90%	89%	97%	100%
Board of Veterans' Appeals							
Performance Measures							
Appeals resolution time (From NOD to Final Decision) (Average Number of Days) (Joint BVA-VBA Compensation and Pension measure)	709	656	747	675	923	650	400
Causes: Most appeals are addressed by the Board since most come in completed by VBA. Nevertheless, for appeals not resolved to the Veteran's satisfaction, the appeal may be transferred to the Board for a final agency decision. As the number of cases processed by VBA increases, the number on the Board expands, and this leads to longer average times to resolve appealed claims. Resolution Strategies: • The Board is working with VBA and the other organizations to develop more robust indicators to determine which phases of the claims / appeals process require greater attention. (Q1) Once developed, the Board, VBA and other organizations will develop and deploy plans to reduce ART. (Q4)							
BVA Cycle Time (Excludes Representative Time) (Average Number of Days)	100	99	119	117	130	140	104
Percent of Total Hearings that are Conducted via Video Conference	29%	29%	29%	40%	50%	46%	50%
BVA pending inventory	17,713	21,112	20,287	25,599	46,974	41,098	21,000
Causes: • The Board's workload is directly tied to VBA workload, which continues to grow. Resolution Strategies: • The Board will continue to focus on reducing its pending inventory of appeals through a multi-pronged approach, to include full budget execution (95 percent of the Board's budget is allocated to labor costs), executing a robust training program for all new hires, collaborating closely with VBA and the Veterans Health Administration (VHA) to reduce avoidable remands, encouraging Veterans to leverage Video Teleconference (VTC) technology, and advocating for legislative proposals aimed at streamlining the appeals process.							

Organization/Program/Measure (Key Measures in Bold)	Past Fiscal Year Results 2009	2010	2011	2012 (Final)	2013 Results	2013 Targets	Strategic Targets
Supporting Program Measures							
Performance Measures							
Percent of total procurement dollars awarded to service-disabled Veteran-owned small businesses (OSDBU) (1) VA's data reported may differ from data reported by the Small Business Administration (SBA) due to the timing of when SBA runs its report.	16.96%	20.0%	18.3%	20.0%	19.8%	10.0%	10.0%
Percent of total procurement dollars awarded to Veteran-owned small businesses (OSDBU) (See (1) above)	19.30%	23.0%	20.5%	22.0%	22.2%	12.0%	12.0%
Percent of total procurement dollars awarded to businesses located in Historically Underutilized Business Zones (OSDBU). (See above)	2.00%	2.1%	2.2%	1.7%	1.8%	3.0%	3.0%
Causes: •VA is required by law to give small business contracting preferences to service-disabled and other Veteran-owned small businesses. The preferences provided under the HUBZone program apply only when Service Disabled Veteran Owned Small Business (SDVOSB) or Veteran Owned Small Businesses (VOSB) are unavailable to perform the contract work. Resolution Strategies: • OSDBU is conducting outreach to identify SDVOSBs and VOSBs that may also be eligible for the HUBZone program. Such firms would continue to receive preferences due to their Veteran status, but their qualified HUBZone status would also count toward that goal as well.							
Percent of complete verification applications in the Vendor Information Pages (VIP) database that are processed within 60 days (OSDBU) (Measure revised from 90 to 60 days in FY 2013).	N/Ap	N/Ap	93.0%	95.0%	100.0%	90.0%	95.0%
Percent of annual major construction operating plan executed	N/Av	N/Av	82%	44%	87%	85%	85%
Percent of facilities customers that are satisfied with services being provided (OALC)	N/Av	N/Av	85%	83%	82%	85%	90%
Number of audit qualifications identified in the auditor's opinion on the VA Supply Fund (OALC)	0%	0%	0%	0%	0%	0%	0%
Percent of contracts competitively awarded (OALC Supply Fund)	N/Av	74%	75%	65%	79%	65%	65%
Percent of contracts that meet the established procurement action lead times/milestone dates. (Procurement Action Lead Time)(OALC)	N/Av	N/Av	71%	90%	96%	90%	90%

Organization/Program/Measure (Key Measures in Bold)	Past Fiscal Year Results 2009	2010	2011	2012 (Final)	2013 Results	2013 Targets	Strategic Targets
Percent of contracts that are awarded within required procurement action timeframes (number of weeks between technical clearance of the final construction documents and award of contracts) (OALC)	N/Av	N/Av	53%	85%	60%	85%	90%
Causes: Measure reports below target due to delayed awards for West Los Angeles, Bay Pines, Seattle, Palo Alto (Demolition and Recreation Therapy) and Central East FL (New Cemetery) projects. Resolution Strategies: Estimate that this will be yellow by the end of the fiscal year 2013.							
Percent major lease acquisitions that meet final direct lease acquisition target date (OALC)	N/Av	N/Av	76%	78%	94%	80%	90%
Number of Homeless Veterans on any given night **(Supports Agency Priority Goal)** (Joint VHA-OPIA measure)	75,609	76,329	67,495	62,619	57,849	47,000	0
Causes: The 2013 Point-in-Time (PIT) Count estimates there were 57,849 homeless Veterans on a single night in January 2013, continuing the downward trend in homelessness among Veterans. While VA did not reach its joint goal with HUD of lowering the number of homeless Veterans to 47,000 as measured by the January 2013 PIT Count, there was an 8 percent reduction from 2012-2013. The number of homeless Veterans has declined by more than 23 percent since 2009 as compared to a 5 percent decline in homelessness among the general population. Resolution Strategies: Leverage private sector skills, know-how, and best practices among grass roots organizations, neighborhood groups, and local community agencies to enable partnerships that foster a "no wrong door" philosophy as Veterans access an increasing array of federal-community programs and services. • Drive and enable close cooperation between VA Medical Centers and HUD's local Continuum of Care systems. • Continued strong interagency collaboration resulting in successful policies and procedures such as Housing First, Rapid Re-Housing, Housing and Urban Development-Veterans Affairs Supportive Housing (HUD-VASH), and Supportive Services for Veterans and Families (SSVF) are critical to achieving the reduction achieved thus far.							
Percent of visitors to VA's website that indicated that they are satisfied/highly satisfied with information presented (OPIA)	N/Av	N/Av	67%	67%	74%	73%	80%
Increase percent of Veterans aware of using benefits, reached through advertising and marketing efforts (OPIA)	N/Av	N/Av	N/Av	5%	15%	10%	15%
Number of Material Weaknesses (OIT)	4	1	1	1	1	1	0
Percent of milestones achieved towards deployment and implementation of a paperless disability claims processing system **(Supports Agency Priority Goal)** (OIT)	N/Av	N/Av	100%	100%	100%	100%	100%
Percent of milestones achieved in deploying and implementing the Veterans Relationship Management System (VRMS) **(Supports Agency Priority Goal)** (OIT)	N/Av	N/Av	30%	70%	97%	100%	100%
Percent of milestones achieved in deploying and implementing the Virtual Lifetime Electronic Record (VLER) **(Supports Agency Priority Goal)** (OIT)	N/Av	N/Av	88%	60%	100%	100%	100%
Percent of VA IT projects delivering functionality on 6-month or less intervals (OIT)	N/Av	N/Av	80%	80%	82%	80%	80%

Organization/Program/Measure (Key Measures in Bold)	Past Fiscal Year Results 2009	2010	2011	2012 (Final)	2013 Results	2013 Targets	Strategic Targets
The enterprise VA American Customer Service Index for internal customer satisfaction with VA IT services (OIT)	N/Av	N/Av	71	73	69	74	76
Causes: • Emerging national communication strategy for IT customers • Significant changes in operations within the service delivery organization Resolution Strategies: • Organizational and functional alignment of National Service Desk (NSD) • Analysis of emerging software solutions to improve NSD performance • Analysis of staffing workforce models							
Percent of employees in mission critical and key occupations who participated in a competency-based training program within the last 12 months (HRA) *HRA will continue working with customers to determine which occupations are considered mission critical	N/Av	20%	45%	50%	42.2%	55%	75%
Causes: • Goals were established without benefit of a baseline. • Due to training and travel reductions, training opportunities have decreased. Although virtual opportunities exist for some Mission Critical Occupations (MCOs), learning can be compromised if the participant is not removed from the work environment making virtual training a less attractive option for learning by MCO employees. Resolution Strategies: • Consider current level a baseline and re-establish target of closer to 50%. • Establish baselines for each mission critical occupation and Human Capital Strategic Planning strategy to address gaps e.g., design and provide consultant services to tailor skill/competency gap planning efforts for each MCO owner, implement MCO skill gap metrics for each MCO including leadership positions for 2014, and measure progress via HRstat quarterly reviews. • VA will continue to look at ways to improve employee' learning experiences in competency-based training opportunities.							
Percent of Title 5 employees hired through competitive examining process within 80 days	64%	46%	48.0%	51.0%	66.0%	55%	75%
Percentage of VA employees who are Veterans (HRA)	30%	31%	32%	32%	32%	35%	40%
Weighted Satisfaction Index related to: (1) timeliness of legal services (VA client-organization-centered) (2) responsiveness of legal sesrvices (VA client-organization-centered) (3) tort processing times (Veteran-centered), and (4) Office of General Counsel employee satisfaction	N/Av	N/Av	baseline	89.7%	90.9%	89.7%	95.0%
Average number of months to process VA regulations (OGC) (1) These targets are "stretch goals" because they accelerate individual project completion dates from Departmental standards of 22.4 months and 10.8 months, respectively. The strategic and interim goals are identical because actual processing times cover multi-years and are measured as performance data only when rulemakings are completed.							
-Requiring advance notice and public comment (2-stage)	19.4	19.6	19.5	19.9	19.7	19.6	19.6
-Without advance notice and public comment (1-stage)	7.8	7.5	7.4	7.3	7.2	7.5	*7.5

Organization/Program/Measure (Key Measures in Bold)	Past Fiscal Year Results				2013		Strategic Targets
	2009	2010	2011	2012 (Final)	Results	Targets	
Percent of current year (CY) electricity consumption generated with renewable energy sources (OAEM) **The Office of Asset Enterprise Management (OAEM) develops VA policy that governs the Department's Capital Asset Management. Policy execution is done by VA's business lines (Veterans Health Administration, Veterans Benefits Administration, and National Cemetery Administration), and annual performance results are reported by OAEM.	5%	7%	5%	13%	TBD	15%	16%
Percent of Veterans or beneficiaries who contacted VA Debt Management Center's toll-free phone line without a busy signal. (OM)	N/Av	5%	74%	90%	99%	95%	98%
Commericial Small Business Payment Timeliness (% of Small Businesses Paid within 15 days of receipt of proper documentation. (OM)	N/Av	N/Av	N/Av	87%	95%	91%	92%
Overall Commericial Vendor Payment Timeliness (% of commericial Vendors Paid within 15 days of receipt of proper documentation) (OM)	N/Av	N	N/Av	51%	86%	91%	92%

Organization/Program/Measure (Key Measures in Bold)	Past Fiscal Year Results 2009	2010	2011	2012 (Final)	2013 Results	2013 Targets	Strategic Targets
Office of Inspector General							
Performance Measures							
Number of reports (audit, inspection, evaluation, contract review, and CAP reports) issued that identify opportunities for improvement and provide recommendations for corrective action	235	263	301	299	349	275	300
Number of arrests, indictments, convictions, criminal complaints, pretrial diversions, and administrative sanctions	2,250	1,929	1,939	2,683	2,491	1,900	2,300
Monetary benefits (dollars in millions) from audits, investigations, contract reviews, inspections, and other evaluations	$2,931	$1,914	$7,122	$3,477	$3,589	$1,500	$2,000
Return on investment (monetary benefits divided by cost of operations in dollars) Beginning in 2009, the cost of operations for the Office of Healthcare Inspections, whose oversight mission results in improving the health care provided to Veterans rather than saving dollars, is not included in the return on investment calculation (see OIG's September 2011 *Semiannual Report to Congress,* page 5, www.va.gov/oig/publications/semiannual-reports.asp)	38 to 1	20 to 1	76 to 1	36 to 1	36 to 1	15 to 1	20 to 1
Percentage of:							
Prosecutions successfully completed	94%	97%	99%	94%	94%	94%	95%
Recommendations implemented within 1 year to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural changes in VA	94%	86%	87%	87%	81%	90%	95%
Recommended recoveries achieved from postaward contract reviews	N/Av	N/Av	100%	100%	100%	96%	98%
Causes: • VA Administrations and staff offices do not take the necessary actions to implement recommendations within the performance measures guidelines. In some instances, Administrations and staff offices do not initiate any effort until after the 1-year period has elapsed despite quarterly status requests by OIG to VA offices on implementation efforts. Resolution Strategies: • OIG's goal is for all report recommendations to be implemented within 1 year of report issuance to improve VA programs and operations for the benefit of Veterans, their families, and taxpayers. Despite the best efforts of VA Administrations and staff offices to achieve their implementation plans, timelines to complete actions are often delayed. VA should initiate efforts in a more timely fashion to achieve the 1-year milestone for recommendation implementation.							
OIG Customer satisfaction survey scores (based on a scale of 1 - 5, where 5 is high):							
Investigations	4.9	4.9	4.9	4.9	4.95	4.5	5.0
Audits and Evaluations	4.0	4.0	4.4	4.0	3.9	4.0	5.0
Healthcare Inspections	4.7	4.6	4.6	4.4	4.5	4.3	5.0
Contract Review	4.6	4.7	4.8	4.7	4.7	4.2	5.0

Dropped Measures

Organization/Program/Measure (Key Measures in Bold)	Past Fiscal Year Results				2013		Strategic Targets
	2009	2010	2011	2012 (Final)	Results	Targets	
Medical Care Programs							
Non-institutional, long-term care average daily census	113,254	109,923	113,254	103,923	N/A	N/A	N/A
Percent of milestones completed leading to the use of genomic testing to inform the course of care (prevention, diagnosis, or treatment) of patients with mental illness (including PTSD, schizophrenia, and mood disorders)	45%	42%	45%	42%	N/A	N/A	N/A

Performance Summaries by Program

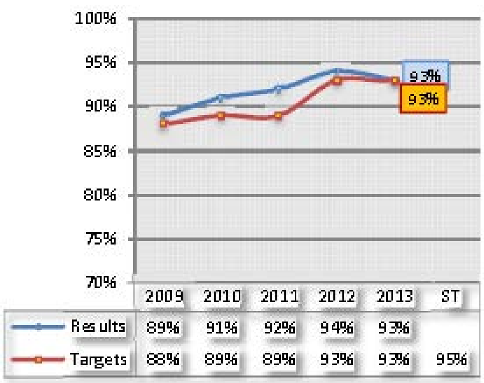
VA's Strategic Plan identifies the Department's goals, objectives, and performance measures for a 5-year period. Specific performance targets that will be used to monitor, assess, and report on progress toward the strategic goals are shown in the Performance Trends as "Strategic Targets (ST)."

Medical Services

Key Measure

PREVENTION INDEX V

Performance Trends



(1) Actual data are final
(2) The 2008 results is PI III. The 2009 and 2011 results are PI IV.
(3) ST = Strategic Target

How VA Verifies Results Data for Accuracy

VA is committed to data accuracy for reporting on the clinical quality of care. Sampling of the patient population for evaluation of the quality of care indicators for the Clinical Practice Guidelines Index (CPGI) and the Prevention Index (PI) are done through a standardized sampling framework by a statistician. Data are then abstracted through trained, third party, contracted staff members (External Peer Review Program) who review the medical record for the quality metrics VA tracks.

Impact on Veterans

Desired Direction

This measure is an indicator of how well VA promotes healthy lifestyle changes such as immunizations, hyperlipidemia, smoking cessation, and early screening for cancer.

A higher score means that VA-treated Veterans are receiving prevention care and are taking the necessary steps to develop or maintain healthy lifestyles.

How VA Leadership Uses Results Data

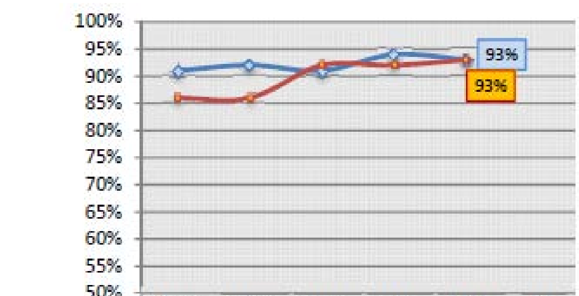
Monitoring and tracking PI results helps VA medical staff with early identification of disease risk and intervention for risky behaviors. VA medical staff also do the following:

- Target education, immunization programs, and clinic access to prevent or limit potential disabilities resulting from these activities and/or diseases.
- Identify patients in need of prevention screening for cancer.
- Help identify cancers before the Veteran develops symptoms, and provide the opportunity for earlier intervention.
- In addition, as a matter of policy and practice, VA targets all outpatients for its prevention measures with the goal of promoting and maintaining a healthy population.

Key Measure

CLINICAL PRACTICE GUIDELINES INDEX IV

Performance Trends



	2009	2010	2011	2012	2013	ST
Results	91%	92%	91%	94%	93%	
Targets	86%	86%	92%	92%	93%	94%

(1) Actual data are final
(2) The 2008 numbers are Clinical Practice Guidelines Index (CPGI) II. The 2009, 2010, and 2011 numbers are CPGI III.
(3) ST = Strategic Target

How VA Verifies Results Data for Accuracy

VA is committed to data accuracy for reporting on the clinical quality of care. Sampling of the patient population for evaluation of the quality of care indicators for CPGI and the PI are done through a standardized sampling framework by a statistician. Data are then abstracted through trained, third party, contracted staff members (External Peer Review Program) who review the medical record for the quality metrics VA tracks.

Impact on Veterans

Desired Direction

This measure is an indicator of how well VA performs regarding early identification and treatment of potentially disabling or deadly diseases such as acute myocardial infarction, inpatient congestive heart failure, hypertension, diabetes, and pneumonia.

The index focuses primarily on the care provided to inpatients and is used to assess the quality of health care being delivered to its patients in accordance with industry standards.

How VA Leadership Uses Results Data

Data are used by leadership to do the following:

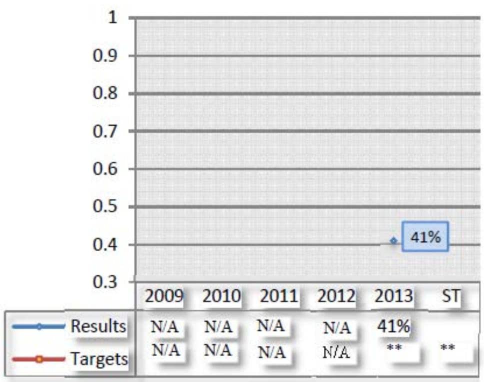
- Identify and assess opportunities for early identification of acute and potentially disabling chronic diseases.
- Identify opportunities for managing entire chronic disease populations.
- Provide interventions based on clinical practice guidelines.

Overall, CPGI data enable VA to target patient and employee education, focus on disease management, and provide access to care to prevent or limit the effects of potentially disabling diseases. The goal of disease management is to improve the quality of life for Veterans.

Key Measure

PERCENT OF NEW PRIMARY CARE APPOINTMENTS COMPLETED WITHIN 14 DAYS OF APPOINTMENT CREATION DATE

Performance Trends



*Actual data is an estimate. Final data are expected in November 2013.
**Because measurement methods changed, no targets were established during the 2013 baseline year

Impact on Veterans

Desired Direction

Delivery of primary care is critical to preventive health care and timely disease identification and management.

A visit to a primary health care provider is also a patient's point of entry for specialty care. As such, timely access to primary health care services is critical to providing high-quality care to Veterans.

How VA Verifies Results Data for Accuracy

VA's Veterans Health Information Systems and Technology Architecture (VistA) scheduling software automatically captures the date the appointment is initially created and the date the appointment is completed. Facility VistA reports enable local managers to find and correct errors. Multiple other access data elements are available for cross-referencing performance. VA's data are published on the VHA Support Service Center (VSSC) Web site on the 5th and 20th of each month.

VSSC utilizes several mechanisms to audit and verify the accuracy of data. For example, data are tested with user groups in the field and reconciled with the data source and other products and reports internal and external to VSSC.

How VA Leadership Uses Results Data

Leadership uses this information to make assessments of clinic function and resource decisions. VA clinic leaders use the results to manage day-to-day clinic operation activities that improve patient access.

The results are compared across medical centers and clinics. One of the ways VA drives improvements is by identifying high performers and sharing their best practices with other facilities.

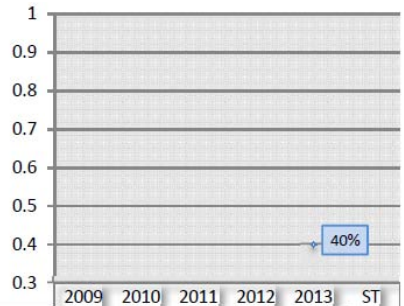
VA also uses the results to examine variability among medical centers and clinics. If a facility is performing poorly, VA takes action to improve performance.

After the results of a VHA sponsored study became available this year, the measurement methods used for this measure changed. New methods were utilized and new baselines were established in 2013. For this reason, no target was set in 2013, and the data is not comparable to 2012.

Key Measure

PERCENT OF NEW SPECIALTY CARE APPOINTMENTS COMPLETED WITHIN 14 DAYS OF THE APPOINTMENT CREATION DATE

Performance Trends



	2009	2010	2011	2012	2013	ST
Results	N/A	N/A	N/A	N/A	40%	
Targets	N/A	N/A	N/A	N/A	**	**

*Actual data is an estimate. Final data are expected in November 2013.
**Because measurement methods changed, no targets were established during the 2013 baseline year.

How VA Verifies Results Data for Accuracy

VA's VistA scheduling software automatically captures the date the appointment is initially created and the date the appointment is completed. Facility VistA reports enable local managers to find and correct errors. Multiple other access data elements are available for cross-referencing performance. VA's data are published on the VSSC Web site on the 5th and 20th of each month.

VSSC utilizes several mechanisms to audit and verify the accuracy of data. For example, data are tested with user groups in the field and reconciled with the data source and other products and reports internal and external to VSSC.

Impact on Veterans

Desired Direction

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 Leadership Uses Results Data

Leadership uses this information to make assessments of clinic function and resource decisions. VA clinic leaders use the results to manage day-to-day clinic operation activities that improve patient access.

The results are compared across medical centers and clinics. One of the ways VA drives improvements is by identifying high performers and sharing their best practices with other facilities.

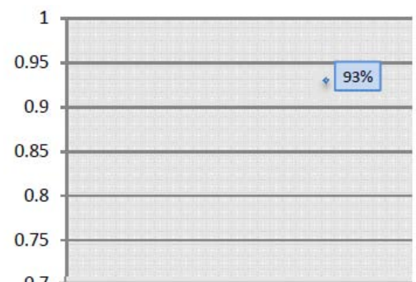
VA also uses the results to examine variability among medical centers and clinics. If a facility is performing poorly, VA takes action to improve performance.

After the results of a VHA sponsored study became available this year, the measurement methods used for this measure changed. New methods were utilized and new baselines were established in 2013. For this reason, no target was set in 2013, and the data is not comparable to 2012.

Key Measure

PERCENT OF ESTABLISHED PRIMARY CARE APPOINTMENTS COMPLETED WITHIN 14 DAYS OF THE DESIRED DATE

Performance Trends



	2009	2010	2011	2012	2013	ST
Results	N/A	N/A	N/A	N/A	93%	
Targets	N/A	N/A	N/A	N/A	**	**

*Actual data is an estimate. Final data are expected in November 2013.
**Because measurement methods changed, no targets were established during this baseline year.

How VA Verifies Results Data for Accuracy

Schedulers enter one reference point (the Veterans Appointment Desired Date) and VA's VistA scheduling software automatically captures the second reference point (time of the scheduled appointment). Scheduler performance for entry of desired date is regularly audited. Facility VistA reports enable local managers to correct data entry errors. Multiple other access data elements are available for cross-referencing performance. VA's data are published on the VSSC Web site. Wait time data are published to the VSSC Web site on the 5th and 20th of each month.

VSSC also utilizes several mechanisms to audit and verify the accuracy of data. For example, data are tested with user groups in the field and reconciled with the data source and other products and reports internal and external to VSSC.

Impact on Veterans

Desired Direction

Delivery of primary care is critical to preventive health care and timely disease identification and management.

A visit to a primary health care provider is also a patient's point of entry for specialty care. As such, timely access to primary health care services is critical to providing high-quality care to Veterans.

How VA Leadership Uses Results Data

Leadership uses this information to make assessments of clinic function and resource decisions. VA clinic leaders use the results to manage day-to-day clinic operation activities that improve patient access.

The results are compared across medical centers and clinics. One of the ways VA drives improvements is by identifying high performers and sharing their best practices with other facilities.

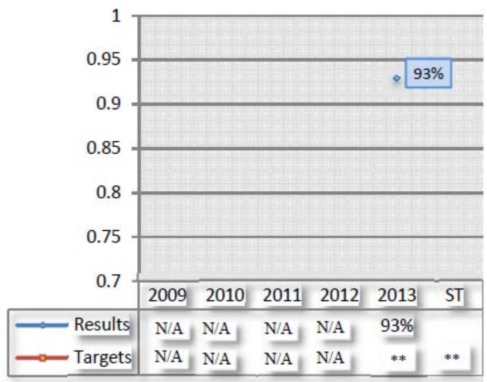
VA also uses the results to examine variability among medical centers and clinics. If a facility is performing poorly, VA takes action to improve performance.

After the results of a VHA sponsored study became available this year, the measurement methods used for this measure changed. New methods were utilized and new baselines were established in 2013. For this reason, no target was set in 2013, and the data is not comparable to 2012.

Key Measure

PERCENT OF ESTABLISHED SPECIALTY CARE APPOINTMENTS COMPLETED WITHIN 14 DAYS OF THE DESIRED DATE

Performance Trends



*Actual data is an estimate. Final data are expected in November 2013.
**Because measurement methods changed, no targets were established during this baseline year.

How VA Verifies Results Data for Accuracy

Schedulers enter one reference point (the Veterans Appointment Desired Date) and VA's VistA scheduling software automatically captures the second reference point (time of the scheduled appointment). Scheduler performance for entry of desired date is regularly audited. Facility VistA reports enable local managers to correct data entry errors. Multiple other access data elements are available for cross-referencing. VA's data are published on the VSSC Web site. Wait time data are published to the VSSC Web site on the 5th and 20th of each month.

VSSC utilizes several mechanisms to audit and verify the accuracy of data. For example, data are tested with user groups in the field and reconciled with the data source and other products and reports internal and external to VSSC.

Impact on Veterans

Desired Direction

VA tracks wait times for Veterans being seen in its 50 highest volume clinics with the goal of enhancing quality of care by ensuring service is delivered when the Veteran wants and needs to be seen.

How VA Leadership Uses Results Data

VA uses the results of this measure to manage process improvement activities that improve patient access. Leadership also uses this information to make resource decisions.
The results are compared across medical centers and clinics. One of the ways VA drives improvements is by identifying high performers and sharing their best practices with other facilities.

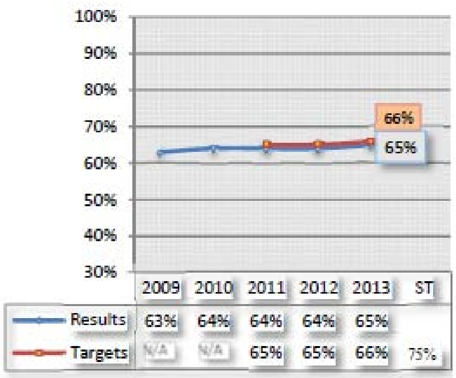
VA also uses the results to examine variability among medical centers and clinics. If a facility is performing poorly, VA takes action to improve performance.

After the results of a VHA sponsored study became available this year, the measurement methods used for this measure changed. New methods were utilized and new baselines were established in 2013. For this reason, no target was set in 2013, and the data is not comparable to 2012.

Key Measure

PERCENT OF PATIENTS RATING VA HEALTH CARE AS 9 OR 10 ON A SCALE FROM 0 TO 10 (INPATIENT)

Performance Trends



(1) Actual data through June 2013. Final data are expected in January 2014.
(2) VHA transitioned to a new questionnaire in 2009 and to a new survey sample in 2010. The questionnaire and methodology have remained consistent since 2010, thus allowing for trendable results. Trending with prior years is not valid. On the 0 to 10 scale, 0 represents the worst hospital and 10 represent the best hospital.
(3) ST = Strategic Target

How VA Verifies Results Data for Accuracy

Data are collected through the VA-issued Consumer Assessment of Healthcare Plans and Systems (CAHPS). Information gathered measures Veterans' perceptions of VA health care.
The CAHPS survey is administered using a standardized, documented, consistent methodology. Patients are randomly selected for inclusion in the CAHPS sample from the population of eligible patients each month. Results are weighted to accurately account for population size differences across the system and varying rates of non-response to the survey.

Impact on Veterans

Desired Direction

Veterans who receive VA care are entitled to health care that includes emotional support, education, shared decision-making, safe environments, family involvement, respect, and management of pain and discomfort.

The Veteran's level of overall satisfaction is impacted by the extent to which his or her needs are met. Satisfaction is therefore a key indicator of how well VA meets these expectations. This measure addresses how well these expectations are met in the *inpatient* setting.

How VA Leadership Uses Results Data

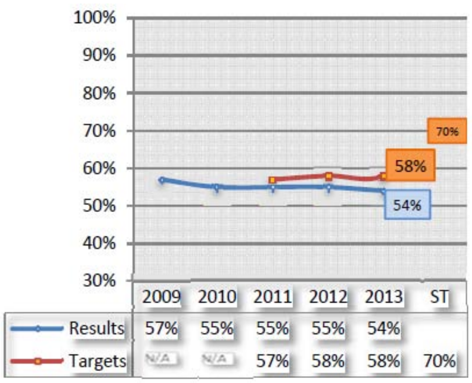
A key strategic goal is providing Veterans with personalized, proactive, and patient-driven care. VA leadership uses results from this measure to optimize the design of services and products based of Veteran's needs, preferences, and perspectives. The results are compared across medical centers and clinics. One of the ways VA drives improvements is by identifying high performers and sharing their best practices with other facilities.

Specialized reports such as Attributable Effects identify "key drivers" of the Overall Rating of VA Healthcare. Staff uses these results to identify opportunities for changing and improving the personalized delivery model of care.

Key Measure

PERCENT OF PATIENTS RATING VA HEALTH CARE AS 9 OR 10 ON A SCALE FROM 0 TO 10 (OUTPATIENT)

Performance Trends



(1) Actual data through June 2013. Final data are expected in January 2014.
(2) VHA transitioned to a new questionnaire in 2009 and to a new survey sample in 2010. The questionnaire and methodology have remained consistent since 2010, thus allowing for trendable results. Trending with prior years is not valid. On the 0 to 10 scale, 0 represents the worst hospital and 10 represents the best hospital
(3) ST = Strategic Target

How VA Verifies Results Data for Accuracy

Data are collected through the VA-issued CAHPS. Information gathered measures Veterans' perceptions of VA health care.

The CAHPS survey is administered using a standardized, documented, consistent methodology. Patients are randomly selected for inclusion in the CAHPS sample from the population of eligible patients each month. Results are weighted to accurately account for population size differences across the system and varying rates of non-response to the survey.

Impact on Veterans

Desired Direction

Veterans who receive VA care are entitled to health care that includes emotional support, education, shared decision making, safe environments, family involvement, respect, and management of pain and discomfort.

The Veteran's level of overall satisfaction is impacted by the extent to which his or her needs are met. Satisfaction is therefore a key indicator of how well VA rises to these expectations. This measure addresses how well these expectations are met in the *outpatient* setting.

How VA Leadership Uses Results Data

A key strategic goal is providing Veterans with personalized, proactive, and patient-driven care. VA leadership uses results from this measure to optimize the design of services and products based of Veteran's needs, preferences, and perspectives. The results are compared across medical centers and clinics. One of the ways VA drives improvements is by identifying high performers and sharing their best practices with other facilities.

Specialized reports such as Attributable Effects identify "key drivers" of the Overall Rating of VA Healthcare. Staff uses these results to identify opportunities for changing and improving the personalized delivery model of care.

Benefit Services

Key Measure

Percent of disability Compensation and Pension Pending Inventory that is More Than 125 Days Old

Performance Trends

	2009	2010	2011	2012	2013	ST
Results	0%	0%	0%	66%	58%	
Targets	0%	0%	0%	60%	40%	0%

Actual data are as of October 2013
ST = Strategic Target

How VA Verifies Results Data for Accuracy

Data extracted from VBA systems of record (including Benefits Delivery Network, VETSNET, and VBMS) are captured electronically through a fully automated reporting process and imported into an EDW.

VBA's PA&I staff members assess the data monthly to detect discrepancies that would indicate an error in the automated data collection system. This review ensures accurate reporting, consistency, and absence of anomalies. All reports produced from the EDW were developed using business rules provided by each of VBA's business lines.

Impact on Veterans

Desired Direction

VBA's goal is to process all compensation and pension rating claims within 125 days of receipt. This will ensure all Veterans receive a timely decision on their claim.

The VBA backlog of 66 percent at the end of 2012, decreased to 58 percent in 2013.

How VA Leadership Uses Results Data

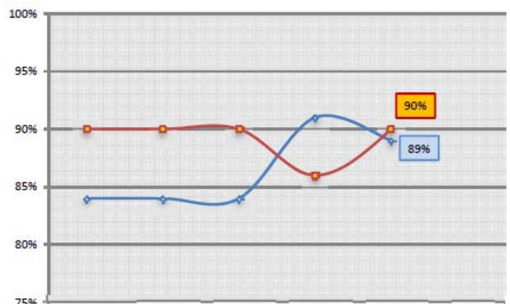
VA leadership uses data results to manage the compensation and pension programs and to implement performance strategies such as training needs, quality enhancement opportunities, improved procedures, changes in policy to improve timeliness, workload realignment, and staffing levels.

To achieve processing efficiencies that will enable VA to reduce the claims backlog and improve decision quality, VA is employing a synchronized and integrated transformation strategy that incorporates people, process and technology initiatives. See the major accomplishments for details.

Key Measure

NATIONAL ACCURACY RATE FOR COMPENSATION ENTITLEMENT CLAIMS

Performance Trends



	2009	2010	2011	2012	2013	ST
Results	84%	84%	84%	91%	89%	
Targets	90%	90%	90%	86%	90%	98%

(1) Actual final data
(2) ST = Strategic Target

Impact on Veterans

Desired Direction

Veterans are entitled to an accurate decision on their compensation claims. Monitoring accuracy helps ensure that VA provides the correct level of benefit to the Veteran. Over the past two fiscal years VBA has seen a steady increase in the national accuracy rate for compensation claims. Increase in claims accuracy can lead to increased Veterans' satisfaction with their initial rating decisions.

How VA Verifies Results Data for Accuracy

VBA Compensation Service's quality staff is trained by experts through the Quality Review Team (QRT) Challenge training sessions. In 2013, VBA held 6 QRT Challenge sessions to educate and expand the quality assurance staff.

Compensation Service conducts Systematic Technical Accuracy Reviews (STAR). STAR quality teams conduct reviews of claims completed by the regional offices.

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

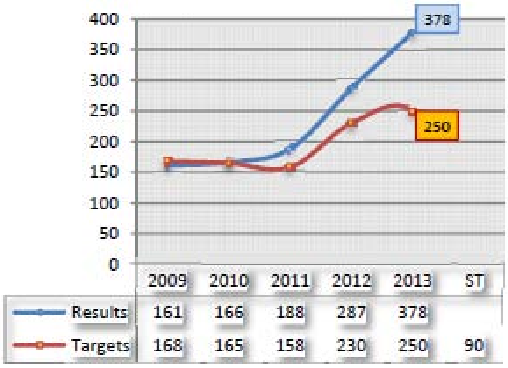
How VA Leadership Uses Results Data

VBA's leadership is committed to the continued increase of the national accuracy rate. Higher quality will ensure better, more efficient service to Veterans and contribute to VBA's goal of eliminating the claims backlog by 2015. Leadership and the quality assurance team use the national accuracy rate to track the national accuracy trend and error category trend at each individual station. The national accuracy rate helps the quality assurance staff determine if training or clarification of policy guidance is needed to meet monthly quality goals. VBA anticipates the accuracy rate will continue to increase with the introduction of quality review teams in each regional office and the use of issue-based error analysis at the local and national level.

Key Measure

Average Days to Complete (ADC) – Compensation Entitlement Claims

Performance Trends



Actual data are as of October 2013
ST = Strategic Target
Targets from 2009 – 2012 are combined Compensation and Pension targets

Impact on Veterans

Desired Direction

VBA's goal is to process, on average, all compensation rating claims 90 days from receipt. This will ensure all Veterans receive a timely decision on their claim.

The VBA ADC of 287 days during 2012, increased to 378 days in 2013 due to the agency's focus on eliminating claims older than 1 year from its inventory. In the long run this will pay off since the pending inventory is coming down, which will eventually result in timelier decisions for Veterans.

How VA Verifies Results Data for Accuracy

Data extracted from VBA systems of record (including Benefits Delivery Network, VETSNET, and VBMS) are captured electronically through a fully automated reporting process and imported into an EDW.

VBA's PA&I staff members assess the data monthly to detect discrepancies that would indicate an error in the automated data collection system. This review ensures accurate reporting, consistency, and absence of anomalies. All reports produced from the EDW were developed using business rules provided by each of VBA's business lines.

How VA Leadership Uses Results Data

VA leadership uses the results to manage the compensation programs and to implement performance strategies such as training needs, quality enhancement opportunities, improved procedures, changes in policy to improve timeliness, workload realignment, and staffing levels.

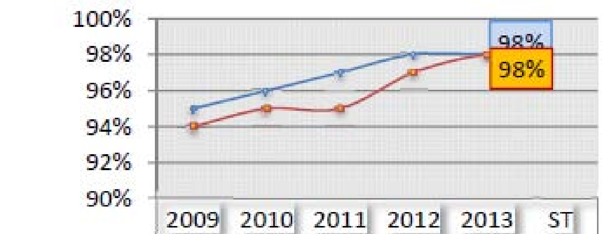
To achieve processing efficiencies that will enable VA to reduce the claims ADC and improve decision quality, VA is employing a synchronized and integrated transformation strategy that incorporates people, process and technology initiatives. See the major accomplishments for details.

In 2013, VBA trained 1,264 new claims processors. As these employees become fully proficient in their roles, they will favorably impact processing time and lowering the ADC.

Key Measure

NATIONAL ACCURACY RATE FOR PENSION MAINTENANCE CLAIMS

Performance Trends



	2009	2010	2011	2012	2013	ST
Results	95%	96%	97%	98%	98%	
Targets	94%	95%	95%	97%	98%	98%

(1) Actual data through 9/30/13
(2) ST = Strategic Target

Impact on Veterans

Desired Direction

Status

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

The importance of making timely payments to Veterans for pension claims is critical to helping them meet their basic financial needs.

How VA Verifies Results Data for Accuracy

Data are analyzed daily, and the results are tabulated monthly. Pension and Fiduciary STAR quality teams conduct performance quality and consistency reviews of claims completed by the Pension Management Centers .

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

How VA Leadership Uses Results Data

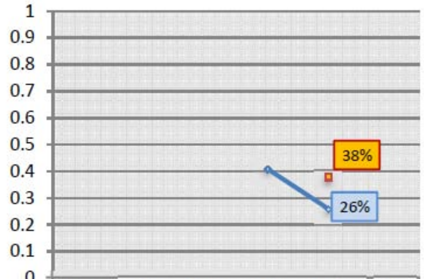
VA leadership is committed to increasing the accuracy of decisions. Based on 2013 performance results, VA expanded the four-tiered quality assurance program to improve its accuracy rate for compensation and pension claims:

- Tier One - Accuracy; expanding the STAR staff to increase review sampling.
- Tier Two - Oversight; expanding site visit staff and review of internal controls.
- Tier Three - Special focus reviews; review of Appeals Management Center decisions, and providing review of administrative error decisions over $25,000.
- Tier Four - Consistency; expanding rating data analyses and increasing the focus on disability decision consistency reviews.

Key Measure

Percent of DIC Claims Inventory Over 125 Days

Performance Trends



	2009	2010	2011	2012	2013	ST
Results	N/A	N/A	N/A	41%	26%	
Targets	N/A	N/A	N/A	Baseline	38%	0%

Actual data are as of October 2013
ST = Strategic Target

Impact on Veterans

Desired Direction

VBA's goal is to process all Dependency and Indemnity Compensation (DIC) claims within 125 days of receipt. This will ensure all survivors receive timely decisions on their claims.

Workload prioritization and streamlined adjudication procedures significantly decreased the backlog of DIC claims from 41 percent in 2012 to 26 percent in 2013.

How VA Verifies Results Data for Accuracy

Data extracted from VBA systems of record (including Benefits Delivery Network, VETSNET, and VBMS) are captured electronically through a fully automated reporting process and imported into an EDW.

VBA's PA&I staff members assess the data monthly to detect discrepancies that would indicate an error in the automated data collection system. This review ensures accurate reporting, consistency, and absence of anomalies. All reports produced from the enterprise data warehouse were developed using business rules provided by each of VBA's business lines. Reporting requirements are regularly reviewed and modified when anomalies are noted, or when changes are made to the underlying business applications.

How VA Leadership Uses Results Data

VA leadership uses the results to manage PMC programs and to implement performance strategies such as streamlined adjudication, realigned workload, and revised staffing levels.

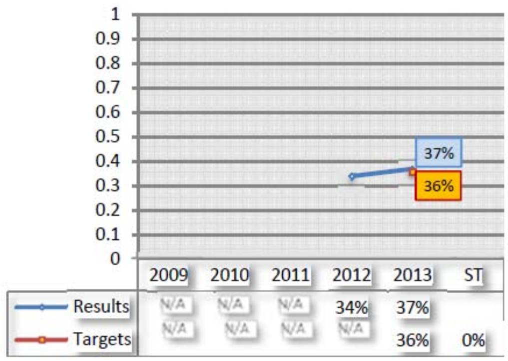
To achieve processing efficiencies that will enable VA to reduce the claims backlog and improve decision quality, VA is employing a synchronized and integrated transformation strategy that incorporates people, process and technology initiatives.

In 2013, VBA reviewed its adjudication procedures and eliminated unnecessary procedures for DIC claims. In addition, VBA prioritized the processing of DIC claims. Taken together, these steps produced a significant performance improvement in DIC timeliness.

Key Measure

Percentage of Original and Reopened Pension Claims Inventory Pending Over 125 Days

Performance Trends



Actual data as of October 2013
ST = Strategic Target

How VA Verifies Results Data for Accuracy

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

VBA's Performance Analysis and Integrity (PA&I) staff members assess the data monthly to detect discrepancies that would indicate an error in the automated data collection system. This review ensures accurate reporting, consistency, and absence of anomalies. All reports produced from the enterprise data warehouse were developed using business rules provided by each of VBA's business rules provided by each of VBA's business lines. Reporting requirements are regularly reviewed and modified when anomalies are noted, or when changes are made to the underlying business applications.

Impact on Veterans

Desired Direction

VBA's goal is to process all Original and Reopened Pension rating claims within 125 days of receipts. This will ensure all Veterans receive timely decisions on their claims.

The backlog of Original and Reopened Pension claims increased slightly from 34 percent at the end of 2012 to 37 percent at the end of 2013.

How VA Leadership Uses Results Data

VA leadership uses the results to manage the pension programs and to implement performance strategies such as policies to streamline adjudication, workload realignment, and staffing levels.

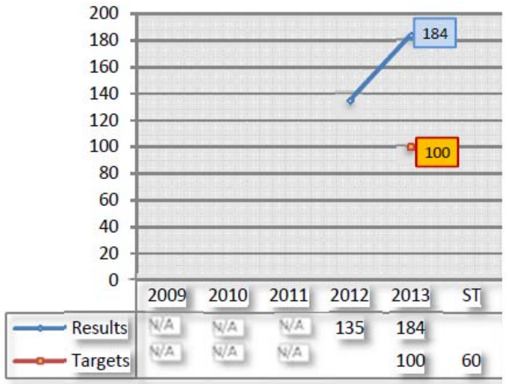
To achieve processing efficiencies that will enable VA to reduce the claims backlog and improve decision quality, VA is employing a synchronized and integrated transformation strategy that incorporates people, process and technology initiatives.

VBA is reducing the amount of PMC non-rating work as a means to free up resources for working the backlog of Pension claims and other PMC rating work. In 2013, VBA eliminated the Eligibility Verification Report, which eliminated the seasonal surge of 140,000 work items into PMCs during the January – April time frame.

Key Measure

Average Days to Complete Pension Maintenance Claims

Performance Trends



Actual data are as of October 2013

ST = Strategic Target

How VA Verifies Results Data for Accuracy

Data extracted from VBA systems of record (including Benefits Delivery Network, VETSNET, and VBMS) are captured electronically through a fully automated reporting process and imported into an EDW.

VBA's PA&I staff members assess the data monthly to detect discrepancies that would indicate an error in the automated data collection system. This review ensures accurate reporting, consistency, and absence of anomalies. All reports produced from the enterprise data warehouse were developed using business rules provided by each of VBA's business lines. Reporting requirements are regularly reviewed and modified when anomalies are noted, or when changes are made to the underlying business applications.

Impact on Veterans

Desired Direction

VBA's goal is to process all Pension Maintenance claims within 100 days of receipt. This will ensure that VA timely adjusts pension benefits for both Veterans and survivors, thereby reducing any under- or overpayment of benefits.

Average Days to Complete Pension Maintenance claims exceeds the target of 100 days.

How VA Leadership Uses Results Data

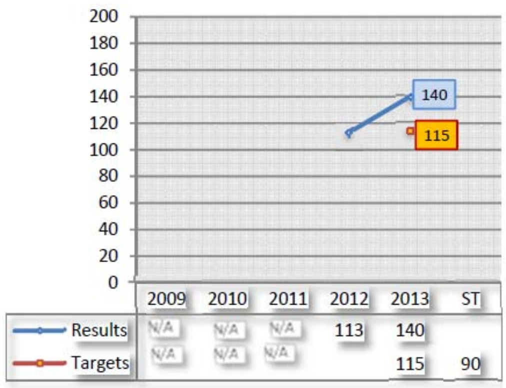
VA leadership uses the results to manage the pension programs and to implement performance strategies such as streamlined adjudication, realigned workload, and revised staffing levels.

To achieve processing efficiencies that will enable VA to reduce the claims backlog and improve decision quality, VA is employing a synchronized and integrated transformation strategy that incorporates people, process and technology initiatives.

VBA is reducing the amount of PMC non-rating (maintenance) work as a means to free up resources for working other PMC rating work. In 2013, VBA eliminated the Eligibility Verification Report, which eliminated the seasonal surge of 140,000 work items into PMCs during the January – April time frame.

Key Measure

Average Days to Complete Original and Reopened Pension Claims



Actual data are as of October 2013
ST = Strategic Target

Impact on Veterans

Desired Direction

VBA's goal is to process claims for pension from Veterans within 115 days. This goal will ensure all Veterans receive timely decisions on their claims.

Average Days to Complete Original and Reopened Pension claims increased from 113 days at the end of 2012 to 140 days at the end of 2013.

How VA Verifies Results Data for Accuracy

Data extracted from VBA systems of record (including Benefits Delivery Network, VETSNET, and VBMS) are captured electronically through a fully automated reporting process and imported into an EDW.

VBA's PA&I staff members assess the data monthly to detect discrepancies that would indicate an error in the automated data collection system. This review ensures accurate reporting, consistency, and absence of anomalies. All reports produced from the enterprise data warehouse were developed using business rules provided by each of VBA's business lines. Reporting requirements are regularly reviewed and modified when anomalies are noted, or when changes are made to the underlying business applications.

How VA Leadership Uses Results Data

VA leadership uses the results to manage the pension programs and to implement performance strategies such as streamlined adjudication, realigned workload, and revised staffing levels.

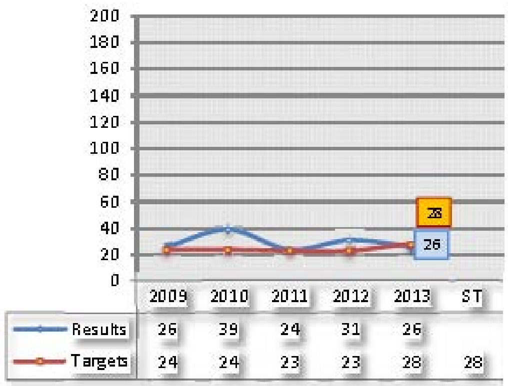
To achieve processing efficiencies that will enable VA to reduce the claims backlog and improve decision quality, VA is employing a synchronized and integrated transformation strategy that incorporates people, process and technology initiatives.

VBA is reducing the amount of PMC non-rating work as a means to free up resources for working the backlog of Pension claims and other PMC rating work. In 2013, VBA eliminated the Eligibility Verification Report, which eliminated the seasonal surge of 140,000 work items into PMCs during the January – April time frame.

Key Measure

AVERAGE DAYS TO COMPLETE ORIGINAL EDUCATION CLAIMS

Performance Trends



Actual data are as of October 2013
ST = Strategic Target

Impact on Veterans

Desired Direction

The timeliness of completing original education claims decreased from 31days in 2012, to 26 days in 2013. Compared with 2012, Veterans waited on average 5 fewer days to receive their initial award notification and payment.

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

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

In 2013 such actions included aggressive monitoring of workload and judicious application of overtime production capacity. VA routinely reviews claims processing policies to streamline the entire claims process based on case reviews identifying duplication of efforts and redundant or unnecessary development. Additional enhanced functionalities continue to be added to The Long Term Solution to improve Post 9/11 GI Bill claims processing system.

Education claims intake is cyclic with peaks at the beginning of the fall, spring, and summer. This data is used to determine when mandatory overtime may be needed to address the cyclical intake peaks.

How VA Verifies Results Data for Accuracy

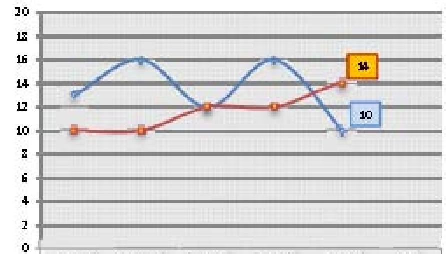
Quality review staff members verify the data quarterly. The review uses a statistically valid sampling of cases to determine reliability of automated data reports.

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

Key Measure

Average Days to Complete Supplemental Education Claims

Performance Trends



	2009	2010	2011	2012	2013	ST
Results	13	16	12	16	10	
Targets	10	10	12	12	14	14

Actual data final
ST = Strategic Target

Impact on Veterans

Desired Direction

The timeliness of completing supplemental education claims decreased from 17 days in 2012 to 10 days in 2013. Compared with 2012, Veterans waited on average 7 lesser days to receive their award notification and payment.

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

How VA Verifies Results Data for Accuracy

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

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

How VA Uses the Results Data

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

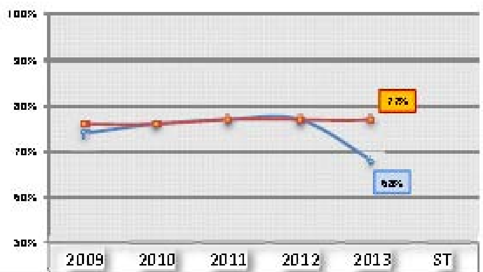
In 2013, such actions included aggressive monitoring of workload and judicious application of overtime production capacity. VA routinely reviews claims processing policies to streamline the entire claims process based on case reviews identifying duplication of efforts and redundant or unnecessary development. Additional enhanced functionalities continue to be added to the Long Term Solution to improve Post 9/11 GI Bill claims processing system.

Education claims intake is cyclic with peaks at the beginning of the fall, spring, and summer. This data is used to determine when mandatory overtime may be needed to address the cyclical intake peaks.

Key Measure

Rehabilitation Rate (General)

Performance Trends



	2009	2010	2011	2012	2013	ST
Results	74%	76%	77%	77%	68%	
Targets	76%	76%	77%	77%	77%	80%

Actual data final
ST = Strategic Target

How VA Verifies Results Data for Accuracy

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

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

Impact on Veterans

Desired Direction

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

How VA Leadership Uses Results Data

VA leadership uses the rehabilitation rate to assess the performance of vocational rehabilitation counselors, counseling psychologists, VR&E officers, and regional office directors as well as the overall effectiveness of the program and services provided.

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

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

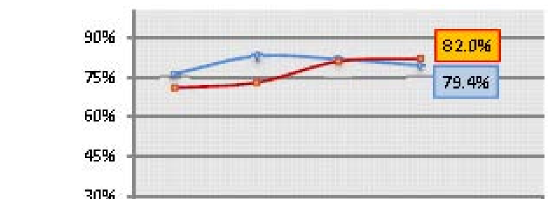
- Providing services to enable Veterans to continue to complete the program and become career employed.
- Enhance the VetSuccess.gov Web site because it provides Veterans with a VA employment portal that employers can use to match skilled Veterans with employer staffing needs.
- Continue to sponsor career fairs geared toward today's Veteran to provide exposure to employers seeking to hire Veterans.
- Train Vocational Rehabilitation Counselors and Employment Coordinators in the best methods for preparing and placing Veterans in careers.

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

Key Measure

DEFAULT RESOLUTION RATE

Performance Trends



	2010	2011	2012	2013	ST
Results	76.3%	83.0%	81.8%	79.4%	85%
Targets	71.0%	73.0%	81.0%	82.0%	

Actual data are final
ST = Strategic Target

Impact on Veterans

Desired Direction

The 2013 default resolution rate of 79.4 percent (FYTD through July) means that of the Veterans who defaulted on their VA-guaranteed loans, VA and loan servicers were able to assist 79.3 percent in either retaining ownership of their homes or in lessening the impact of foreclosure by tendering a deed in lieu of foreclosure or arranging a private sale with a VA claim payment to help close the sale.

How VA Verifies Results Data for Accuracy

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

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

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

How VA Leadership Uses Results Data

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

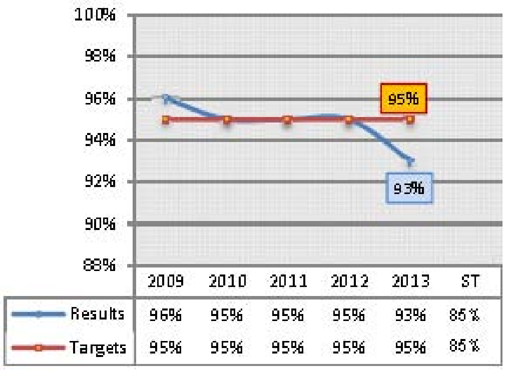
This redesign effort included development of a new Web-enabled and rules-based "smart" system, VALERI.

VALERI's standardized servicing criteria, which are on par or ahead of industry norms, enable instant access to acquisition and claim payment status and make it easier for servicers to work and communicate with VA.

Key Measure

RATE OF HIGH CLIENT SATISFACTION RATINGS ON SERVICES DELIVERED (INSURANCE)

Performance Trends



Actual data are final
ST = Strategic Target

How VA Verifies Results Data for Accuracy

VA reviews and tabulates the client satisfaction survey responses each month per written guidelines. VA validates the results by re-entering randomly selected monthly responses to determine if similar results are calculated.

Impact on Veterans

Desired Direction

VA's Insurance Program achieves high levels of client satisfaction by providing quality service and implementing and administering insurance programs that meet the needs of Veterans and their beneficiaries. Results over past years have consistently confirmed that Veterans' insurance needs are being met.

How VA Leadership Uses Results Data

Leadership analyzes the results of the monthly client satisfaction surveys of 11 insurance services and addresses any problems identified. One question the surveys ask is, "What could we do better?" VA takes action on the survey results and the comments, including reviewing processes and implementing refresher training on customer service as needed.

Insurance Customer Service Center. Client satisfaction declined due to longer telephone wait times and blocked call rates. VA management took several measures to increase phone coverage, including putting trainees on the phones for half of the day and recruiting Insurance volunteers to answer phones during busy times.

Additional Performance Information

Program Evaluations

In 2012, VR&E launched a skill certification test for Vocational Rehabilitation Counselors and Counseling Psychologists within VBA. The skill certification test is an internal professional-level examination which measures the possession of technical and procedural knowledge along with situational judgment associated with the journey-level counselor position. On July 30, 2013, the skills test was administered to 293 counselors resulting in an 86 percent pass rate. The VRCs that did not pass will receive additional training and are eligible to re-take the test in 6 months.

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

In December 2012, VBA eliminated the need for pension beneficiaries to file an annual eligibility verification report (EVR). The work associated with annually sending and processing an estimated 150,000 EVRs, including the suspension and reinstatement of benefits, burdened pension beneficiaries and significantly disrupted the ability of the Veterans Benefits Administration (VBA) to timely work pension, DIC, and burial benefit claims during the annual EVR season (January through April). VBA will continue to amend awards based on changes in unreimbursed medical expenses and reported income. However, by eliminating the EVR requirement, VBA was able to redirect resources within the PMCs to address the backlog of pension and DIC claims.

VBA was able to eliminate the annual EVR requirement because it worked with the Social Security Administration (SSA) and Internal Revenue Service (IRS) to improve interagency data sharing for purposes of verifying income eligibility for its needs-based programs. Under the improved process, VBA verifies claimants' income at the time of receipt of the applications for pension benefits. By providing VBA with the capability to verify the income of pension applicants at the time of application, the data-sharing initiative will reduce pension overpayments, preserve the pension program for those Veterans and survivors with genuine need, and allow VBA to implement a less burdensome post-award auditing program in lieu of the current Income Verification Match. VBA began weekly data exchanges with IRS and SSA in June 2013 and began training the PMCs on its use in September 2013.

In March 2013, VBA reviewed the policies and procedures applicable to the adjudication of DIC claims to identify obstacles to timely processing. It determined that we could quickly grant many DIC claims with little or no additional development, and that certain claim processing steps were redundant and appropriate for elimination. As a result of these efforts, on March 22, 2013, VBA issued Fast Letter 13-04 (FL 13-04), *Simplified Processing of Dependency and Indemnity Compensation (DIC) Claims,* which instructs VBA field staff on the procedures to follow when processing claims. Among other things, the new procedures require screening of claims at the intake point and limited or no development of additional evidence when information in VBA systems supports granting benefits.

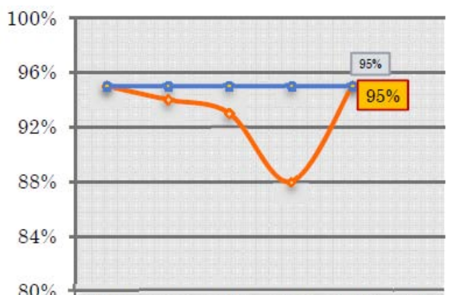
Public Law 112-154, Honoring America's Veterans and Caring for Camp Lejeune Families Act of 2012, was enacted on August 6, 2012, with implementation on August 6, 2013. If an individual lives in an area where a natural disaster is declared by the Governor and/or the President of the United States, then he/she may qualify for the additional assistance covered in the law. The law allows the Department VR&E program to provide two additional months of Employment Adjustment Allowance (EAA) payments to Veterans who have been displaced by a natural or other disaster. In addition, the law allows for a waiver of the annual limitation on new independent living programs for a Veteran displaced, or otherwise adversely affected by, a natural or other disaster.

Burial Services

Key Measure

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

Performance Trends



	2009	2010	2011	2012	2013	ST
Results	95%	94%	93%	88%	95%	
Targets	95%	95%	95%	95%	95%	95%

Actual data are final
ST = Strategic Target

How VA Verifies Results Data for Accuracy

National cemetery employees are trained and skilled at entering data into NCA's Burial Operations Support System (BOSS). Data are collected and verified by NCA Central Office employees who are skilled and trained in data collection and analysis techniques. Data are verified by sampling against source interment data in BOSS.

Impact on Veterans

Desired Direction

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

How VA Leadership Uses Results Data

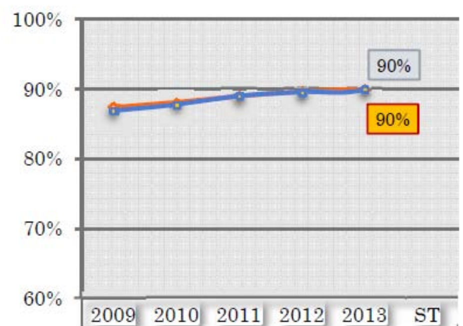
NCA field and Central Office employees have online access to monthly and fiscal year-to-date tracking reports on the timeliness of marking graves in national cemeteries. Increasing the visibility of and access to this information reinforces the importance of marking graves in a timely manner.

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

Key Measure

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

Performance Trends



	2009	2010	2011	2012	2013	ST
Results	87%	88%	89%	90%	90%	
Targets	87%	88%	89%	90%	90%	95%

Actual data are final
ST = Strategic Target

How VA Verifies Results Data for Accuracy

VA staff is trained and skilled in proper procedures for calculating the number of Veterans who live within the service area of cemeteries that provide a first interment burial option. Changes to this measure are documented and reported through VA's annual Performance and Accountability Report and VA Monthly Performance Reports.

Impact on Veterans

Desired Direction

By the end of 2013, over 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 to this benefit is integral to realizing this objective.

How VA Leadership Uses Results Data

VA analyzes census data to determine areas of the country that have the greatest number of Veterans not currently served by a burial option. VA also analyzes census data to identify rural areas of the country that are not currently served by a burial option.

This information is used in planning for new national cemeteries, for gravesite expansion projects to extend the service life of existing national cemeteries, and for potential sites for establishing National Veterans Burial Grounds. This information is also used for prioritizing funding requests for State and Tribal Veterans Cemetery grants.

Key Measure

Percent Of Respondents who Rate the Quality Of Service provided By The National Cemeteries As Excellent

Performance Trends

ST = Strategic Target

How VA Verifies Results Data for Accuracy

Data for this measure are collected by an independent contractor. The contractor provides detailed written documentation of how the survey methodology delivers an acceptable level of accuracy system-wide and by individual cemetery.

The next of kin and servicing funeral directors at all national cemeteries with at least one interment during the fiscal year are surveyed. Data are accurate at a 95 percent confidence interval.

Impact on Veterans

Desired Direction

Performance targets for cemetery service goals are set high consistent with expectations of the families of individuals who are interred and other visitors to the cemetery. High-quality, courteous, and responsive service to Veterans and their families is reflected in VA's 2013 satisfaction rating of 99 percent.

How VA Leadership Uses Results Data

NCA's annual Survey of Satisfaction with National Cemeteries is the source of data for this key measure. The survey collects data from family members and funeral directors who have recently received services from a national cemetery.

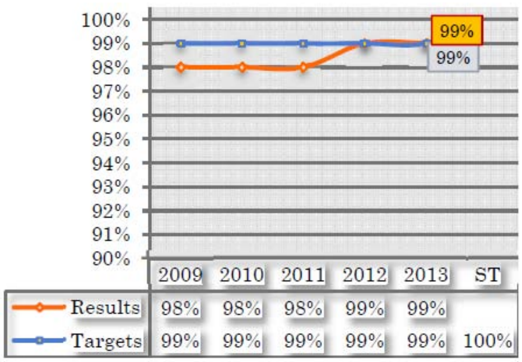
These data are shared with VA Central Office, Memorial Service Networks (MSN), and national cemetery managers who use the data to improve the quality of service provided at national cemeteries.

To ensure that all visitors to national cemeteries receive excellent customer service, NCA has instituted several measures to address customer concerns. Survey data are annually reviewed and used to form action plans at national cemeteries. Best Practices are identified and shared throughout the national cemetery system and incorporated into national cemetery employee training curriculum.

Key Measure

PERCENT OF RESPONDENTS WHO RATE NATIONAL CEMETERY APPEARANCE AS EXCELLENT

Performance Trends



ST = Strategic Target

How VA Verifies Results Data for Accuracy

Data for this measure are collected by an independent contractor. The contractor provides detailed written documentation of how the survey methodology delivers an acceptable level of accuracy system-wide and by individual cemetery.

The next of kin and servicing funeral directors at all national cemeteries with at least one interment during the fiscal year are surveyed. Data are accurate at a 95 percent confidence interval.

Impact on Veterans

Desired Direction

Performance targets for cemetery service goals are set high consistent with expectations of the families of individuals who are interred as well as other visitors.

High-quality, courteous, and responsive service to Veterans and their families is reflected in VA’s 2013 satisfaction rating of 99 percent.

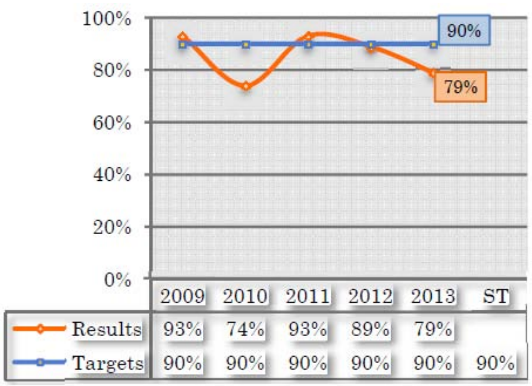
How VA Leadership Uses Results Data

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

Key Measure

PERCENT OF APPLICATIONS FOR HEADSTONES AND MARKERS THAT ARE PROCESSED WITHIN 20 DAYS FOR THE GRAVES OF VETERANS WHO ARE NOT BURIED IN NATIONAL CEMETERIES

Performance Trends



Actual data are final.
ST = Strategic Target

How VA Verifies Results Data for Accuracy

Employees in the National Cemetery Administration’s (NCA) Memorial Programs Service are trained and skilled at entering data into NCA's Automated Monument Application System (AMAS). Paper applications are scanned and entered electronically into AMAS.

Applications received electronically, either by fax or Internet, are automatically entered into AMAS. Data are verified by sampling against source data in AMAS.

Impact on Veterans

Desired Direction

The amount of time it takes to mark the grave after an interment is extremely important to Veterans and their families. The headstone or marker is a lasting memorial that serves as a focal point not only for present-day survivors, but also for future generations.

In addition, there is often a sense of closure to the grieving process when the grave is marked. A high level of performance in this area is important as roughly 70 percent of headstones and markers furnished by VA are for Veterans buried in cemeteries other than a VA national cemetery.

How VA Leadership Uses Results Data

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

NCA managers use these data to manage application processing workload and to identify and correct potential problems with headstone and marker application processing. Data are comparable between years, enabling NCA and its stakeholders to assess program progress and effectiveness.

Additional Performance Information

Program Evaluations

In August 2008, VA completed an independent and comprehensive program evaluation of the full array of burial benefits and services that the Department provides to Veterans and their families in accordance with 38 USC 527. The evaluation was performed by ICF International to provide VA with an objective assessment of the extent to which VA's program of burial benefits has reached its stated goals and the impact that this program has had on the lives of Veterans and their families.

The evaluation showed that 85 percent of Veterans prefer either a casket or cremation burial option, affirming that VA is meeting the burial needs of Veterans and their families by providing these options at national cemeteries. The evaluation also validated VA policies that consider Veterans living within 75 miles of a national or State Veterans cemetery with available first interment gravesites for either casketed or cremated remains to be adequately served with a burial option within a reasonable distance of their home. Major recommendations addressed the need to continue building new national cemeteries and supporting State cemetery development to serve Veterans nationwide and to consider a new Veteran population threshold of 110,000 Veterans within a 75-mile area for establishing new national cemeteries.

VA used this study as a starting point to develop new burial policies that resulted in a 2011 proposal to change current policy and lower the Veteran population threshold required to establish a new national cemetery from 170,000 to 80,000. Based on the new policies, five new national cemeteries will be built, thus increasing the percent of Veterans served by a burial option. In addition, VA will build five columbarium-only satellite cemeteries in urban locations where utilization rates are low and where time/distance barriers are cited by our clients more frequently on customer satisfaction surveys.

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

Improving Burial Access

In 2013, NCA continued activities to identify and acquire suitable properties to establish National Veterans Burial Grounds, as part of the Rural Veterans Burial Initiative, and to establish new cremation cemetery facilities under the Urban Initiative. Suitable properties for many of the planned sites under these initiatives have been identified. NCA is meeting with landholders and performing due diligence to ensure that the land meets legal and environmental requirements in addition to ensuring that these properties are suitable for use in terms of water and other resource needs. NCA plans to establish eight National Veterans Burial Grounds to serve the burial needs of rural Veterans in states in which there currently is not a national cemetery with available gravesites for first interments. Under the Urban Initiative, NCA plans to establish five cremation cemetery facilities to better serve Veterans in densely populated urban areas where distance to the existing national cemetery has shown to be a barrier to access.

In 2013, NCA completed construction projects to extend burial operations at Sitka (AL), Fort Smith (AR), Riverside (CA), Sarasota (FL), Massachusetts, Fort Custer (MI), Fort McPherson (NE), Dayton (OH), Eagle Point (OR), Roseburg (OR), Washington Crossing (PA), Black Hills (SD), Chattanooga (TN), and Houston (TX) National Cemeteries. In addition to building, operating, and maintaining national cemeteries, VA also administers the Veterans Cemetery Grants Program, which provides grants to states and tribal organizations for up to 100 percent of the cost of establishing, expanding, or improving State Veterans Cemeteries. Increasing the availability of State and Tribal Organizations Veterans Cemeteries is a means to provide a burial option to those Veterans who may not have reasonable access to a national cemetery.

In 2013, VA awarded a total of 18 cemetery grants to State and Tribal Organizations; two grants to establish new Veterans cemeteries and nine grants to expand existing cemeteries to ensure there are no interruptions in burial service for Veterans and their families. In addition, VA awarded a total of seven grants to state cemeteries to fund improvements to physical infrastructure and cemetery appearance. In 2013, VA traveled to participate in the dedication of three new State and Tribal Veterans Cemeteries.

Memorials

VA continues to furnish headstones and markers for the graves of Veterans in VA national cemeteries, national cemeteries administered by the Department of the Army and the Department of the Interior, columbaria niche inscriptions at Arlington National Cemetery, State Veterans cemeteries, and private cemeteries around the world. In 2013, VA processed nearly 359,000 applications for headstones and markers for placement in national, state, other public or private cemeteries. Since 1973, VA has furnished more than 12 million headstones and markers for the graves of Veterans and other eligible persons.

In 2013, VA issued more than 654,000 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 99 percent or better.

Client Satisfaction

In 2013, 96 percent of survey respondents (family members and funeral directors combined) agreed that the quality of service provided by the national cemeteries was excellent. This result demonstrates VA's continued commitment to providing a dignified and respectful environment at all national cemeteries to honor the service and sacrifice Veterans have made.

The willingness to recommend a national cemetery to Veteran families during their time of need is an expression of loyalty toward that national cemetery. In 2013, 99 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.

National Shrines

In 2013, National Shrine Commitment projects were initiated at 24 national cemeteries and two soldier's lots. These projects raised, realigned, and cleaned more than 137,000 headstones and markers and renovated gravesites in more than 280 acres. These efforts resulted in 70 percent of headstones and/or markers in national cemeteries are at the proper height and alignment; 84 percent of headstones, markers, and niche covers are clean and free of debris or objectionable accumulations; and 94 percent of gravesites in national cemeteries had grades that were level and blended with adjacent grade levels. Ninety-nine percent of survey respondents (family members and funeral directors combined) rated the overall appearance of national cemeteries as excellent in 2013.

NCA's Organizational Assessment and Improvement Program identifies and prioritizes improvement opportunities and enhances program accountability by providing managers and staff at all levels with a cemetery-specific rating or score based upon a uniform, NCA-wide set of standards. As part of the program, assessment teams conduct site visits to all national cemeteries on a rotating basis to validate performance reporting. In 2013, NCA teams conducted 10 site visits assessing 16 national cemeteries. Since the program's inception in 2004, 92 site visits assessing 123 of NCA's 131 national cemeteries have been conducted.

Operational Improvements

In 2013, NCA continued to broaden the scope of its First Notice of Death (FNOD) Office by working with representatives from VHA and NCA FNOD to integrate BOSS and AMAS, the major sources of Date of Death data within NCA, into the existing Master Veteran Index. Having this data integrated provides authoritative dates of death that have been verified through the NCA FNOD processes. Information NCA provides is shared with VHA Enrollment Systems at all the VAMC sites of record. The uploading of the Date of Death will automatically terminate any active prescriptions on file and upon notification of a date of death, allow the VAMC staff to cancel a patient's future appointments. In 2013, NCA processed nearly 706,000 notices of death, avoiding nearly $57 million in overpaid benefits.

Key Measures Data Table

The following discussion explains how VA's Key Measures help achieve VA's goal of caring for Veterans and their families. It includes the definition, measure validation, data source and frequency, data verification/quality, and data limitations.

Prevention Index V

Key Performance Measure Definition: 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. This measure is an indicator of how well VA promotes healthy lifestyle changes such as immunizations, hyperlipidemia, smoking cessation, and early screening for cancer. 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 V.

Measure Validation: The Prevention Index V 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.

Data Source and Frequency: 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. Data are reported quarterly with a cumulative average determined annually.

Data Verification/Quality:

- Accuracy: Data collection staff is skilled and trained in gathering statistically valid random samples of medical records for review.
- Reliability/Comparability: Data can be used to identify potentially disabling chronic diseases. VA can then provide education, disease management, and care access to limit the effects and improve the quality of life for the Veteran.
- Consistency: Collection standards are documented/available/used.

Data Limitations: None

Clinical Practice Guidelines Index IV

Key Performance Measure Definition: 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 of 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 IV.

Measure Validation: The CPGI IV 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 Source and Frequency: 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. Data are reported quarterly with a cumulative average determined annually.

Data Verification/Quality:

- Accuracy: Data collection staff is skilled and trained in gathering statistically valid random samples of medical records for review.
- Reliability/Comparability: Data can be used to identify potentially disabling chronic diseases. VA can then provide education, disease management and care access to limit the effects and improve the quality of life for the Veteran.
- Consistency: Collection standards are documented/available/used.

Data Limitations: None

Percent of new primary care appointments completed within 14 days of the appointment creation date.

Key Performance Measure Definition: This measure tracks the percentage of time that Veterans who are new to Primary Care have a completed appointment within 14 days of the appointment creation date. The percent is calculated using the numerator, which is all appointments completed within 14 days of create date, and the denominator, which is all completed appointments in primary care clinics as posted in the scheduling software during the review period.

Measure Validation: Provides a reliable measure of timeliness of access to care as well as responsiveness to the patient's stated needs.

Data Source and Frequency: The source of this data is the Veterans Health Information Systems and Technology Architecture (VistA) scheduling software. The data are collected monthly.

Data Verification/Quality:

- Accuracy: Data collection staff is skilled and trained in proper procedures of the scheduling package. The scheduling package entry procedures are also documented and followed. Edits to previously entered data are documented and followed.
- Reliability/Comparability: VA uses the results of this measure to inform and drive quality improvement activities that promote shorter waiting times for primary care appointments by improving efficiencies and addressing missed opportunities.
- Consistency: Source data are well defined and documented; definitions are available and used.

Data Limitations: None

Percent of established primary care appointments completed within 14 days of the desired date

Key Performance Measure Definition: This measure tracks the time in days between the desired date entered for an established patient appointment and the date on which the appointment is actually completed. The percent is calculated using the numerator, which is all appointments completed within 14 days of desired date, and the denominator, which is all completed appointments in primary care clinics as posted in the scheduling software during the review period.

Measure Validation: Provides a reliable measure of timeliness of access to care as well as responsiveness to the patient's stated needs.

Data Source and Frequency: The source of this data is VistA scheduling software. The data are collected monthly.

Data Verification/Quality:

- Accuracy: Data collection staff is skilled and trained in proper procedures of the scheduling package. The scheduling package entry procedures are also documented and followed. Edits to previously entered data are documented and followed.
- Reliability/Comparability: VA uses the results of this measure to inform and drive quality improvement activities that promote shorter waiting times for primary care appointments by improving efficiencies and addressing missed opportunities.

- Consistency: Source data are well defined and documented; definitions are available and used.

Data Limitations: None

Percent of new specialty care appointments completed within 14 days of the appointment create date.

Key Performance Measure Definition: This measure tracks the percentage of time that Veterans who are new to Primary Care have a completed appointment within 14 days of the appointment creation date. The percent is calculated using the numerator, which is all appointments completed within 14 days of create date, and the denominator, which is all completed appointments in specialty care clinics as posted in the scheduling software during the review period.
Measure Validation: Provides a reliable measure of timeliness of access to care as well as responsiveness to the patient's stated needs.
Data Source and Frequency: Reported monthly via VistA scheduling software.
Data Verification/Quality:

- Accuracy: Data collection staff is skilled and trained in proper procedures of the scheduling package. The scheduling package entry procedures are also documented and followed. Edits to previously entered data are documented and followed.
- Reliability/Comparability: VA uses the results of this measure to inform and drive quality improvement activities that promote shorter waiting times for specialty care appointments by improving efficiencies and addressing missed opportunities.
- Consistency: Source data are well defined and documented; definitions are available and used.

Data Limitations: None

Percent of established specialty care appointments completed within 14 days of the desired date

Key Performance Measure Definition: This measure tracks the time in days between the desired date entered for an established patient appointment and the date on which the appointment is actually completed. The percent is calculated using the numerator, which is all appointments completed within 14 days of desired date, and the denominator, which is all completed appointments in specialty care clinics as posted in the scheduling software during the review period.
Measure Validation: Provides a reliable measure of timeliness of access to care as well as responsiveness to the patient's stated needs.
Data Source and Frequency: Reported monthly via VistA scheduling software.
Data Verification/Quality:

- Accuracy: Data collection staff is skilled and trained in proper procedures of the scheduling package. The scheduling package entry procedures are also documented and followed. Edits to previously entered data are documented and followed.
- Reliability/Comparability: VA uses the results of this measure to inform and drive quality improvement activities that promote shorter waiting times for specialty care appointments by improving efficiencies and addressing missed opportunities.
- Consistency: Source data are well defined and documented; definitions are available and used.

Data Limitations: None

Percent of patients rating VA health care as 9 or 10 (on a scale from 0 to 10): Inpatient and Outpatient

Key Performance Measure Definition: Data are gathered for these measures via a VA survey that is applied to a representative sample of inpatients and a sample of outpatients. The denominator is the total number of patients sampled who answered the question, “Overall, how would you rate your

quality of care?" The numerator is the number of patients who rated their care as 9 or 10 (on a scale from 0 to 10).
Measure Validation: Satisfaction surveys are the most effective way to determine patient expectations and provide a focused critique on areas for improvement.
Data Source and Frequency: Data is obtained from the Survey of Health Experiences of Patients. Surveys are conducted as follows: Inpatient - Semi-annually; Outpatient – Quarterly;
Data Verification/Quality:

- Accuracy: The data collection process is documented and followed when surveys are received.
- Reliability/Comparability: Data collected are used by VHA to measure patient satisfaction. The results are used to inform and drive quality improvement.
- Consistency: Collection standards are documented, available, and used.

Data Limitations: None

Percent of disability compensation claims pending inventory that is more than 125 days
Key Performance Measure Definition: The percentage of disability compensation claims pending greater than 125 days is measured by the number of days pending for each disability compensation claim requiring a rating decision. This includes the end products for: initial disability compensation claims; supplemental compensation routine future examinations; reviews due to hospitalization; and Nehmer-related cases. The measure is calculated by dividing the total number of claims pending 125 days or greater by the total number of cases pending.
Measure Validation: This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.
Data Source and Frequency: The source of this data is VETSNET Operations Reports (VOR). Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.
Data Verification/Quality:

- Accuracy: Data are captured electronically through an automated process; data are reviewed for anomalies; procedures for making changes to previously entered data are documented and followed.
- Reliability/Comparability: Data can be used to make decisions such as those regarding realignment of resources; data are released monthly; data can be compared between years to assess progress or program effectiveness; and supporting documentation is maintained and readily available.
- Consistency: Collection standards are documented and programmed electronically; source data are well defined and documented; and data are reported monthly.

Data Limitations: None

Percent of disability compensation and pension claims pending inventory that is more than 125 days
Key Performance Measure Definition: The percentage of disability compensation and pension claims pending greater than 125 days is measured by the number of days pending for each disability compensation and pension claim requiring a rating decision. This includes the end products (EPs) for: initial disability compensation claims; supplemental compensation claims; routine future examinations; reviews due to hospitalization; Nehmer-related cases; original/reopened pension claims, and original and reopened dependency and indemnity compensation claims. The measure is calculated by dividing the total number of claims pending 125 days or greater by the total number of cases pending.
Measure Validation: This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.

Data Source and Frequency: The source of this data is VETSNET Operations Reports (VOR). Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.
Data Verification/Quality:

- Accuracy: Data are captured electronically through an automated process; data are reviewed for anomalies; procedures for making changes to previously entered data are documented and followed.
- Reliability/Comparability: Data can be used to make decisions such as those regarding realignment of resources; data are released monthly; data can be compared between years to assess progress or program effectiveness; and supporting documentation is maintained and readily available.
- Consistency: Collection standards are documented and programmed electronically; source data are well defined and documented; and data are reported monthly.

Data Limitations: None

Compensation entitlement claims – average days to complete (ADC)
Key Performance Measure Definition: The ADC is the elapsed time, in days, from receipt of a compensation claim in the Department of Veterans Affairs to closure of the case by issuing a rating decision. This includes the EPs for: initial disability compensation claims; supplemental compensation claims; routine future examinations; reviews due to hospitalization; and Nehmer-related cases. The measure is calculated by dividing the total number of days recorded from receipt to completion (issuing a decision) by the total number of cases completed.
Measure Validation: This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.
Data Source and Frequency: The source of this data is the Veterans Services Network Operations Reports (VOR). Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.
Data Verification/Quality:

- Accuracy: Data are captured electronically through an automated process; data are reviewed for anomalies; procedures for making changes to previously entered data are documented and followed.
- Reliability/Comparability: Data can be used to make decisions such as those regarding realignment of resources; data are released monthly; data can be compared between years to assess progress or program effectiveness; and supporting documentation is maintained and readily available.
- Consistency: Collection standards are documented and programmed electronically; source data are well defined and documented; and data are reported monthly.

Data Limitations: None

National accuracy rate - compensation entitlement claims
Key Performance Measure Definition: 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 rate if applicable. Currently includes the EPs for: initial disability compensation claims; supplemental compensation claims; routine future examinations; and Nehmer-related cases. 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.

Measure Validation: This measure assesses the quality of claims processing and assists VBA management in identifying improvement opportunities and training needs.
Data Source and Frequency: Findings from Compensation Service Systematic Technical Accuracy Review (STAR) are entered in an Intranet database maintained by the Philadelphia LAN Integration Team. These results are downloaded monthly to the Performance Analysis and Integrity (PA&I) information storage database. Case reviews are conducted daily. The review results are tabulated monthly on a monthly, 3-month, and 12-month rolling basis.
Data Verification/Quality:

- Accuracy: Data accuracy is maintained through the following mechanisms: Data analysis staff is skilled and trained in the proper procedures; data entry procedures are documented and followed; data are sampled against source data through quality reviews; and procedures for making changes to previously entered data are documented and followed.
- Reliability/Comparability: Data can be used to make decisions such as those regarding training needs; data can be compared between years to assess progress or program effectiveness; and supporting documentation is maintained and readily available.
- Consistency: Collection sampling standards are documented, available, and used; source data are well defined and documented; data reporting schedules are documented, distributed, and followed.

Data Limitations: There is a slight chance of an erroneous entry by the end user.

Percentage of Original and Reopened Pension Claims Inventory Pending Over 125 Days
Key Performance Measure Definition: The percentage of original and reopened claims pending greater than 125 days is measured by the number of days pending for each pension claim requiring a rating decision. This includes the EPs: Original Disability Pension and Reopened Pension. The measure is calculated by dividing the total number of claims pending 125 days or greater by the total number of claims pending.
Measure Validation: This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.
Data Source and Frequency: The source of this data is VOR. Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.
Data Verification/Quality:

- Accuracy: Data are captured electronically through an automated process; data are reviewed for anomalies; procedures for making changes to previously entered data are documented and followed.
- Reliability/Comparability: Data can be used to make decisions such as those regarding realignment of resources; data are released monthly; data can be compared between years to assess progress or program effectiveness; and supporting documentation is maintained and readily available.
- Consistency: Collection standards are documented and programmed electronically; source data are well defined and documented; and data are reported monthly.

Data Limitations: None

Percentage of DIC Claims Inventory Pending Over 125 Days
Key Performance Measure Definition: The percentage of DIC claims inventory pending greater than 125 days is measured by the number of days pending for each DIC claim. Includes the EPs: Original Service-Connected Death Claim; Reopened Service-Connected Death Claims; the measure is calculated by

dividing the total number of such claims pending 125 days or greater by the total number of claims pending.
Measure Validation: This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.
Data Source and Frequency: The source of this data is VOR. Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.
Data Verification/Quality:

- Accuracy: Data are captured electronically through an automated process; data are reviewed for anomalies; procedures for making changes to previously entered data are documented and followed.
- Reliability/Comparability: Data can be used to make decisions such as those regarding realignment of resources; data are released monthly; data can be compared between years to assess progress or program effectiveness; and supporting documentation is maintained and readily available.
- Consistency: Collection standards are documented and programmed electronically; source data are well defined and documented; and data are reported monthly.

Data Limitations: None

Average Days to Complete Original and Reopened Pension Claims
Key Performance Measure Definition: Elapsed time, in days, from receipt of a claim in the Department of Veterans Affairs to closure of the case by issuing a decision. This includes the EPs: Original Disability Pension; and Reopened Pension. The measure is calculated by dividing the total number of days recorded from receipt to completion (issuing a decision) by the total number of cases completed.
Measure Validation: This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.
Data Source and Frequency: The source of this data is VOR. Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.
Data Verification/Quality:

- Accuracy: Data are captured electronically through an automated process; data are reviewed for anomalies; procedures for making changes to previously entered data are documented and followed.
- Reliability/Comparability: Data can be used to make decisions such as those regarding realignment of resources; data are released monthly; data can be compared between years to assess progress or program effectiveness; and supporting documentation is maintained and readily available.
- Consistency: Collection standards are documented and programmed electronically; source data are well defined and documented; and data are reported monthly.

Data Limitations: None

Average Days to Complete Pension Maintenance Claims
Key Performance Measure Definition: Elapsed time, in days, from receipt of a claim in the Department of Veterans Affairs to closure of the case by issuing a decision. Maintenance claims are those claims not requiring a rating decision. This includes the EPs: Hospital Adjustment; Dependency; Income Adjustment; Income Verification Match; Eligibility Determinations; and Pre-determination claims. The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of cases completed.

Measure Validation: This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.
Data Source and Frequency: The source of this data is VOR. Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.
Data Verification/Quality:

- Accuracy: Data are captured electronically through an automated process; data are reviewed for anomalies; procedures for making changes to previously entered data are documented and followed.
- Reliability/Comparability: Data can be used to make decisions such as those regarding realignment of resources; data are released monthly; data can be compared between years to assess progress or program effectiveness; and supporting documentation is maintained and readily available.
- Consistency: Collection standards are documented and programmed electronically; source data are well defined and documented; and data are reported monthly.

Data Limitations: None

Average days to complete original and supplemental Education claims

Key Performance Measure Definition: Elapsed time, in days, from receipt of a claim in the Department of Veterans Affairs to closure of the case by issuing a decision. Original claims are those for requests for an eligibility determination for an education benefit. Subsequent school enrollments and enrollment changes are considered a supplemental claim.
Measure 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.
Data Source and Frequency: Education claims processing timeliness is measured by using data captured automatically through VBA's Benefits Delivery Network (BDN). This information is reported monthly through VBA's data warehouse using the Distribution of Operational Resources (DOOR) system.
Data Verification/Quality:

- Accuracy: More than half of all claims are received electronically, and date of claim is automatically determined. For claims received via U.S. Mail, imaging clerks and authorization personnel are skilled and trained in determining date of claim for manual input. Procedures for date of claim input, completion, and change are documented and followed. Timeliness is an element reviewed during the quarterly Quality Assurance review. Timeliness error rates of 3 percent or more on Quality Assurance reviews result in a recommendation of corrective refresher training. No 3rd party evaluations are conducted.
- Reliability/Comparability: Timeliness data are received in a timely manner to facilitate program management decisions and for other critical reporting. It is maintained in easily accessible electronic storage covering more than a decade and can be extracted in both standard and ad hoc report formats. The stored data includes both detailed and summary information to ensure reliability for decision-making.
- Consistency: Timeliness data are collected according to long-established, well-documented, and consistently used standards. The definitions for source data are clear and documented, and are available and used. Data reporting schedules are documented, distributed, and followed.

Data Limitations: The necessity for manual input of date of claim opens the possibility of data entry errors. While basic and refresher training can reduce this possibility, they cannot entirely eliminate it. Although quality reviews identify problems in this area, they are conducted after the fact, and individual errors cannot be detected in time to prevent their inclusion in overall data.

Default Resolution Rate

Key Performance Measure Definition: This measure represents the joint efforts of VA and VA-guaranteed loan servicers in assisting borrowers with defaulted VA-guaranteed loans. The Default Resolution Rate is the percent of defaulted VA-guaranteed loans that are successfully resolved via a loss mitigation option.

Measure Validation: The primary goal of Loan Guaranty Service is to assist Veterans in purchasing, retaining, and adapting homes in recognition of their service to the Nation. The Default Resolution Rate gauges VA's and Loan Servicers' ability to assist Veterans in maintaining home ownership during times of financial hardship.

Data Source and Frequency: VA-guaranteed loan servicing data are extracted from the Veterans Affairs Loan Electronic Reporting Interface (VALERI) System. This system is used to monitor and oversee the servicing of VA-guaranteed loans. Loan servicing data are collected on a monthly basis.

Data Verification/Quality:

- Accuracy: VA-guaranteed loan servicing personnel are skilled and trained in proper data reporting procedures, which ensures documented data reporting procedures are followed. VA Loan Administration staff are skilled and trained in loan servicing and proper data reporting procedures. Submitted loan servicing data are verified through sampling against loan data. The accuracy of loan servicing data is also established via VALERI's business rules process. Additionally, procedures for making changes to previously entered loan data are documented and followed.
- Reliability/Comparability: VA-guaranteed loan servicing data can be used to make program decisions and can be compared between years to assess progress or program effectiveness. VA-guaranteed loan servicing data are timely and can be used to make critical policy and program decisions. Supporting loan servicing documentation is maintained and readily available.
- Consistency: VA-guaranteed loan servicing data are well defined and documented. Definitions of loan servicing data elements are available and used. Collection standards and data reporting schedules for loan servicing data are documented, available, and used.

Data Limitations: None

Rehabilitation Rate (General)

Key Performance Measure Definition: The rehabilitation rate calculation is as follows: (1) the number of disabled Veterans who successfully complete VA's Vocational Rehabilitation program and acquire and maintain suitable employment and Veterans with disabilities for whom employment is infeasible but who obtain independence in their daily living with assistance from the program divided by (2) the total number leaving the program—both those rehabilitated plus discontinued cases with a plan developed in one of three case statuses (Independent Living, Rehabilitation to Employability, or Employment Services) minus those individuals who benefited from but left the program under one of three conditions: the Veteran (a) reached "maximum rehabilitation gain" due to choosing to be employed in a job that is not suitable, (b) reached "maximum rehabilitation gain" due to being unemployed but employable and not seeking employment, or not employable for medical or psychological reasons, or (c) elected to discontinue his or her VR&E plan to pursue educational goals utilizing Post-9/11 GI Bill Benefits (Chapter 33).

Measure 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 represents the number of Veterans successfully reentering the workforce following completion of their VR&E program.

Data Source and Frequency: Data is obtained from VR&E management reports. Quality Assurance Reviews evaluate the accuracy and reliability of data and are conducted twice a month.
Data Verification/Quality:

- Accuracy: Data is collected and verified by skilled professionals trained in the proper procedures for collecting and analyzing raw data. All data collection procedures are documents and followed.
- Reliability/Comparability: Data are collected and compiled on a monthly basis. Data collected are used by VR&E Management, VBA Management, and Regional Offices to measure the program's success and to identify areas of concern and progress. Data can be compared between years to assess progress or program effectiveness.
- Consistency: The source data are well defined and documented - definitions are available and used. Data collection and distribution on a monthly basis are consistent and documented.

Data Limitations: There is a slight chance of an erroneous entry by the end user.

Rate of high client satisfaction ratings on services delivered (Insurance)
Key Performance Measure Definition: This measure represents the percent of insurance clients who rate different aspects of insurance services in the highest two categories, based on a 5-point scale, using data from the insurance customer survey.
Measure Validation: VA's insurance program uses the results of the surveys to identify opportunities for improvement in order to maintain high levels of client satisfaction by providing quality service and implementing and administering insurance programs that meet the needs of Veterans and their beneficiaries.
Data Source and Frequency: Insurance sends client satisfaction surveys to 40 randomly selected Veterans and beneficiaries per month for each of 11 end products.
Data Verification/Quality:

- Accuracy: Insurance Service reviews and tabulates survey responses and independently validates the results of the tabulated responses by re-entering randomly selected monthly responses in order to determine if similar results are calculated.
- Reliability/Comparability: Data collected are used to measure client satisfaction. VBA Insurance managers use the results of this measure to inform and drive quality improvement.
- Consistency: Data are collected on an on-going basis throughout the month for recording and verification. Data results are reported once per month.

Data Limitations: The necessity for manual input of survey data opens the possibility of data entry errors. Re-entering the data a second time helps to identify possible data entry errors.

Percent of graves in national cemeteries marked within 60 days of interment
Key Performance Measure Definition: 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.
Measure 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 Source and Frequency: Source: Burial Operations Support System (BOSS); data input by field station staff. Data are reported monthly.

Data Verification/Quality:

- Accuracy: National cemetery employees are trained and skilled at entering data into NCA's BOSS system. Data are collected and verified by NCA Central Office employees who are skilled and trained in data collection and analysis techniques. Data are verified by sampling against source interment data in BOSS.
- Reliability/Comparability: Data are used by NCA managers to identify and correct potential problems in the headstone and marker ordering, delivery, and setting process. Data are available at the beginning of each month and are available for use in GPRA reports and VA internal Monthly Performance Reviews. Data are comparable between years, enabling NCA and its stakeholders to assess program progress and effectiveness.
- Consistency: Data collection standards for this measure are automated at VA's Quantico Information Technology Center (QITC). Monthly reports are generated automatically by QITC on the first day of each month. Source data are well defined in NCA's BOSS user's guide.

Data Limitations: None

Percent of applications for headstones and markers that are processed within 20 days for the graves of Veterans who are not buried in national cemeteries

Key Performance Measure Definition: This measures the timeliness of processing applications for headstones and markers -- using NCA's Automated Monument Application System (AMAS) -- 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.

Measure 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 Source and Frequency: Source: Automated Monument Application System (AMAS); data input by field station and Central Office staff. Data are reported monthly.

Data Verification/Quality:

- Accuracy: National cemetery employees are trained and skilled at entering and verifying data in NCA's AMAS system. Data are collected and verified by NCA Central Office employees who are skilled and trained in data collection and analysis techniques. Data are verified by sampling against dates assigned automatically by the AMAS system for source application.
- Reliability/Comparability: Data are used by NCA managers to identify and correct potential problems in the headstone and marker application processing process. Data are available at the beginning of each month and are available for use in GPRA reports and VA internal Monthly Performance Reviews. Data are comparable between years, enabling NCA and its stakeholders to assess program progress and effectiveness.
- Consistency: Data collection standards for this measure are automated at VA's Quantico Information Technology Center (QITC). Monthly reports are generated automatically by QITC on the first day of each month. Source data are well defined in NCA's AMAS user's guide.

Data Limitations: None

Percent of Veterans served by a burial option within a reasonable distance (75 miles) of their residence

Key Performance Measure Definition: 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.

Measure 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.

Data Source and Frequency: VA's VetPop2007 model, based on2000 census data, is the source for determining the total number of Veterans and the number of Veterans served. Data are 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.

Data Verification/Quality:

- Accuracy: NCA staff is trained and skilled in proper procedures for calculating the number of Veterans who live within the service area of cemeteries that provide a first interment burial option. Changes to this calculation methodology or other changes to the measure are documented and reported through VA's annual Performance and Accountability Report and VA Monthly Performance Reviews. Results of a VA Office of the Inspector General audit assessing the accuracy of data used for this measure affirmed the accuracy of calculations made by NCA personnel.
- Reliability/Comparability: Data on this measure are used to determine potential areas of need for future national cemeteries and to guide funding decisions for state and tribal Veterans cemetery grants. Data are timely, are used in VA Monthly Performance Reviews and annual GPRA reports, and enable VA stakeholders to assess VA's progress toward meeting the burial needs of Veterans on an annual basis.
- Consistency: Current data sources and collection standards are well defined. Data sources and collection standards have been documented by independent program studies conducted in 2002 and 2008.

Data Limitations: Provides performance data at specific points in time while at the same time, Veteran demographics are constantly changing.

Percent of respondents who rate the quality of service provided by the national cemeteries as excellent

Key Performance Measure Definition: 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.

Measure 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.

Data Source and Frequency: 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. Data are reported annually.

Data Verification/Quality:

- Accuracy: Data are collected by an independent contractor skilled in data collection and analytical techniques. The next of kin and servicing funeral directors at all national cemeteries with at least one interment during the fiscal year are surveyed. Data are accurate at a 95 percent confidence interval.
- Reliability/Comparability: Data for this measure are used by VA management to inform budget formulation, for VA internal Monthly Performance Reviews and annual GPRA reports, and to enable stakeholders to assess VA's annual performance on providing quality service to Veterans and their families.
- Consistency: VA's current mail-out survey methodology has been in place since 2001. Data collection standards and reporting schedules are clearly defined and incorporated into a contract with the firm that conducts the survey.

Data Limitations: 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.

Percent of respondents who rate national cemetery appearance as excellent

Key Performance Measure Definition: This measure tracks 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.

Measure 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.

Data Source and Frequency: The source of this data is NCA's Survey of Satisfaction with National Cemeteries. The survey collects data annually from family members and funeral directors who have recently received services from a national cemetery.

Data Verification/Quality:

- Accuracy: Data are collected by an independent contractor skilled in data collection and analytical techniques. The next of kin and servicing funeral directors at all national cemeteries with at least one interment during the fiscal year are surveyed. Data are accurate at a 95 percent confidence interval.
- Reliability/Comparability: Data for this measure are used by VA management to inform budget formulation, for VA internal Monthly Performance Reviews and annual GPRA reports, and to enable stakeholders to assess VA's annual performance on maintaining national cemeteries as national shrines.
- Consistency: VA's current mail-out survey methodology has been in place since 2001. Data collection standards and reporting schedules are clearly defined and incorporated into a contract with the firm that conducts the survey.

Data Limitations: 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.

Assessment of Data Quality

VA's ability to accomplish its mission is dependent on the quality of its data. Each day, VA employees use data to make decisions that affect America's Veterans. Data accuracy and reliability are paramount in delivering medical care, processing benefits, and providing burial services.

I. Data Accuracy

Health care delivery is arguably the most data-intensive of any business, and, accordingly, quality health data ultimately depends on the actions of thousands of clinical and administrative staff who document encounters with Veterans in VA's electronic health record, the Computerized Patient Record System (CPRS). Assuring the accuracy of clinical documentation is particularly relevant because it forms the basis of the majority of VA's health performance measures as well as all the measures of quality, safety, and productivity that we compile and share with health system leadership, clinicians, stakeholders, and the general public. Clinical documentation furthermore is the basis of diagnostic coding and billing, so accuracy and adherence to industry-wide standards are vital to maintaining public trust.

VHA launched its national Clinical Documentation Improvement (CDI) Program in April 2013, to include the publication of a CDI Program Guide and three national training sessions. The emphasis on improved clinical documentation lays the groundwork for implementation of International Classification of Diseases, 10th Edition (ICD-10) which requires even greater specificity in documentation. A VHA CDI Council has been established consisting of an interdisciplinary team with clinical and administrative expertise to ensure quality, integrity and accuracy of VHA clinical documentation for translation into coded data.

To facilitate facility reimbursement by third party payers, Health Information Management coders validate all billable encounters to ensure billable claims are as accurate and complete on the front end. Additionally, random coding audits are conducts; this year's audit indicates that accuracy of outpatient coding exceeds 95 percent, and that inpatient coding accuracy has increased from 76.6 percent last year, to 83 percent this year.

The transition to ICD10 is an industry wide event for healthcare organizations covered by Health Insurance Portability and Accountability Act by October 1, 2014. VHA has established an ICD10 Program Management Office to oversee the implementation efforts, which includes outlining training needs, software remediation, and other transition activities at the local and national level. VHA has provided 7 virtual training sessions for VA staff that currently use ICD-9, and has scheduled 12 additional sessions for the next 18 months.

VBA's data management systems have been substantially improved in recent years with such programs as the VETSNET suite of applications and other corporate data solutions. These applications, and the analytical tools associated with the data warehouse, provide leadership with more robust data and better support for information management and analysis.

Information is collected in defined formats and entered into specific fields of database records. Data are checked for completeness by system audits and manual verifications.

Certain data, such as Social Security Number, are verified with the Social Security Administration periodically. Prior to award of benefits by VBA, the Veteran's record is manually reviewed and data validated to ensure correct entitlement.

Employees are skilled and trained in the proper procedures; data entry procedures are documented and followed; data are sampled against source data through quality reviews; and procedures for making changes to previously entered data are documented and followed.

NCA determines the annual distribution of living Veterans and estimated Veteran deaths from data provided by the VA Office of the Actuary based on current census figures. NCA's methodology for estimating the percent of Veterans served by a burial option within a reasonable distance (75 miles) of their residence was reviewed in a 1999 OIG audit assessing the accuracy of the data used for this measure. Audit results showed that NCA personnel generally made sound decisions and accurate calculations in determining the percent of Veterans served by a burial option. Data were revalidated in the 2002 report entitled Volume 1: Future Burial Needs, prepared by an independent contractor as required by the Veterans Millennium Health Care and Benefits Act, P.L. 106-117.

NCA utilizes an annual mail-out survey to assess customer satisfaction with the appearance, quality of service provided, and other important aspects of VA national cemeteries. This survey is administered by an independent contractor. The next of kin and servicing funeral directors at all national cemeteries with at least one interment during the fiscal year are surveyed. Data are accurate at a 95 percent confidence interval.

NCA also utilizes an annual mail-out survey to assess customer satisfaction with VA's memorial programs. This survey is administered by an independent contractor. Data are accurate at a 95 percent confidence interval.

Performance data are captured in NCA's Burial Operations Support System (BOSS) and Automated Monument Application System (AMAS) databases. These data are entered daily by NCA personnel who are trained in cemetery and memorial benefits data collection and BOSS and AMAS data entry procedures.

Automated monthly and fiscal-year-to-date reports are provided by VA's Quantico Information Technology Center and are analyzed, verified, and distributed by trained NCA central office personnel to NCA Central Office, Memorial Service Network (MSN), and national cemetery managers. After reviewing the data for general conformance with previous report periods, headquarters staff flag and resolve any irregularities through contact with the reporting stations and comparisons with source data from the BOSS and AMAS systems.

NCA established an Organizational Assessment and Improvement Program in 2004 to identify and prioritize improvement opportunities and to enhance program accountability. As part of the program, assessment teams conduct site visits to all national cemeteries on a rotating basis to review cemetery data collection systems and verify collection methods. This review ensures that cemetery performance data are collected and reported in a manner that is accurate and valid.

II. Data Reliability/Comparability

VHA directly extracts clinical data from its electronic health record as part of a national data warehousing strategy where data can be aggregated and analyzed for data quality. VHA's national systems process data through a strict set of rules and automatically reject data that fail to meet data integrity requirements. Staff located throughout the country at health care facilities review error reports, make corrections, and resubmit corrected data on a daily basis. Such bidirectional communication helps ensure that data can meet quality standards at both local and national levels.

VHA has expanded other improvement activities that focus on proactive assessment and measurement of data quality within critical clinical information domains. The results of these analyses are shared with data stewards and business stakeholders, who confirm data quality issues and their business impact and execute targeted improvement activities. 2013 accomplishments included detailed assessment of quality within the domains of Immunization, Vital Signs, Race, and Dental Record Manager.

Corporate Data Warehouse (CDW) data domain implementation activities have included iterative content validation as well as stakeholder identification, collection of meta-data and business rules, and establishment of repeatable data quality processes to identify issues with pre-release CDW data domains.

The Office of Performance Analysis and Integrity (OPA&I) assesses data for completeness, consistency, accuracy, and appropriateness of use as performance and workload management indicators. These data are extracted from VBA's systems of record, such as VETSNET, and are imported into an enterprise data warehouse.

All reports emanating from the enterprise data warehouse are developed using business rules provided by the respective VBA business lines. Supporting documentation for the enterprise data warehouse is maintained and readily available. Reporting requirements are regularly reviewed and modified when anomalies are noted, or when changes are made to the underlying business applications.

VBA leadership uses performance data to make program decisions concerning benefits processing and other organizational needs. The decision to consolidate functions such as original pension claims processing to improve service is one example of the use of performance data in the decision- making cycle. To the extent possible, performance data is comparable between years, and is routinely reported during VA's Monthly Performance Review, in annual budget submissions, and in other forums.

NCA uses data on the percent of Veterans served by a burial option within a reasonable distance (75 miles) of their residence to determine the need for future national cemeteries and to prioritize funding decisions for potential State and Tribal Organization Veterans Cemeteries. These data are comparable between years and show the impact that funding for new cemeteries has made toward serving the burial needs of Veterans.

Data from respondents to NCA's annual national cemetery client satisfaction mail-out survey are collected and reported by an independent contractor. These data are accurate at a 95 percent confidence interval at the national and MSN levels and for cemeteries having at least 400 interments per year. Data provided by this survey are reliable and are used by NCA management to develop funding requests and determine priorities for the operation and maintenance of national cemeteries as national shrines.

Data from respondents to NCA's annual memorial programs client satisfaction mail-out survey are also collected and reported by an independent contractor. These data are accurate at a 95 percent confidence interval. Data provided by this survey are reliable and are used by NCA management to assess client satisfaction with the quality and appearance of memorial products.

III. Data Consistency

Consistency and accessibility of patient data is vital to VHA daily clinical operations as well as sharing of data with the Department of Defense and other parties. In 2013, VHA updated Identity Management Business Requirements Guidance, Standard Operating Procedures, and Business Use Cases. VHA Directive 1906, *Data Quality Requirements for Healthcare Identity Management and Master Veteran Index (MVI) Functions* was updated and published.

VHA works actively on increasing the proofing level of assurance of the identities of Veterans and beneficiaries we serve to ensure security and integrity of the identities within the Master Veteran Index (MVI). Today, the level of assurance of proofing of Veterans identities at Registration and Enrollment is compliant with a National Institute of Standards and Technology (NIST), Special Publication 800-63, Level of Assurance 1. VA is expanding proofing activities to support a Level 2 identify assurance, including a credential issuance process to support self service activities and part of the issuance of the Veterans Health Identification Card (VIC), the new VIC. VHA has spent significant time and effort on improving the integrity of the MVI such as reducing and preventing duplicates. Today the number of potential duplicates has been reduced to negligible levels (less than .0001 percent).

Each VBA business line's requirements for data definitions, collection and documentation are well-documented in users' guides and manuals.

During the migration to the corporate environment for the Compensation and Pension, Vocational Rehabilitation and Employment, and Loan Guaranty Programs, reporting consistency is maintained through synchronization of the legacy and corporate data within the corporate database. Corporate reporting requirements are well-defined, but additional requirements and modifications are continually under development. As business users identify new requirements, they are documented and tested to ensure reliability.

Reports are generated on regular schedules (daily, monthly, annually) to ensure consistency between reporting periods. Data are validated monthly by all VBA business lines, and migrated into Monthly Operations Reports by OPA&I for use by VBA leadership as well as at the local level to make program and operational decisions.

Since 1999, NCA has consistently used a 75-mile standard for determining the percent of Veterans served by a burial option within a reasonable distance of their residence. NCA uses the most current VetPop model based on census data developed by the VA Office of the Actuary, to determine the demographics of living Veterans for this measure. The consistency of the methodology for calculating performance on this measure is verified in both the 2002 Future Burial Needs report and in the 2008 report entitled Evaluation of the VA Burial Benefits Program, prepared by an independent contractor as required by 38 U.S.C. 527.

The methodology for assessing customer satisfaction on NCA's annual national cemetery client satisfaction mail-out survey has remained consistent since its inception in 2001. The survey collects data annually from family members and funeral directors who recently received services from a national cemetery. To ensure sensitivity to the grieving process, NCA allows a minimum of 3 months after an interment before including a respondent in the sample population.

The methodology for assessing customer satisfaction on NCA's memorial programs annual mail-out survey has remained consistent from its inception in 2010. The process is the same as described above.

The data collection method, requirements, and process are specified in the survey contract. These meet industry standards for survey methodology. VA headquarters staff oversees the data collection process to verify that the contractor complies with data collection procedures.

NCA's BOSS database was originally implemented in the early 1990's and continues to serve as VA's primary source for national cemetery workload data. BOSS data fields and input instructions are well documented in BOSS User Guides. Monthly, semi-annual, and annual reports generated from BOSS are automated and generated on regular time schedules to ensure data consistency between reporting periods.

IV. Data Security

VA continued to improve its information security in 2013 which has resulted in a more comprehensive security program that better protects sensitive information. The Continuous Readiness in Information Security Program (CRISP) has resulted in significant improvement in remediation of many of the information security deficiencies associated with its information security program. As part of CRISP, VA ensured that over 98 percent of VA staff has received the mandatory information security training they need to protect the information of Veterans and their families. VA is also implementing the Visibility into Everything initiative, which allows VA to view, measure, and secure all information technology (IT) assets across the VA enterprise.

Veterans Benefits Administration

Quality Assurance Program (Millennium Act)

VBA maintains a national quality assurance (QA) program independent of the field stations responsible for processing claims and delivering benefits. The following information about our programs, including compensation, pension, fiduciary, 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 (STAR Accuracy Reviews)	28,294	25
Pension (STAR Accuracy Reviews)	1,511	2
Fiduciary	1,355	4
Education	2,887	4
Vocational Rehabilitation and Employment	8,089	12
Loan Guaranty (Housing)	18,309	17
Insurance	11,040	4

The quality assurance program is administered using a multi-faceted approach based on four tiers of national review focusing on: program review, program operations, special focus reviews and rating consistency.

Program Review staff members conduct monthly Systematic Technical Accuracy Reviews (STAR) and other quality reviews to assess and measure national accuracy associated with compensation and pension claims. These reviews are intended to monitor the level of service provided during all phases of the claims process, and results are used to identify areas warranting further oversight and facilitate station training needs.

The second tier consists of regional office compliance oversight. Program Operations staff members monitor station operations, conduct site visits, identify best practices to assist stations in achieving high performance, and ensure consistency in application of policies and procedures nationwide.

The third tier of the quality assurance program consists of special focus reviews. Consistency staff members complete reviews to validate potential trends identified during STAR reviews. These reviews are conducted for a specified purpose and can be either one-time or recurring in nature.

The fourth tier of the quality assurance program focuses on rating consistency. Review is conducted on identified statistical outliers to determine root causes of inconsistency.

STAR accuracy reports are based on the month a case was completed, not when reviewed. Cases are submitted for review no later than the end of the month following the completion of the claim. Reviews of rating-related decisions and authorization-related actions have a specific focus:

- The benefit entitlement review ensures all issues were addressed, duty to assist was provided and all relevant evidence was collected, and the resulting decision was correct, including effective dates and payment rates. 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.

Each month, the Program Review staff requests the following cases for quality review:

- 21 rating cases from 57 regional offices, 3 pension management centers (PMCs) and 14 resource centers;
- 21 authorization cases from 57 regional offices and 3 PMCs;
- 10 rating cases processed by the Appeals Management Center (AMC);
- 10 rating cases processed under the Integrated Disability Evaluation System (IDES) program at Providence and Seattle.

To assure accuracy of a STAR finding, a second level review of all cited errors is conducted by the Program Review staff's Internal Quality Review Team. Error trend analysis for each station is completed on a quarterly basis. Each regional office, PMC, and fiduciary hub is required to provide a detailed narrative response that outlines all corrective actions taken for all errors cited. 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. Similar business line STAR programs contain the same aspects: stratified and randomly sampled case reviews for each regional office, site visits to ensure compliance, and ad hoc reviews.

Summary of Findings and Trends – Compensation Service and Pension and Fiduciary Service

Results for compensation and pension claims reviews for the 12-month period ending June 30, 2013 are as follows:

	Compensation Entitlement (Rating) Reviews		**Compensation Maintenance (Authorization) Reviews**		**Pension Management Center Entitlement (Rating) Reviews**		**Pension Management Center Maintenance (Authorization) Reviews**	
	Reviewed	Accuracy	Reviewed	Accuracy	Reviewed	Accuracy	Reviewed	Accuracy
Benefit Entitlement	14,170	89.10 %	14124	94.59%	749	97.86%	762	97.90%
Notification	14,170	95.01%	14124	90.79%	749	95.06%	762	92.52%

	Reviewed	Accuracy
Compensation Entitlement (Rating) Issue Based 3-Month Reviews (Jul13 - Sep13)	17,944	96.65%

The majority of errors continue to be in the Benefit Entitlement (BE) category - B2 subcategory, *Development to Obtain Evidence (Does the record show development to obtain all indicated evidence, including a VA Exam (VAE), prior to deciding the claim*? However, for the 12-month cumulative period ending June 2013, Benefit Entitlement quality improved to 89 percent compared to 86 percent over the same period in 2012. For fiscal year 2012 this category reflected an error rate of 24.6 percent whereas current data reflects a 21.6 percentage error rate. The remaining categories remained almost at the same level of accuracy during this reporting period.

Since the inception of P&F Service, the quality of pension claims processing has remained steady at approximately 98 percent. The accuracy rate for both pension entitlement and maintenance claims for 2011 and 2012 was 98 percent. Our analysis indicates that this rate will continue for 2013. P&F Service has not experienced any clear trends as they relate to the processing of pension entitlement and maintenance claims. P&F Service uses STAR analysis to identify those areas that need improvement and employs its National Training Curriculum and the STAR narratives to address and correct deficiencies.

The fiduciary quality assurance program transitioned to the Nashville Quality Assurance office in January 2011. In May 2013, VA increased the number of field examination and accounting cases selected for quality assurance review from 66 to 257. VA conducts monthly fiduciary quality reviews on a random sample of the fiduciary workload at each fiduciary hub and the Manila Regional Office. The quality review results are used to increase awareness of policy and procedures and guide the development of training when needed. Common STAR error findings are used for discussion items during the monthly fiduciary program teleconference calls.

Results for fiduciary reviews for the 12-month period ending June 30, 2013 are as follows:

Fiduciary Reviews		
	Reviewed	Accuracy
Entitlement and Protection	1,355	89.67%

The fiduciary work review focuses on the appointment of fiduciaries, the content of field examinations, and the accountings by fiduciaries. 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.

Actions Taken to Improve Quality – Compensation Service, and Pension and Fiduciary Service

Training remains a priority and is conducted using a variety of mediums including monthly national Quality Teleconference Calls, training letters, and computer-assisted training. VBA redesigned its centralized Challenge training program in 2011 to improve employee training and quality. Challenge training focuses on the overall skills and readiness of the workforce, while improving productivity of both new and longer tenured employees. During their first 6 months on the job, the 2,638 new employees who received Challenge training through the end of May 2013 completed 150 percent more claims per day than prior trainees. Accuracy from these new employees is also substantially higher than the national average, at 94 percent versus 89 percent.

Quality Review Teams (QRTs) were established in all regional offices in May 2012. Their responsibilities are to evaluate individual employee-level accuracy and to perform in-process reviews to eliminate errors at the earliest possible stage in the claims process. In April 2013 a QRT Challenge was created to deliver training to newly assigned Rating Quality Review Specialist. QRT Challenge for Authorization Rating Quality Specialists will be delivered beginning in FY 2014.

In 2012, VBA initiated a new Challenge course specifically designed to focus on improving decision accuracy and raising the skill levels of employees working in low-performing regional offices. Station Enrichment Training (SET) is intensive, instructor-based training built on VBA's highly successful and redesigned Challenge training for all new compensation claims processors. It provides standardized training in the technical skills required of claims processors. At the first office participating in the SET program, quality increased by eight percentage points in three months, and the number of claims processed per month increased by more than 27 percent. Since SET, this office has met or exceeded its performance goals each month. Based on the success of SET in the first office, VBA has since expanded SET to two additional regional offices in 2013.

Traditionally, the STAR program has tracked national quality of rating decisions at the claim level, finding a case to be either completely correct or in error, regardless of the number of medical issues claimed. In recent years, claims have become more complex with most involving multiple disabilities claimed, requiring numerous entitlement decisions in each case. Determining the quality of rating decisions based on each issue within the claim provides a more accurate assessment of actual rating quality. During 2013, the Program Review staff began tracking national quality data from both a claim level and an issue-based level for every regional office.

The fourth tier of the quality assurance program focuses on rating consistency. Review is conducted on identified statistical outliers to determine root causes of inconsistency.

VBA introduced rules-based calculators last year to assist decision makers in assigning accurate disability evaluations. VBA is now directly programming the calculators into the Veterans Benefits Management System as rule engines, thereby eliminating manual entry and helping to ensure greater consistency.

Summary of Findings and Trends - Education
Education Service reviewed 2,287 cases in 2013. Based on these reviews, payments accuracy improved to 98.8 percent compared to 98 percent for the same period in 2012. Failure to process a document was 28 percent of all payment errors. Incorrect effective date determinations were 34 percent of all payment errors. Incorrect determinations of end date of training were 22 percent of payment errors. These three main causes accounted for 85 percent of all payment errors for the FYTD in 2013. The remaining errors were from a wide variety of causes, with only a few instances of each.

The increase of payment accuracy in FY 2013 indicates that training and improved automation systems are having a positive effect in reducing errors.

Actions Taken to Improve Quality - Education
In addition to performing quarterly quality reviews, an independent review was established to examine improper payments. The 2013 quarterly quality results identified error trends and causes. These then were used as topics for refresher training in regional processing offices. Annual appraisal and assistance visits to the regional processing offices are also conducted. In 2013, Education Service continued to update the materials available for standardized training for employees. Additionally, Education Service fielded an automated claims processing functionality which fully process a portion of Post-9/11 GI Bill supplemental claims which reduces the opportunity for human error.

Summary of Findings and Trends - Vocational Rehabilitation and Employment (VR&E)
VR&E completed quality assurance (QA) reviews on 8,558 cases for 2013, including Independent Living and Maximum Rehabilitation Gain case reviews. The national QA reviews are conducted over a 12-month period, with a sample of cases from each regional office reviewed every month. Approximately five percent of the workload was reviewed from each regional office.

VR&E Accuracy Targets and Actuals		
Accuracy Elements	**Target Score 2013**	**Actual Score 2013**
Accuracy of Entitlement Determinations	96%	99%
Accuracy of Fiscal Decisions	92%	89%
Accuracy of Outcome Decisions	97%	98%
Accuracy of Evaluation, Planning, and Rehabilitation Services	85%	83%

In addition to review of cases from each regional office, the Systematic Technical Accuracy Review (STAR) conducted site visits of 10 regional offices in 2013.

Actions Taken to Improve Quality - Vocational Rehabilitation and Employment

The VR&E accuracy scores met or exceeded the target scores for 2013 in two elements: Accuracy of Entitlement Determinations and Accuracy of Outcome Decisions. These scores are attributed to the following initiatives implemented over the last 3 years:

- Each regional office conducts a review of 10 percent of its caseload each year. This ensures consistency in the QA review process and office procedures.
- The QA review results for national and local reviews are available on the VA Intranet Web site. This information enables regional offices to assess individual quality and to identify training needs.
- The STAR Team currently works with the Training Team to provide trend data and develop training that clarifies administration of VR&E benefits.
- The STAR Team meets regularly with the VR&E Field Advisory Committee to address questions from regional offices regarding QA reviews.

The STAR Team meets regularly with the VR&E Field Advisory Committee to address questions from regional offices regarding QA reviews.

Current initiatives to improve performance include continued development of the Knowledge Management Portal; updates to the quality standards of practice; development of a new QA IT system; implementation of policy clarifying service requirements; continued development of the Electronic Performance Support System; and extensive training for new and experienced counselors as well as for new managers.

Summary of Findings and Trends - Loan Guaranty (Housing)

The Loan Guaranty housing program redesigned its quality review process in 2010 and began implementing this new process in 2011. As a result, first-level quality reviews that were previously performed onsite by Regional Loan Center staff are now the responsibility of Loan Guaranty Central Office. The redesigned quality review process provides an objective third-party review of the work being done by the Regional Loan Center staff and produces a more representative sample than previously attained. Loan Guaranty Central Office staff reviewed 18,309 cases under its quality review process during 2013.

The housing quality assurance program includes elements beyond the review of cases. The VBA Lender Monitoring Unit performed 4,244on-site audits and 26 in-house audits of lenders participating in VA's home loan program. VA audits of lenders during 2013 amounted to $168,914 liability avoidance via indemnification agreements. VA has also collected $539,377 in 2013 as a result of having indemnification agreements in place.

Contract Assurance (formerly known as Portfolio Loan Oversight Unit (PLOU)) conducts two types of reviews: in-house and on-site. Contract Assurance reviewed 67 billing invoices and completed 47 associated invoice reviews of the portfolio services contractor, as well as 247 non-invoice reviews related to contract compliance. Additionally, Contract Assurance conducted research and tracking on funds due the Department based on monies flowing through the Department of Justice to VA.

Actions Taken to Improve Quality - Loan Guaranty (Housing)
The Loan Guaranty Service disseminates the results of its quality reviews to field offices on a monthly basis. The Service prepares and releases trend reports that identify negative trends and action items found during on-site visits. The reports are published to assist field personnel in identifying frequent problems facing loan guaranty management. Any negative findings not resolved during on-site visits are to be addressed by field management within 30 days as to the corrective actions taken or planned. Conversely, any procedures discovered during on-site visits that would benefit other field stations can be deemed as best practices. Summaries of best practices employed by individual field stations are disseminated to all field stations with loan guaranty activity.

National training is provided to enhance the quality of service provided to Veterans and to increase lender compliance with VA policies. For instance, lenders who significantly fail to comply with VA's loan underwriting policies are either required to enter into indemnification agreements with VA or immediately repay the agency for its losses.

The property management service provider (Vendor Resource Management) is authorized to manage and sell all VA-acquired properties as a result of foreclosure or termination. The Property Management Oversight Unit (PMOU) monitors the management and marketing of the properties by the property management service provider. These assets are valued at approximately$1.23 billion. The PMOU monitors the property management service provider's performance by inspecting properties nationwide to ensure compliance with the contract requirements and performs on-site case reviews at their operations center.

Summary of Findings and Trends - Insurance
The Insurance program's principal quality assurance tool is the Statistical Quality Control (SQC) review. SQC assesses the ongoing quality and timeliness of work products by reviewing a random sample of completed and pending work. Ten categories of work from the Policyholders Services and Claims divisions are reviewed.

Policyholders Services, whose work products deal with customer service and the maintenance of active insurance policies, had an overall accuracy of 90.6 percent for 2013. Work products included correspondence, applications, disbursements, record maintenance and refunds. The Policyholders Services Division also responds to telephone inquiries from Veterans and their beneficiaries. In 2013, the average speed of answer was 92 seconds. The percent of abandoned calls was 2.0 percent, and the percent of blocked calls was 7.8 percent. Insurance Claims Division is responsible for the payment of death and disability awards, the issuance of new life insurance policies, and the processing of beneficiary designations. The accuracy rate for Insurance Claims work products was 94.3 percent. Work products included death claims, awards maintenance, beneficiary designation changes, disability claims, and medical reinstatement applications. In total, the accuracy rate for all 2013 insurance work products was 92.8 percent.

The timeliness rate for Policyholders Services work products was 93.7 percent, and 84.5 percent for Insurance Claims work products. The overall timeliness rate for 2013 insurance work products was 88.2 percent.

The insurance quality assurance program also includes internal control reviews and individual employee performance reviews. The Internal Control staff reviews insurance operations for fraud through a variety of reports and reviews. Reports are generated daily and identify various insurance transactions based on specific criteria that indicate possible fraud. The Internal Control staff also reviews 100 percent of all employee-prepared disbursements. Primary end products processed by employees in the operating divisions are evaluated based on the elements identified in the Individual Employee Performance Requirements. As a result of these controls, insurance disbursements are 97 percent accurate.

VA utilizes a client satisfaction survey instrument for the purpose of measuring satisfaction and to identify areas that need improvement. VA surveys 40 randomly selected Veterans and beneficiaries per month for each of 11 insurance end products. Veterans are asked to evaluate different aspects of service delivery on a five-point scale. Low ratings in a particular area indicate the need for process improvements or additional training.

Actions Taken to Improve Quality - Insurance

SQC exceptions are brought to the attention of the insurance operations division chiefs, unit supervisors, and employees who worked the case. VBA's Insurance Service evaluates the SQC programs periodically to determine if they are functioning as intended. Individual performance reviews are conducted monthly. The performance levels - critical and non-critical elements - are identified in the Individual Employee Performance Requirements. These reviews are based on a random sampling of the primary end products produced by employees in the operating divisions. Those items found to have errors are returned to the employee for correction. At the end of the month, supervisors inform employees of their error rates and timeliness percentages as compared to acceptable standards. VA's Insurance Program managers also use these data to identify training needs and opportunities for process improvements.

The survey contains a section titled, "What could we do better?" VA analyzes the responses to determine where process improvements can be made. VA makes an effort to implement customer suggestions where appropriate to increase the effectiveness and efficiency of operations and increase customer satisfaction.

The Internal Control Staff monitors, reviews, and approves insurance disbursements and certain other controlled transactions, as well as reviews post-audit reports. Work products with any detected errors are returned for correction.

The results of SQC, employee performance reviews, client satisfaction surveys, and Internal Control feedback are used to address any areas where improvement is needed via corrective training and other steps to improve error rates and timeliness percentages.

The Insurance Program has successfully implemented fifteen job aids and tools under the initiative called "Skills, Knowledge and Insurance Practices and Procedures Embedded in Systems." This program captures "best practices" and standardized procedures for processing various work items and makes them available on each employee's desktop. The job aids are an important tool in reducing error rates and improving timeliness. In 2013, VA installed online tools such as Helpful Hints, Directory Assistance, Collection Demo, Address Standards, and Life Insurance Statement Form 712, among others.

Department of Veterans Affairs
Office of Inspector General
Washington, DC 20420

FOREWORD

Our Nation depends on VA to care for the men and women who have sacrificed so much to protect our freedoms. These Servicemembers made a commitment to protect this Nation, and VA must continue to honor its commitment to care for these heroes and their dependents in a manner that is as effective and efficient as possible. VA health care and benefits delivery must be provided in a way that meets the needs of today's Veterans and Veterans from earlier eras. It is vital that VA health care and benefits delivery work in tandem with support services like financial management, procurement, and information management to be capable and useful to the Veterans who turn to VA for the benefits they have earned.

Office of Inspector General (OIG) audits, inspections, investigations, and reviews recommend improvements in VA programs and operations, and act to deter criminal activity, waste, fraud, and abuse in order to help VA become the best-managed service delivery organization in Government. Each year, pursuant to Section 3516 of Title 31, United States Code, OIG provides VA with an update summarizing the most serious management and performance challenges identified by OIG work as well as an assessment of VA's progress in addressing those challenges.

This report contains the updated summation of major management challenges organized by the five OIG strategic goals—health care delivery, benefits processing, financial management, procurement practices, and information management—with assessments of VA's progress on implementing OIG recommendations.

OIG will continue to work with VA to address these issues to ensure the best possible service to the Nation's Veterans and their dependents.

George J. Opfer

GEORGE J. OPFER
Inspector General

Major Management Challenges Identified by OIG

VA's Office of Inspector General (OIG), an independent entity, evaluates VA's programs and operations. OIG submitted the following update of the most serious management challenges facing VA.

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

- ***Estimated resolution timeframe (fiscal year)*** to resolve the challenge
- ***Responsible Agency Official*** for each challenge area
- ***Completed 2013 milestones*** in response to the challenges identified by OIG

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.

Major Management Challenge		Estimated Resolution Timeframe (Fiscal Year)	
No.	**Description (Responsible Office)**		**Page #**
OIG 1	**Health Care Delivery (VHA)**		**II - 79**
1A	Quality of Care **(VHA)**	2014	II – 79
1B	Access to Care **(VHA-Lead)**	2014	II – 81
1C	Accountability of Prosthetic Supplies in VHA Medical Facilities **(VHA)**	2014	II - 84
OIG 2	**Benefits Processing (VBA)**		**II - 85**
2A	Improving the Quality of Claims Decisions **(VBA)**	2015	II – 86
2B	VA Regional Office Operations **(VBA)**	2015	II – 87
2C	Improving the Management of VBA's Fiduciary Program **(VBA)**	2014	II – 88
OIG 3	**Financial Management (TSO, VHA)**		**II – 89**
3A	Lack of Accountability and Control over Conference Costs **(TSO-Lead, HRA, VHA, VBA, NCA)**	2014	II – 90
3B	Strengthen Financial Controls over the Beneficiary Travel Program **(VHA)**	2014	II – 91
3C	Improve Compliance with the Improper Payments Elimination and Recovery Act, Reduce Improper Payments, and Weaknesses in non-VA Fee Care Program (**VHA)**	2014	II – 93
OIG 4	**Procurement Practice (OALC)**		**II – 94**
4A	VA Can Achieve Significant Procurement Savings **(VHA-Lead, OM, OALC)**	2014	II – 94
4B	Improve Oversight of Interagency Agreements **(OALC-Lead, HRA)**	2014	II – 95
4C	Sound IT Procurement Practices **(OIT)**	2014	II - 97

OIG CHALLENGE #1: HEALTH CARE DELIVERY (VHA)
-Strategic Overview-

For many years, the Veterans Health Administration (VHA) has been a national leader in the quality of care provided to patients when compared with other major U.S. health care providers. VHA's use of the electronic medical record, its National Patient Safety Program, and its commitment to use data to improve the quality of care has sustained VHA's quality of care performance. VHA's decision to provide the public access to extensive data sets on quality outcomes and process measures is a further step forward as a national leader in the delivery of health care. Additionally, VHA's action to determine each hospital's ability to handle complex surgical cases, assign a rating classification, and then limit the procedures that can be performed at each class of facility is further evidence of its groundbreaking efforts to maintain and improve the quality of care that Veterans receive.

However, VHA faces particular challenges in managing its health care activities. The effectiveness of clinical care, budgeting, planning, and resource allocation are negatively affected due to the continued yearly uncertainty of the number of patients who will seek care from VA. Over the past 8 years, OIG has invested about 40 percent of its resources in overseeing the health care issues impacting our Nation's Veterans and has conducted reviews at all VA Medical Centers (VAMCs) as well as national inspections and audits, issue-specific Hotline reviews, and criminal investigations. The following sub-challenges highlight the major issues facing VHA today.

OIG Sub-Challenge #1A: Quality of Care (VHA)

VHA provides Veterans with comprehensive medical and specialty care; however, VHA continues to face challenges with matching Veterans' demands for specific types of medical care with the appropriate care providers. This has been evident with VHA's difficulty in providing a proper mix of in-house mental health providers and integrating purchased care providers seamlessly in the plan of care for Veterans who receive their mental health care from non-VA providers. Matching the supply of available providers to the demand for health care is made more difficult by the absence of staffing standards for most physician specialist and mental health providers, the inaccuracies in data reported from the current appointment system with respect to appointment metrics, and the lack of oversight to force VA managers to rigorously evaluate the business case that determines how the provider workforce is utilized.

Modern health care requires that timely decisions be made and then executed with precision. VA is the largest integrated health care organization in the U.S. with a patient medical record system that was originally a model for other health care organizations. However, the system has not been upgraded as necessary to keep pace with competing medical record systems with respect to appointment scheduling and decision support. In addition, VA has not been able to provide a coherent plan forward to link Department of Defense and VA medical records after having spent considerable money and effort. There are many outstanding features to VA's medical record system, but without a clear and workable plan going forward VA will have increasing difficulty managing the data required by providers and administrators to ensure that Veteran health care retains its outstanding value to our citizens.

VA provides nationwide high quality medical care to its patients; however, in order to maintain patient confidence and this level of care, VA managers must focus on operations oversight to ensure that VA hospitals operate in accordance with VA standards and that health care is the number one priority. A lack of oversight has resulted in quality of care lapses (lack of program oversight, poor coordination, communication, and education) that were reported by OIG this past year. These instances include the misuse of insulin pens which required notification to hundreds of Veterans that they are at risk of blood borne infectious disease, mismanagement of a mental health care contract where thousands of Veterans' mental health care needs may not have been provided, and lapses in the provision of routine colonoscopies for cancer screening. To correct these quality care lapses, VA must review the current methods used to fill internal vacancies, review quality oversight mechanisms used by Veterans Integrated Service Network (VISN) and national leaders, and make the required changes to address these errant decisions.

Veterans who have been injured during their service often suffer from physical and mental injuries. The use of narcotic medications for pain related symptoms in the United States and within VA is of staggering proportions. The use of high doses of narcotics for individual patients, where the medication has significant abuse potential, creates significant societal stresses within VA's community. VA's policy with respect to the management of the population of high narcotic users must be regularly reviewed and supported in order to affect the best possible outcomes for patients.

VA's Program Response

Estimated Resolution Timeframe: 2014

Responsible Agency Official: Under Secretary for Health

Completed 2013 Milestones

The VA health record, Computerized Patient Record System (CPRS), is a collection of a patient's clinical information and is an important communication tool contributing to high-quality care. With rapid changes in the standards for electronic health records, VA continues to enhance CPRS through agile development and innovation. The use of clinical information to trigger reminders and alerts continues to support improvements in clinical quality guidelines and patient outcomes, such as allergy checks, and suggesting recommended actions. With electronic data capture and storage of patient health information, we continue to work toward the seamless exchange of patient data with external authorized users, such as the Department of Defense and private sector providers, and to enhance continuity of patient care.

VHA has established Relative Value Unit (RVU)-based productivity standards for various specialties and developed a process for the review of specialty group practices. As part of this review process, VHA has established a template for consistent application of business rules for labor mapping for physicians and has developed a Quadrant tool and Practice Management Report for evaluating specialty productivity, access, staffing, and efficiency. Algorithms related to the Quadrant tool and Practice Management Report have been developed. The purpose of these algorithms is to assist facility leaders in the management of specialty care resources and ensure appropriate staffing for specialty care services across all VHA sites.

VHA's Office of Mental Health has made significant gains in developing staffing and productivity standards as well as substantial hiring to adequately staff VHA mental health programs. In June 2013, VA announced the successful hiring of 1,600 mental health clinicians and a decrease in the national vacancy rate from 12 percent to 11 percent. Concurrently, productivity standards for mental health providers were published. In August 2013, VHA began national expansion of its pilot guidance for staffing general outpatient mental health programs. In addition, VA developed improved metrics for assessing the timeliness of care delivery throughout fiscal year 2013 and began development of outcome metrics for evaluating quality of care. Implementation of these initiatives is providing VA managers at all levels of the organization with tools to make more accurate decisions about resource needs.

VHA is developing and implementing a series of educational sessions for leaders and clinicians that reinforce organizational expectations that patients receive prompt notification of colorectal cancer (CRC) screening results and that clinicians counsel patients to proceed with diagnostic testing within 60 days of a positive CRC screening result. Communication of CRC screening, specifically Fecal Occult Blood Test (FOBT) results, will be included in national monitors.

VHA facilities will be provided with tools to assist in identifying and tracking Veterans with positive FOBT results. These tools will also assist in determining the proportion of patients who undergo desired diagnostic testing within 60 days of that positive result. VHA Patient Care Services will collaborate with Office of Informatics Analytics in the development of a quarterly report identifying those Veterans with positive FOBT results and those who have undergone diagnostic colonoscopy within 60 days of a positive screen.

In early 2013, VHA launched the Opioid Safety Initiative to monitor the frequency and dosing of opioid analgesic prescriptions across all VA facilities. This initiative identifies Veterans with high dose prescriptions and activates expert consultation to ensure appropriate pain management. The initiative institutes corrective education and training of providers in the use of opioid analgesics for pain and in risk management strategies to improve safe opioid prescribing. FY 2013 Combined Assessment Program (CAP) reviews at 30 VHA facilities included an assessment of medication management to determine whether facilities complied with selected requirements for opioid dependence treatment. OIG found high compliance (>95 percent) in its review of whether controlled substance policies in facilities were consistent with VHA requirements.

OIG Sub-Challenge #1B: Access to Care (VHA)

As mentioned in Sub-Challenge 1A, Veterans' access to VA health care is a major challenge for VHA. Here the focus is on the particular challenges of providing timely access to high-quality care and services by increasing telemedicine, medical staff productivity, fee care services, access to quality contract nursing homes, and nursing home care services.

In January 2002, Public Law (P.L.) 107-135 mandated that VA establish a nationwide policy to ensure medical facilities have adequate staff to provide appropriate, high-quality care and services. However, OIG audits and inspections, including a December 2012 report, *Audit of VHA's Physician Staffing Levels for Specialty Care Services*, continue to identify the need for VHA to improve their staffing methodology by implementing productivity standards. OIG determined that VHA had not established productivity standards for 31 of 33 specialty care services reviewed, and had not developed staffing plans that addressed the facilities' mission, structure, workforce, recruitment, and retention issues to meet current or projected patient outcomes, clinical effectiveness, and efficiency.

VHA's lack of established productivity standards for specialty care services and staffing plans limited the ability of medical facility officials to determine the appropriate number of specialty physicians for patient care needs and to measure productivity of specialty care services. Productivity standards had not been developed because of lack of agreement within VHA on how to develop a methodology to measure productivity, and current VHA policy does not provide sufficient guidance on developing medical facility staffing plans. As a result, VHA's lack of productivity standards and staffing plans limit the ability of medical facility officials to make informed business decisions on the appropriate number of specialty physicians to meet patient care needs, such as access and quality of care. This issue will be compounded as VA begins integrating the requirements of the Affordable Care Act (ACA).

VA must have a clear understanding of how VA care will be integrated into the ACA. VA should anticipate modifying their policies to accommodate changes required by this law and notify stakeholders accordingly of their actions. Congress has held hearings and VA has engaged contractors to address aspects of this change, yet many aspects of VA's roles and implementation are unclear. The fundamental issue of how VA health care, which is intended to provide care for Veterans, will be integrated into the options selected by families through health care exchanges remains to be clarified.

OIG's *Audit of the Community Nursing Home Program* reported Veterans were placed in contract nursing homes that did not meet VHA standards for nursing home operation and quality of care. VHA renewed contracts for nursing homes that were ineligible to participate in VHA's Community Nursing Home program. Specifically, inadequate VA medical facility reviews of nursing homes' eligibility resulted in the renewal of ineligible nursing homes' contracts. VA medical facility review teams did not adequately review Centers for Medicare and Medicaid Services (CMS) profile information and State Survey Reports and apply VHA exclusionary criteria when they assessed nursing home eligibility. This allowed the continued participation of ineligible nursing homes in the program and increased the risk of patient safety and quality of care problems. OIG projected that VHA places about 6,700 patients in ineligible nursing homes at a cost of about $59.3 million annually. If program controls are not strengthened, VHA will place approximately 33,500 patients in ineligible nursing homes at a cost of about $296.5 million over the next 5 years.

VHA needs to establish one standard of care for providing selected purchased home care services to ensure that it is providing consistent and equitable access to purchased home care services to eligible Veterans across the Nation. On September 30, 2013, OIG reported in its *Audit of VHA's Selected Non-Institutional Purchased Home Care Services* that VA medical facilities used various methods and strategies to limit Veterans' access to homemaker/home aide, respite, and skilled care services. Although this report highlights gaps in providing access to services it also identified significant variation in the quality of care delivered.

VHA's non-institutional care program allows Veterans to receive VA and contractor- provided services in the least restrictive environment possible, such as in the Veteran's home. OIG projected that at least 114 VA medical facilities limited access to these services through the application of more restrictive eligibility criteria and review processes, and/or the avoidance of waiting lists. These processes also allowed many of the same VA medical facilities to avoid placing about 49,000 Veterans on waiting lists. The gap in service delivery occurred because VA medical facilities took action to fund higher priorities, such as mental health, and to reduce their fee program expenses. Additionally, VHA disseminated inaccurate eligibility information for purchased skilled care services and lacked adequate monitoring and evaluation mechanisms. VAMCs also used ineligible home care agencies to provide services. OIG estimates that VHA will pay about $893 million to ineligible agencies over the next 5 years unless it ensures these agencies are adequately reviewed and monitored.

VHA raised a number of concerns about OIG estimates and statistical projections after reviewing the draft report on non-institutional purchased home care services. The randomly selected sites provided a statistically accurate representation of purchased home care services because they were representative of VA's universe of medical facilities, their patient populations, and the conditions under which the facilities operate.

VA's Program Response

Estimated Resolution Timeframe: 2014

Responsible Agency Official: Under Secretary for Health

Completed 2013 Milestones

VHA has established RVU-based productivity standards for the specialties of dermatology, gastroenterology, neurology, ophthalmology, orthopedics, and urology, and developed a process for the review of specialty group practices. As part of this review process, VHA has established a template for consistent application of business rules for labor mapping for physicians and has developed a Quadrant tool and Practice Management Report for evaluating specialty productivity, access, staffing, and efficiency. Algorithms have been developed to guide the interpretation and utilization of the Quadrant tool and Practice Management Report. The purpose of these algorithms is to assist facility leaders in the management of specialty care resources and ensure appropriate staffing for specialty care services across all VHA sites.

Any practice among these six specialties that falls below the 25^{th} percentile productivity standard or above the 75^{th} percentile for a specific specialty and medical center complexity group must undergo a local review which addresses data inputs including person class designation and physician labor mapping. If a specialty practice productivity level is more than one standard deviation below the mean for its specialty and medical center complexity group, facility clinical leaders work with the specialty to develop a remediation plan. The remediation plan undergoes facility Director and VISN Director review and concurrence.

Since the ACA enactment, VA has worked diligently to understand the impact of the health care law by examining the key provisions and identifying the implications for Veterans and VA. As a result, VA has established a collaborative enterprise-wide approach to implementing ACA. VA's efforts to implement ACA fall into four broad categories: (1) data analysis; (2) communications; (3) operations; and (4) information technology. In July 2013, VA began using various modalities to communicate with Veterans, staff and other stakeholders that Veterans health care does not change as a result of ACA. VA will continue to provide Veterans with high-quality, comprehensive health care and benefits they have earned through their service. As the key provision of ACA to have health insurance coverage takes into effect in January 2014, VA will continue to assess the impact of ACA on VA and integrate these efforts into current VA business processes and policies as needed.

VHA has plans in place to improve the provision of non-institutional purchased home care services to Veterans. VHA is working to tighten controls for ensuring only eligible home care agencies receive VHA funds. VHA has developed improved mechanisms to assure that Veterans who are enrolled with VA for health care either receive purchased home health care for their needs or are placed on a wait list which will be tracked. VHA will address the billing concerns OIG identified at one of the eight facilities they audited and will provide clear and comprehensive guidance to appropriate personnel at all other facilities on proper documentation of orders for purchased home care services.

VHA has concerns about some of the estimates and projections presented in OIG's Audit of Selected VHA Non-Institutional Purchased Home Care Services because they are based on sampling methodology that does not accurately represent the complexity of non-institutional purchased home care for Veterans nation-wide. VHA does not agree with OIG's national estimate of the number of VA medical centers potentially limiting access to services (114), the projected potential use of ineligible agencies (1,300), or the projection that VA could pay $893 million to ineligible agencies over 5 years. VHA does not concur with OIG's national estimate that 49,000 Veterans should have been placed on wait lists for purchased home and community based services because this estimate does not take into account Veterans' rights to choose where they receive their care.

VHA appreciates that OIG correctly identified improper payments of $67,000 at one facility and did not identify any significant problems at the other seven facilities they audited. However VHA does not concur with OIG's decision to project the findings at one facility across all VHA facilities to achieve 5-year projection of $13.2 million in improper payments. VHA finds there is insufficient justification to support the projection beyond the actual finding, particularly in light of aforementioned concerns about the sampling methodology used in this report.

OIG Sub-Challenge #1C: Accountability of Prosthetic Supplies in VHA Medical Facilities (VHA)

VHA maintains inventories of about 93,000 specific prosthetic items with a total value of about $70 million. Every year, VAMCs process hundreds of millions of dollars' worth of prosthetic supplies through these inventories. OIG reported to Congress in FY 2012 that VHA needs to strengthen VAMC management of prosthetic supply inventories to avoid spending funds on excess supplies and to minimize risks related to supply shortages. Further, OIG identified the need for VHA to replace the Prosthetic and Generic Inventory Packages with one automated system. OIG recommended VHA implement a modern inventory system and strengthen the management of prosthetic supply inventories. The Under Secretary for Health agreed with our FY 2012 recommendations but the recommendations remain open. A plan to replace Prosthetic and Generic Inventory systems is in development and completion is projected for 2015 pending availability of funds. OIG will continue to monitor this area and the risks imposed by reliance on the legacy inventory systems as a management challenge until a modern inventory system is put in place.

VA's Program Response
Estimated Resolution Timeframe: 2014
Responsible Agency Official: Under Secretary for Health

<u>Completed 2013 Milestones</u>
VHA promoted the Prosthetic Service Card (PSC) program during FY 2013. VHA provided education on the program to Veterans and VA staff. All eligible Veterans who have service-connected amputations (12,128 Veterans) were sent a PSC information letter and pre-paid response card. As of July 2013,

65.2 percent of identified Veterans possess a PSC for their qualifying prosthetic device. The second attempt to reach Veterans who have not responded was completed in August 2013. A PSC information letter and prepaid response card was sent to over 2,700 Veterans.

VHA has undertaken several initiatives to enhance oversight of management and acquisition of prosthetic limbs. In February 2013, VHA issued a memorandum to the field providing guidance on the use of Medicare L-codes and Not Otherwise Classified codes. National policy on the development of the Healthcare Common Procedural Coding System list for prosthetic limb or custom orthotic device prescription has been developed and is undergoing VHA review for concurrence. VHA finalized a national contract template for prosthetic limbs, now under review by the Office of General Counsel and the Office of Acquisition and Logistics. A comprehensive assessment of Orthotic and Prosthetic Services solicitation was issued in March 2013 and the contract was awarded in August 2013.

VHA developed an educational course titled Principles in Inventory Management (PIM), which will be provided to prosthetics supply inventory managers and logistics staff in FY 2014. More than 100 field-based staff have already taken or will soon take the PIM course. Eight of the initially planned 10 classes have been conducted, with plans for 15 more. Prosthetics and Sensory Aids Service developed an online inventory management course that provides an overview of the Prosthetics Inventory Package (PIP); in January 2013, this course was made available to all VHA staff through the Talent Management System.

OIG CHALLENGE #2: BENEFITS PROCESSING
-Strategic Overview-

Persistent large inventories of pending claims for Compensation and Pension benefits pose a continuing challenge for VBA. As of September 2013, this inventory of claims is 722,013. This backlog is attributed to an increase in the disability claims workload, in part due to returning Iraqi and Afghanistan Veterans, reopened claims from Veterans with chronic progressive conditions related to Agent Orange, relaxed evidentiary requirements to process post-traumatic stress disorder claims, and additional claims from an aging Veteran population with declining health issues. Complex benefits laws related to traumatic brain injury (TBI) claims, court decisions, technology issues, workload, and staffing issues also contribute to VBA's benefits processing challenges.

In efforts to address this backlog, VBA has adopted 40 transformation initiatives, including claims digitization and automated processing using the Veterans Benefits Management System (VBMS). VBA has also moved to initiatives such as claims brokering to even out workloads across VA regional offices (RO), provisional ratings for claims over 2 years old, and mandatory overtime during summer 2013 for claims raters.

In addition to falling short of goals for claims processing accuracy, OIG reported VBA continues to experience challenges in ensuring its 56 ROs comply with VA regulations and policies and deliver consistent operational performance. OIG also found that expedited rollout of Disability Benefits Questionnaires (DBQ) to reduce the claims backlog was put in place without adequate controls.

OIG continues to report the need for enhanced policies and procedures, training, oversight, quality review, and other management controls to improve the timeliness and accuracy of VBA's disability claims processing. OIG reports issued in 2013 highlight continuing VA challenges in managing the claims backlog, ensuring accuracy in disability benefits processing workload, and claims storage issues at certain ROs.

OIG Sub-Challenge #2A: Improving the Quality of Claims Decisions (VBA)

RO staff faced challenges providing accurate decisions on Veterans' disability claims. From October 2012 through June 2013, OIG inspected 11 ROs and reported on their performance in 3 claims areas: temporary 100 percent disability evaluations for service-connected conditions requiring surgical or medical treatment, TBI, and Gulf War Veterans' entitlement to mental health care. RO staff did not correctly process 47 percent of the total 762 claims OIG sampled primarily due to a lack of oversight and training. Specifically, RO staff incorrectly processed:

- 60 percent of 324 temporary 100 percent disability evaluations, resulting in nearly $3 million in improper payments within this sample of national claims.
- 32 percent of 197 TBI claims reviewed. OIG found that TBI claims processing errors resulted from staff using VHA medical examination reports that did not contain sufficient information to make accurate rating determinations. Staff generally over evaluated the severity of TBI-related disabilities because they did not properly interpret the medical examination reports.
- 40 percent of 241 claims involving Gulf War Veterans' entitlement to mental health care.

VA's Program Response

Estimated Resolution Timeframe: 2015

Responsible Agency Official: Under Secretary for Benefits

<u>Completed 2013 Milestones</u>

VBA has aggressively pursued its Transformation Plan to implement a series of tightly integrated people, process, and technology initiatives designed to achieve the 2015 strategic goal of completing all rating-related compensation and pension claims within 125 days at 98 percent accuracy level. Significant progress has been made. As of September 30, 2013, the claims inventory totaled 722,013, down from a high of 883,930 in July 2012. As of September 30, 2013, the backlog of claims older than 125 days totaled 418,472. This was 192,601 below the peak backlog in March 2013 and its lowest point since March 2011. As of August 2013, claim-based accuracy was 89.1 percent and accuracy measured at the medical issue-based level was 95.8 percent.

VA developed a strategy for the secure electronic submission of DBQs received outside the VA examination process. Controls for verifying the identity and credentials of private physicians submitting DBQs online will occur once the DBQ automated solution is integrated with VBMS and the Stakeholder Enterprise Portal. As an interim control, VBA's Quality Assurance staff conducts DBQ validation reviews of a statistically valid sample of DBQs submitted by private physicians.

VBA continues to monitor records that contain temporary 100 percent evaluations to ensure they have the appropriate controls and indicators established and to ensure a future examination date is in the Veteran's electronic record. Throughout 2013, VBA conducted biweekly reviews of all 100 percent evaluations to identify any records without the proper controls and indicators for correction by regional offices.

With the June 2013 implementation of the VBMS – rating functionality in all ROs, systemic safeguards are in place to prompt users to input controls and prevent users from completing associated actions for all 100 percent evaluations without proper controls and indicators established.

VBA developed a TBI Training and Performance Support System (TPSS) module. This training module will be mandatory in 2014 for all Rating Veterans Service Representatives (RVSR) and Decision Review Officers (DRO). The module contains guidance for properly identifying residuals of TBI, determining if evidence is sufficient to grant service connection, and assigning appropriate percentages.

VBA also added several classes in the National Training Curriculum on rating mental health conditions. VBA updated the medical TPSS module on mental disorders, specifically PTSD and the military sexual trauma training. These training modules are mandatory for all RVSRs and DROs in 2013.

OIG Sub-Challenge #2B: VA Regional Office Operations (VBA)

VBA continues to experience challenges ensuring its 56 ROs comply with VA regulations and policies and deliver consistent performance of their Veterans Service Center (VSC) operations. OIG's Benefits Inspectors reported almost two-thirds of the 11 ROs inspected from October 2012 through June 2013 did not follow VBA policy to ensure Systematic Analysis of Operations (SAO) were timely and complete. SAOs provide an organized means of reviewing VSC operations annually to identify existing or potential problems in claims processing and propose corrective actions. If RO management had ensured the completion of SAOs, they would have identified weaknesses associated with their operations and could have developed plans to correct these shortcomings.

VA's Program Response

Estimated Resolution Timeframe: 2015

Responsible Agency Official: Under Secretary for Benefits

<u>Completed 2013 Milestones</u>

VBA strives to find new ways to improve the performance at all ROs. VBA aggressively monitors RO performance, and if negative performance trends develop, area directors establish improvement plan requirements for RO Directors, ensuring appropriate attention to problem areas. Area directors visit each RO at least annually to conduct an in-person review of operations. Oversight is also provided through on-site review of RO operations conducted by Compensation and Pension and Fiduciary Services. RO Directors are held accountable for station performance through annual performance evaluations.

All VBA ROs are required to perform annual SAOs to provide a comprehensive overview of specific divisional functions as well as identify areas for improvement. Procedures and a schedule for completing SAOs are available for each VBA business line. Also, each RO Director can establish additional SAOs for local operational issues.

SAOs are reviewed during both Central Office and Area Office site visits. SAO compliance is tracked and monitored closely for timeliness and content at every level of management, to include local business line and executive management reviews. Reviews ensure compliance with the elements cited in M21-4, Chapter 5. Area Offices may request copies of the RO SAO schedules and specific completed SAOs for further review. SAO training is provided to management on-site during site visits if deficiencies are present.

OIG Sub-Challenge #2C: Improving the Management of VBA's Fiduciary Program (VBA)

According to VA's 2012 Annual Benefits Report, the benefits of more than 134,000 incompetent VA beneficiaries are being managed by fiduciaries. The total estimated amount of VA benefits under the control of fiduciaries is more than $2.3 billion. From April 1, 2008, to March 31, 2013, OIG conducted 148 investigations involving fiduciary fraud and arrested 91 fiduciaries and/or associates. OIG investigations highlight program vulnerabilities that are exploited by unscrupulous individuals at the expense of incompetent VA beneficiaries.

Two recent examples illustrate weaknesses that allowed funds to be embezzled. In the first example, an attorney, who was the court-appointed fiduciary for 54 Veterans, and his wife, who served as his legal assistant and office manager, were each sentenced to 46 months' incarceration and 3 years' supervised release. In addition, they were ordered to jointly pay restitution of more than $2.3 million to VA and $282,112 to the Internal Revenue Service (IRS). An OIG investigation determined that from January 2003 through December 2008, the couple stole more than $2.3 million from the incompetent Veterans and submitted falsified accountings to VA to conceal the thefts. In addition, they failed to report the stolen funds to the IRS. In the second example, a former VA fiduciary was sentenced to 41 months' incarceration, 36 months' supervised probation, and ordered to pay $639,618 in restitution after pleading guilty to theft of Government funds. An OIG investigation revealed that the defendant, an attorney, embezzled $460,679 of VA benefits and $176,246 of Social Security Administration benefits from an incompetent Veteran. The defendant admitted to submitting fraudulent accountings to both VA and the court by altering reports and creating fraudulent certificates of deposit.

VA's Program Response
Estimated Resolution Timeframe: 2014
Responsible Agency Official: Under Secretary for Benefits

Completed 2013 Milestones
VA enhanced procedures to prevent and identify misuse of beneficiary funds. Procedural improvements previously implemented up through 2012 led to a 2012 misuse rate that was less than one-tenth of one-percent. VA required that fiduciaries provide detailed financial documents, including bank records, with their annual accountings. This additional information allows VA to verify reported expenditures and identify potential misuse of funds. VA mandated criminal background checks for proposed fiduciaries prior to appointment. These precautionary requirements serve as a deterrent for fiduciaries. VA issued procedures for instructing fiduciaries to provide a copy of VA-approved accountings to beneficiaries. This policy increases transparency of the fiduciary's management of the beneficiary's funds. VA issued guidance to limit calculation of fiduciary fees based upon monthly benefit payments only and eliminate the requirement that fiduciaries seek VA approval of certain expenditures from beneficiary funds. This guidance emphasizes the need for fiduciaries to communicate with beneficiaries and determine whether expenditures are in the beneficiary's interest. VA established telephone units in

the fiduciary hubs to respond to direct inquiries from beneficiaries and fiduciaries and ensure consistent service delivery.

In 2013, VA completed a draft revision of its fiduciary regulations consistent with current law and policies and VBA's recent consolidation of its fiduciary activities at six fiduciary hubs. The proposed rules would clarify the rights of beneficiaries in the program and the roles of VA and fiduciaries in ensuring that VA benefits are managed in the best interest of our most vulnerable beneficiaries. The proposed rules are expected to be published in the Federal Register for public comment in early 2014.

In April 2013, VA implemented a standardized, national training curriculum for fiduciary personnel, which, among other things, addresses applicable fiduciary program policies and procedures, file documentation, account audits and appropriate follow ups, surety bonds, fiduciary appointments, and workload management.

In April 2013, VA deployed Centralized Field Examiner Training. This training provides consistent and standardized instruction targeted at field examiners with less than 1 year of experience. Training includes field examination techniques and customer service, as well as the responsibilities of the fiduciary. VA is developing advanced training modules for journey-level field examiners. The first training module focuses on misuse procedures and is expected to be released in early 2014.

In May 2013, VA increased the number of field examination and accounting cases selected for quality assurance review. VA conducts monthly fiduciary quality reviews on a random sample of the fiduciary workload at each fiduciary hub. The quality review results are used to increase awareness of policy and procedures and guide the development of training when needed.

In August 2013, VA tested the Beneficiary Fiduciary Field System (BFFS), which is the new information technology (IT) system for the fiduciary program. VA anticipates national deployment at the end of December 2013. BFFS will allow VA to leverage existing technology to create an interface with VBA's corporate database, improve reporting processes to enhance workload management capabilities, integrate an automated field examination report generator tool, and improve misuse monitoring. It will greatly improve VA's ability to track beneficiary visits, fiduciaries' annual accountings, and further detect potential misuse.

In August 2013, VA published a "Guidebook for VA Fiduciaries." The new guidebook is targeted to volunteer fiduciaries and will advise fiduciaries about beneficiary rights, fiduciary responsibilities, management of funds, and accounting and audit procedures. In conjunction with the guidebook, VA released an automated accounting preparation tool to assist fiduciaries in preparing their annual accountings.

OIG CHALLENGE #3: FINANCIAL MANAGEMENT
-Strategic Overview-

Sound financial management represents not only 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. In FYs 2012 and 2013, as a result of an OIG administrative investigation involving wasteful expenditures at two training conferences, VA is redesigning controls over conference management activities. Further, OIG identified several lapses in sound financial stewardship impacting VA's programs and operations, including its Beneficiary Travel Program (BTP).

Failure in some instances to ensure sufficient funds are available to pay for non-VA care fee services for Veterans is one way in which improper payments occur. Addressing these and other issues related to financial systems, information, and asset management would promote improved stewardship of the public resources entrusted for Departmental use.

OIG Sub-Challenge #3A: Lack of Accountability and Control over Conference Costs (Training Support Office (TSO) in the Office of the Secretary[1] – Lead, HRA, VHA, VBA, NCA)

OIG conducted an administrative investigation upon receiving allegations of wasteful expenditures related to Human Resources (HR) conferences held in Orlando, Florida, in July and August 2011. The lack of accountability and controls prevented OIG from obtaining a full accounting of the expenses associated with these conferences. More than a year after the conferences, VA was unable to provide an accurate and complete accounting of costs for these conferences. VA's estimates of the conference expenditures changed multiple times during the course of the administrative investigation. While VA reported lower estimates of conference costs to Congress, OIG reconstructed the costs of the two conference events to be approximately $6.1 million.

However, OIG could not gain reasonable assurance that this figure represented a complete accounting of the conference costs. Overall, VA's processes and the oversight were too weak, ineffective, and in some instances, nonexistent to ensure that conference costs identified were accurate, appropriate, necessary, and reasonably priced. Accountability and controls were inadequate to ensure effective management and reporting of the dollars spent. OIG questioned about $762,000 as unauthorized, unnecessary, and/or wasteful expenses.

This administrative investigation was followed by OIG's audit of VA's use of interagency agreements to fund four Financial Management Training Conferences (FMTC) in 2010-2012.

VA's Program Response
Estimated Resolution Timeframe: 2015
Responsible Agency Official: Chief of Staff

Completed 2013 Milestones
VA is implementing a comprehensive action plan to revise and strengthen policies and controls on the planning and execution of training conferences and events. These actions are consistent with the recommendations in the September 30, 2012, Inspector General Report and are reflected in VA policy issued on September 26, 2012.

Stringent internal controls for conferences and training conferences are in place and the senior executives in the Department provide oversight. Further, the newly established TSO ensures consistency and adherence with all appropriate regulations and requirements as the Department

[1] TSO moved to the Office of Management, Financial Services Center, in October 2013.

balances critical training requirements to ensure we achieve stated goals and objectives while minimizing costs.

Automating data collection is essential to provide accurate and timely information for senior leaders so they can execute their responsibilities and respond to queries for training related events from Congressional and other Federal oversight bodies. VA is currently engaged in developing and delivering an automated data collection tool to increase accountability, control conference spending, and produce congressionally required reports.

OIG Sub-Challenge #3B: Strengthen Financial Controls Over the BTP (VHA)

VHA's BTP pays the actual necessary expense of travel, including mileage traveled, to and/or from a Department facility or other place in connection with vocational rehabilitation or counseling, or for the purpose of examination, treatment, or care for certain eligible Veterans. In 1978, VA set the travel mileage reimbursement rate at 11 cents per mile. The rate remained unchanged until February 2008, when VA raised the rate to 28.5 cents per mile. In November 2008, VA raised the mileage reimbursement rate to 41.5 cents per mile. As a result, the BTP experienced a significant growth in both usage and cost. Expenditures for the program increased by approximately 285 percent from FY 2006 through FY 2010.

In February 2013, OIG's *Audit of VHA's Beneficiary Travel Program,* reported serious issues regarding lack of controls over beneficiary travel payments. Specifically, VHA did not perform regular reconciliations of approved travel reimbursements with paid reimbursements, accurately code financial transactions, and reduce the risk of fraudulent payments. This occurred because VHA had not established policies and mechanisms that address reconciliations of BTP financial data, provided adequate training to ensure accurate coding of beneficiary travel expenses, and established procedures to mitigate the risk for making duplicate payments on approved travel reimbursements. In addition, current information system limitations present challenges to performing automated reconciliations.

OIG identified material differences in mileage reimbursements paid compared with approved mileage reimbursements. According to VHA data, VA medical facilities paid approximately $89 million more in beneficiary travel than the facilities approved during the period from January 1, 2010, through March 31, 2011. OIG determined that approximately $46.5 million of the variance was in part the result of miscoded charges, but could not determine the reason for the variance of the remaining approximately $42.5 million. This was because of a lack of an adequate financial audit trail and system limitations.

The audit also revealed that VHA does not have sufficient procedures to reduce the risk of making duplicate payments on approved travel reimbursements. Medical facility staff record only the aggregate value of batched cash reimbursements in VA's Financial Management System (FMS). Staff cannot electronically identify individual cash payments associated with approved beneficiary travel claims which increases the risk of fraudulent payments. For example, after receiving an approved travel reimbursement, a Veteran can photocopy it and provide multiple copies of the approved travel reimbursement for payment. Since no record exists in FMS that an agent cashier made a previous payment for the approved travel, the medical facility is susceptible of paying the Veteran more than once for the same approved travel reimbursement.

As a result of these program vulnerabilities, the number of OIG criminal investigations increased as VA raised beneficiary travel mileage reimbursement rates. In FY 2007, OIG conducted one beneficiary travel fraud investigation. In comparison, in FY 2010, OIG conducted 44 investigations. As of June 2013, OIG has 125 open beneficiary travel investigations. Two recent examples illustrate this type of fraud. In the first example, two Veterans were indicted for bribery, conspiracy to defraud the U.S. Government, and false claims. Previously, five other Veterans and two Seattle, Washington, VAMC travel clerks were charged in this case. An OIG investigation revealed that the seven Veterans participated in a scheme with the VAMC travel clerks to submit inflated and fictitious travel benefit vouchers. The VA employees processed the vouchers and then demanded kickbacks from the Veterans. The loss to VA is estimated to be over $150,000. In the second example, 16 Veterans were charged with theft of Government property and false statements. A VA OIG, VA Police Service, and Department of Housing and Urban Development OIG investigation revealed that the defendants filed fraudulent travel vouchers at the Cleveland, Ohio, VAMC in order to obtain travel benefits they were not entitled to receive. The loss to VA is over $242,000.

To deter this fraud, OIG has encouraged prosecutors to issue press releases when judicial action occurs, developed a data analytic tool to proactively identify this fraud in specific facilities, and worked closely with VA to significantly enhance their own data mining efforts and design new warning posters. VHA agreed with OIG recommendations and findings. However, until VHA fully implements planned changes and strengthens authorization and payment controls, VHA will continue to lack reasonable assurance that program costs are accurate and paid only to eligible Veterans.

VA's Program Response

Estimated Resolution Timeframe: 2014

Responsible Agency Official: Under Secretary for Health

Completed 2013 Milestones

In October 2012, VHA and the Financial Services Center used VBA payment information to create Veteran records in FMS. FMS records will enable more efficient processing of Veterans' payments using direct deposit. As of October 2013, the current number of Veterans that can receive direct deposit payment is 1,180,094.

This is a decrease from the 1,213,523 cited in May 2013, and is the result of some Veterans requesting that they be removed from direct deposit. Although facilities are encouraging Veterans to enroll for direct deposit, we do not have the ability to enforce compliance with electronic funds transfer (EFT) if the Veteran declines. The current timeline for the debit card, which is an alternative payment mechanism to direct deposit, is currently estimated to be implemented late FY 2014. When that occurs, Veterans will have to choose an EFT payment method unless they have received a waiver from the Treasury.

OIG Sub-Challenge #3C: Improve Compliance with the Improper Payments Elimination and Recovery Act, Reduce Improper Payments, and Weaknesses in Non-VA Fee Care Program (VHA)

VA needs to strengthen its efforts to reduce improper payments to meet Improper Payments Elimination and Recovery Act (IPERA) requirements and report statistically valid estimates. VA reported about $2.2 billion in improper payments in its FY 2012 Performance and Accountability Report (PAR) and did not comply with four of seven requirements of IPERA in FY 2012. VHA also did not report a gross improper payment rate less than 10 percent or meet a reduction target for its Non-VA Care Fee program. While not a matter of noncompliance, VHA could also improve its estimation methodology to achieve the required statistical precision for all of its reported programs. Additionally, VBA did not use statistically valid methodologies to calculate improper payment estimates for some programs or report amounts collected through its activities to recapture improper payments. VA officials provided appropriate action plans and OIG will follow up on VA's progress during our annual review of VA's compliance with IPERA.

VA failed to ensure sufficient funds were available to pay for non-VA care for Veterans resulting in improper payments. The South Texas Veterans Health Care System (STVHCS) authorized $29 million dollars in fee care in FYs 2009 and 2010 although it did not have sufficient funds obligated and available to pay for the services Veterans received. This occurred because STVHCS did not ensure clinical and fee staff complied with required steps for authorizing the fee care, and assigned staff did not timely process fee care payments. Also, STVHCS clinical and fee staff lacked defined roles and responsibilities, sufficient training, and adequate supervision. Further, neither STVHCS nor VISN 17 management had effective oversight mechanisms in place to ensure sufficient funds were available to pay for the non-VA care received by Veterans. As a result, STVHCS lacked the necessary visibility over these unpaid claims when vendors' invoices were received until fee staff researched, summarized, and processed this information.

VHA continues to face significant challenges in addressing the health care and financial vulnerabilities associated with the Non-VA Fee Care program. OIG reported these challenges in *Audit of Veterans Health Administration's Non-VA Outpatient Fee Care Program* and *Audit of Veterans Health Administration's Non-VA Inpatient Fee Care Program* in 2009 and 2010, respectively. OIG concluded in both reports that controls over pre-authorizing fee care services needed improvement.

VA's Program Response

Estimated Resolution Timeframe: 2014

Responsible Agency Official: Under Secretary for Health

Completed 2013 Milestones

VHA has completed 100 percent of the action items described in the 2012 PAR to reduce improper payments in the Non-VA Medical Care (NVC) program.

For NVC, VHA is working aggressively to ensure FY 2013 annual reduction targets are met. VHA met and exceeded the target goals in FY 2012 for reducing improper payments in all area reviews except for the NVC program. In 2013, VHA's Chief Business Office (CBO) introduced a Virtual Audit Team that will perform audits of the NVC program at all facilities and VISNs to reduce error rates and achieve reduction targets. In addition, CBO developed and deployed a Fee Basis Claims System (FBCS) patch to deliver electronic Medicare pricing of eligible FBCS claims which will improve payment timeliness, eliminate manual entry of the payment amounts, and reduce error rates.

VHA worked to establish their 2013 sampling methodology. VHA briefed OIG and submitted the sampling methodology to the Office of Management and Budget (OMB) which approved VHA's statistical sampling methodology in June 2013.

VHA has completed the 2013 IPERA audit of the NVC program and successfully met the reduction target. The audit results were reviewed and a statistically valid analysis was performed by the national IPERA contract staff in response to a contract requirement.

VBA also worked with VA to establish VBA's 2013 sampling methodology. This sampling methodology was developed to achieve a statistical precision of 90 percent confidence interval with a 2.5 percent margin of error as required by IPERA. The sampling methodology was submitted to OMB on February 11, 2013. OMB approved VBA's statistical sampling methodology on June 28, 2013.

OIG CHALLENGE #4: PROCUREMENT PRACTICE
-Strategic Overview-

VA operations require the efficient procurement of a broad spectrum of services, supplies, and equipment at national and local levels. OIG audits and reviews continue to identify systemic deficiencies in all phases of the procurement process to include planning, solicitation, negotiation, award, and administration. OIG attributes these deficiencies to inadequate oversight and accountability.

Recurring systemic deficiencies in the procurement process, including the failure to comply with the Federal Acquisition Regulation (FAR) and VA Acquisition Regulation, and the lack of effective oversight increase the risk that VA may award contracts that are not in the best interests of the Department. Further, VA risks paying more than fair and reasonable prices for supplies and services and making overpayments to contractors. VA must improve its acquisition processes and oversight to ensure the efficient use of VA funds and compliance with applicable acquisition laws, rules, regulations, and policies.

OIG Sub-Challenge #4A: VA Can Achieve Significant Procurement Savings (VHA-Lead, OM, OALC)

In August 2013, OIG's *Audit of Non-Purchase Card Micro-Purchases*, reported that VA medical facilities missed opportunities to achieve significant procurement savings by maximizing the use of purchase cards for micro-purchases. OIG estimated VHA missed opportunities to decrease procurement-processing costs by about $20 million and obtain additional rebates of about $4 million. Medical facilities have two primary methods to make micro-purchases: purchase cards and purchase orders. Purchase card use helps VHA quickly procure supplies and services to ensure Veterans receive timely medical care. Typically, processing purchase card procurements may take up to 3 days, while processing purchase order procurements can take up to 30 days. Obtaining supplies and services by purchase card streamlines the procurement process, while using purchase orders is more complex and time consuming. The $20 million savings represents the difference in labor costs for processing purchase card and non-purchase card transactions. By increasing purchase card use, VA medical facilities can increase productivity by shifting staff efforts from resource-intensive non-purchase card processing costs to other medical facility activities. In particular, eliminating the time contracting staff spend on processing micro-purchases is important due to a reported shortage of contracting specialists/officers positions throughout the Federal government.

VHA also missed opportunities to obtain estimated annual rebates of almost $4 million. VA executives have recognized rebates and other benefits related to purchase card use and have emphasized purchase card use to procure supplies and services. Over the last 5 fiscal years, VHA's reported rebates increased 51 percent from about $43 million in FY 2008 to just over $65 million in FY 2012. Although VHA has increased the amount of rebates earned through increased purchase card use, opportunities still exist for VHA to earn additional rebates. By maximizing the use of purchase cards for micro-purchases, VHA can increase purchasing efficiency and cost-effectiveness by $24 million annually and $120 million over the next 5 years. These improvements will help VHA address challenges to create a more efficient, effective, and coordinated acquisition program to ensure VHA protects taxpayers' interest when procuring supplies and services.

VA's Program Response
Estimated Resolution Timeframe: 2014
Responsible Agency Official: Under Secretary for Health

<u>Completed 2013 Milestones</u>
OIG published the *Audit of Non-Purchase Card Micro-Purchases* on August 9, 2013. VHA has developed an action plan in response to OIG's recommendations that will be implemented during 2014.

The VHA Procurement and Logistics Office (P&LO) will generate a report that identifies all purchases below the micro-purchase threshold level for FY 2012. P&LO will identify the number and amount of micro-purchases that have been obligated through VHA procurement. P&LO will establish monthly monitors of the total universe of micro-purchase thresholds and the number of micro-purchases effected through the procurement organization P&LO, and in conjunction with the VHA Chief Financial Officer, will establish performance targets to increase the percent of micro-purchases made with government purchase cards. Performance of VISNs will be reviewed regularly with VISN leadership throughout the year. VHA Deputy Under Secretary for Health for Operations and Management will develop recommended policies for VISNs to perform periodic reviews of micro-purchases utilizing the government purchase card. Periodic reviews will be performed by VISN Financial Quality Assurance Managers.

OIG Sub-Challenge #4B: Improve Oversight of Interagency Agreements (OALC- Lead, HRA)

VA has funded several of its training academies and workforce training under ADVANCE. OIG has reported the lack of VA oversight of ADVANCE's use of interagency agreements (IA), which represent a significant portion of ADVANCE spending. VA incurred almost $2.8 million in costs under IAs with the Office of Personnel Management (OPM) to hold two HR conferences in Orlando, Florida. VA relied upon its ADVANCE program to manage the funding needed to provide many of the conference support services. The issues associated with the HR conference expenditures magnify the process failures reported in an earlier OIG report, *Audit of VA's ADVANCE and the Corporate Senior Executive*

Management Office Human Capital Programs. During this prior audit, OIG reported that VA needed to strengthen its management of IAs with OPM and improve its measures to more accurately assess program impact. VA did not establish adequate controls over IA costs and terms, lacked reasonable assurance it effectively spent program funds during FYs 2010 and 2011, and did not evaluate the reasonableness of IA service fees.

In June 2013, OIG reported that VA expanded the terms of their Veteran Employment Services Office's (VESO) IA with OPM to provide VESO with two Veteran employment call centers operating 24 hours a day, 7 days a week. These call centers had call volumes so low during a 13-month period that call center employees each handled an average of 2.4 calls per day.

VA also funded the IA to develop and maintain a Veteran employment Web site for VESO, which duplicated key components of two existing VA Veteran employment Web sites. VESO awarded a $4.4 million 1-year contract to acquire HR support services that duplicated VESO's own internal HR capabilities and contracted for certain inherently Governmental functions. These costly and excessive acquisitions occurred because VESO did not conduct a thorough analysis to justify the need for the acquired support services. As a result, OIG estimated VESO will spend at least $13.1 million during FYs 2013 through 2015 on excess call center capacity unless action is taken to align call center capacity with Veteran use and demand.

These funds, along with the estimated $4.4 million that will be spent on the HR support services contract in FY 2013, could be better used to provide Veteran employment services with greater efficiency and accountability. By strengthening its management controls and improving its program impact measures, VA could improve its accountability over ADVANCE program funds. Implementation of these controls will be critical for VA to effectively manage the risks associated with future program initiatives, especially the oversight of conference management and management of active IAs.

In September 2013, OIG also reported that VA inappropriately paid about $5.3 million of a total $6.7 million spent for separately priced item (SPI) purchases and related service fees for three financial management conferences held in 2010 and 2011. SPIs can be purchased as incidental items to support tasks developed under IAs. VA and OPM lacked documentation of required approvals for approximately $3.4 million of the $6.7 million spent. In addition, VA paid the vendor about $697,000 in inappropriate service fees and paid OPM about $132,000 in service fees associated with inappropriate SPI purchases. Among the recommendations OIG made to VA in September 2013 were to consider discontinuing the use of assisted acquisition IAs with OPM, provide visibility and oversight over SPI purchases by approving proposed purchases in advance, and improve the transparency over SPI costs by reviewing detailed invoices before approving payments. SPI purchases under IAs had not been a focus in our prior conference management reviews. However, strong oversight controls are needed over these purchases and better assurance that these expenditures are economical and in the best interest of VA.

VA's Program Response

Estimated Resolution Timeframe: 2014

Responsible Agency Official: Principal Executive Director

<u>Completed 2013 Milestones</u>

OALC has revised and issued VA policy on IAs to implement changes to the FAR Subpart 17.5, Interagency Acquisitions, which broadens the scope to include any IA including Federal Supply

Schedule orders exceeding $500,000; requires formal determination of an IA as the "best procurement approach," development of a business case for multi-agency contracts, and written agreements stipulating VA and servicing agency roles and responsibilities; and submission of an annual agency IA report to OMB.

OALC coordinated with VA's Office of Human Resources and Administration (HRA), as well as OPM to strengthen oversight of appropriate costs and deliverables. Specific activities include the following:

OALC amended all of the IAs to increase the oversight controls when receiving financial data. Additionally all IA management plans at OPM have been reviewed to specifically address the separately priced items required in P.L. 112-154.

OALC and OHRA are actively implementing a plan to transition the OHRA/Human Capital Investment Plan (HCIP) requirements away from IAs. OALC and OHRA, in conjunction with OPM, are revisiting VA's required submissions on Department of Treasury FMS Forms 7600 A and B for the HCIP Initiatives to ensure alignment of the management plans to tasks identified in the FMS Form 7600B. Further, revisions to the information required for completion of FMS Form 7600A, which address general terms and conditions, will include language that will require the delivery of all OPM invoices correlating with OPM vendor deliverable receipt forms. The revisions are scheduled to be completed in 1st quarter FY 2014. OHRA's 2014 acquisition strategy is to work all contract award efforts, other than interagency agreements, through the Strategic Acquisition Center-Frederick (SAC-F).

To address the findings from the OIG audit of the *VA for Vets* call centers, the Acting Assistant Secretary for HRA and representatives from VESO met with OPM to discuss the IAA for the call centers. OPM conducted an analysis and concluded that the vendor delivered products to the standards of the requirements specified by VA. The IA with OPM ended on September 29, 2013. Subsequently, VA reviewed the needs of the VESO program and eliminated the call centers. Although a new solicitation was made public, the solicitation was withdrawn. Had a contract been awarded, it would not have been an IA. After a thorough analysis is conducted, decisions will be made in 2014 to determine if any scope of work is required. Any such decision will be based on the best value to VA, U.S. taxpayers, and America's Veterans.

OIG Sub-Challenge #4C: Sound Information Technology Procurement Practices (OIT)

A data breach in May 2006 evoked heightened and immediate concern regarding the protection of VA personally identifiable information (PII). In August 2006, the VA Secretary mandated that all VA computers would be upgraded with enhanced data security encryption software. However, in October 2012, OIG substantiated a Hotline allegation that OIT had not installed and activated an additional 100,000 licenses purchased in 2011. As of July 2012, OIT officials stated that due to inadequate planning and management, they had installed and activated only a small portion, about 65,000 (16 percent), of the total 400,000 licenses procured. Specifically, OIT did not allow time to test the software to ensure compatibility with VA computers, ensure sufficient human resources were available to install the encryption software on VA computers, and adequately monitor the project to ensure encryption of all VA laptop and desktop computers.

As such, 335,000 (84 percent) of the total 400,000 licenses procured, totaling about $5.1 million in questioned costs, remained unused as of 2012. Given changes in VA technology since 2006, VA lacked assurance that the remaining software licenses were compatible to meet encryption needs in the current computer environment. Further, because OIT did not install all 400,000 encryption software licenses on VA laptop and desktop computers, Veterans' PII remained at risk of inadvertent or fraudulent access or use.

In 2013, OIT performed an assessment and decided to move forward with the deployment of the encryption software. However, as of April 2013, OIT has only managed to deploy approximately 47,000 of the 335,000 remaining encryption software licenses and may face challenges to meet its projected goal of complete implementation of the remaining software encryption licenses by the end of FY 2013. Further, OIT has not provided assurances that adequate IT resources are available to better ensure the implementation, as recommended.

VA's Program Response

Estimated Resolution Timeframe: 2014

Responsible Agency Official: Deputy Assistant Secretary for Information Security and Deputy Assistant Secretary for Service Delivery and Engineering

Completed 2013 Milestones

Throughout 2013, OIT worked to improve its IT procurement practices to ensure that it made sound decisions in regards to IT procurements and to continue to be a good steward of its funding. To do this, a Strategic Investment Tool was created to conduct analyses that are used to determine the most impactful and cost-effective IT solutions.

Initially, when the contract was executed to purchase the licenses, laptops were targeted first and we made significant progress encrypting all laptops. Desktops were targeted as well, but there were numerous issues due to the diversity of the devices in the field. The technology, at the time, was relatively new to the Federal Government and to an enterprise the size of VA. In addition, VA's planned rollout of the Windows 7 Operating System on desktop computers introduced unforeseen testing and compatibility issues with the encryption software. That issue has been resolved and VA is now rolling out encryption alongside Windows 7 with a targeted completion date of December 2013.

As of the end of September 2013, 293,640 Windows 7 desktops and 34,237 laptops were equipped with Symantec Endpoint Encryption encryption capabilities. OIT has proactively implemented a top-level policy to automatically encrypt laptops as they are introduced to the network.

OIG CHALLENGE #5: INFORMATION MANAGEMENT

-Strategic Overview-

The use of IT is critical to VA providing a range of benefits and services to Veterans, from medical care to compensation and pensions. If managed effectively, IT capital investments can significantly enhance operations and support the secure and effective delivery of VA benefits and services. However, when VA does not properly plan and manage its IT investments, they can become costly, risky, and counterproductive. Lacking proper safeguards, computer systems also are vulnerable to intrusions by groups seeking to obtain sensitive information, commit fraud, disrupt operations, or launch attacks against other systems.

Under the leadership of the Chief Information Officer, VA's OIT is positioning itself to facilitate VA's transformation into a 21st century organization through improvement strategies in five key IT areas: (1) quality customer service; (2) continuous readiness in information security; (3) transparent operational metrics; (4) product delivery commitments; and (5) fiscal management. OIT's efforts are also focused on helping accomplish VA's top three agency priority goals of expanding access to benefits and services, eliminating the claims backlog in 2015, and ending Veteran homelessness in 2015.

However, OIG oversight work indicates that additional actions are needed to effectively manage and safeguard VA's information resources and processing operations. As a result of our FY 2012 Consolidated Financial Statements Audit, our independent auditor reported that VA did not substantially comply with requirements of the Federal Financial Management Improvement Act of 1996. While providing an unqualified opinion on the consolidated financial statements, for the 12th year in a row the independent auditor has identified IT security controls as a material weakness.

OIG work indicates VA has only made marginal progress toward eliminating the material weakness and remediating major deficiencies in IT security controls. VA could not readily account for the various systems linkages and sharing arrangements with affiliate organizations, leaving sensitive Veterans' data at unnecessary risk of unauthorized access and disclosure. OIT also has not fully implemented competency models, identified competency gaps, or created strategies for closing the gaps to ensure its IT human capital resources will support VA in accomplishing IT initiatives and mission goals well into the future. Despite implementation of the Program Management and Accountability System (PMAS) to ensure oversight and accountability, VA is still challenged in effectively managing its IT systems initiatives to maximize the benefits and outcomes from the funds invested.

OIG Sub-Challenge #5A: Development of an Effective Information Security Program and System Security Controls (OIT)

Secure systems and networks are integral to supporting the range of VA mission-critical programs and operations. Information safeguards are essential, as demonstrated by well-publicized reports of information security incidents, the wide availability of hacking tools on the internet, and the advances in the effectiveness of attack technology. In several instances, VA has reported security incidents in which sensitive information has been lost or stolen, including PII, exposing millions of Americans to the loss of privacy, identity theft, and other financial crimes. The need for an improved approach to information security is apparent, and one that senior Department leaders recognize.

Recent work on the Consolidated Financial Statements Audit supports our annual Federal Information Security Management Act (FISMA) assessment. During FY 2012, while our annual FISMA assessment was ongoing, VA instituted the Continuous Readiness in Information Security Program (CRISP) to ensure continuous monitoring year-round and establish a team responsible for resolving the IT material weakness. As our FISMA work progressed, OIG noted more focused VA efforts to implement standardized information security controls across the enterprise. OIG also saw improvements in role-based and security awareness training, contingency plan testing, reduction to the number of outstanding Plans of Action and Milestones (POA&M), development of initial baseline configurations, reduction in the number of IT individuals with outdated background investigations, and improvement in data center Web application security. However, the CRISP initiative was not launched until March 2012 and the improved processes have not been implemented for an entire FY with the opportunity to demonstrate sustained improvements in information security.

As such, the FY 2012 FISMA audit report discussed control deficiencies in four key areas: configuration management controls, access controls, change management, and service continuity controls. Improvements are needed in these key controls to prevent unauthorized access, alteration, or destruction of major application and general support systems. VA had over 4,000 system security risks and corresponding POA&Ms that still need to be remediated to improve its overall information security posture. More importantly, OIG continued to identify significant technical weaknesses in databases, servers, and network devices that support transmitting sensitive information among VA facilities. Many of these weaknesses may be attributed to inconsistent enforcement of an agency-wide information security program across the enterprise and ineffective communication between VA management and the individual field offices.

OIG's FY 2012 FISMA report provided 27 current recommendations to the Assistant Secretary for Information and Technology for improving VA's information security program. The report also highlighted 5 unresolved recommendations from prior years' assessments for a total of 32 outstanding recommendations. Overall, we recommended that VA focus its efforts in the following areas:

- Addressing security-related issues that contributed to the IT material weakness reported in the FY 2012 Consolidated Financial Statements Audit of the Department.
- Successfully remediating high-risk system security issues in its POA&Ms.
- Establishing effective processes for evaluating information security controls via continuous monitoring and vulnerability assessments.

OIG continues to evaluate VA's progress during the ongoing FY 2013 FISMA audit and acknowledges increased VA efforts to improve information security, but OIG is still identifying repeat deficiencies, albeit to a lesser extent. Upon completion of the FY 2013 FISMA testing and related work, OIG will make a determination as to whether VA's improvement efforts are successful in overcoming the IT material weakness.

A range of additional OIG audits and reviews over the past 2 years have exemplified VA's information security controls deficiencies. For example, in March 2013, the OIG reported that VA was transmitting sensitive data, including PII and internal network routing information, over an unencrypted telecommunications carrier network. VA OIT personnel disclosed that VA typically transferred unencrypted sensitive data, such as electronic health records and internal Internet protocol addresses, among certain VAMCs and Community-Based Outpatient Clinics using an unencrypted telecommunications carrier network. OIT management acknowledged this practice and formally accepted the security risk of potentially losing or misusing the sensitive information exchanged. VA has not implemented technical configuration controls to ensure encryption of sensitive data despite VA and Federal information security requirements. Without controls to encrypt the sensitive VA data transmitted, Veterans' information may be vulnerable to interception and misuse by malicious users as it traverses unencrypted telecommunications carrier networks. Further, malicious users could obtain VA router information to identify and disrupt mission-critical systems essential to providing health care services to Veterans.

Further, in February 2012, OIG reported that VA did not adequately protect sensitive data hosted within its System-to-Drive-Performance (STDP) application. Specifically, OIG determined that more than 20 system users had inappropriate access to sensitive STDP information. Further, OIG reported that project managers did not report unauthorized access as a security event as required by VA policy. STDP project managers were not fully aware of VA's security requirements for system development and had not formalized user account management procedures. Inadequate Information Security Officer oversight contributed to weaknesses in user account management and failure to report excessive user privileges as security violations. As a result, VA lacked assurance of adequate control and protection of sensitive STDP data. VA OIT concurred with OIG's recommendation and plans to implement a VA-wide encryption solution to mitigate these security risks.

In July 2011, OIG reported that certain contractors did not comply with VA information security policies for accessing mission critical systems and networks. For instance, contractor personnel improperly shared user accounts when accessing VA networks and systems; did not readily initiate actions to terminate accounts of separated employees; and did not obtain appropriate security clearances or complete security training for access to VA systems and networks. OIG concluded that VA has not implemented effective oversight to ensure that contractor practices comply with its information security policies and procedures. Contractor personnel also stated they were not well aware of VA's information security requirements. As a result of these deficiencies, VA sensitive data is at risk of inappropriate disclosure or misuse.

VA's Program Response

Estimated Resolution Timeframe: 2014

Responsible Agency Official: Deputy Assistant Secretary for Information Security

Completed 2013 Milestones

OIT continued efforts to improve its information security program and system security controls throughout 2013 by addressing findings in the 2012 FISMA Report regarding configuration management, access controls, change management, and service continuity controls. We continue to improve our security posture through existing initiatives such as the agency-wide CRISP, and the closing out of POA&Ms. Since October 2012, the number of open POA&Ms has almost halved and the trend continues to decline. High-severity POA&Ms have also decreased by one-third. We have also implemented new initiatives, such as the Governance, Risk, and Compliance (GRC) tool, Agiliance RiskVision OpenGRC (RiskVision), which establishes effective processes for evaluating information security controls by further instituting continuous monitoring throughout VA's network.

Regarding the March 2013 OIG report that VA has not implemented technical configuration controls to ensure encryption of sensitive data, OIT non-concurred with this finding. VA Directive 6609 provides policy that can be used for mailing personally identifiable and sensitive information when encrypted email is not available. Furthermore, when employees sign the VA Rules of Behavior, they agree to use VA approved encryption to encrypt any e-mail, including attachments to the email that contains VA sensitive information before sending the e-mail. Employees agree that they will not send any email that contains VA sensitive information in an unencrypted form.

Regarding the February 2012 OIG report that VA did not adequately protect sensitive data hosted within its STDP application, OIT has taken the following actions: OIT ensures that its employees on the STDP project receive the necessary role-based security training to address the issues highlighted in the February 2012 report. In addition, Information Security Officers (ISO) are assigned to oversee STDP development activities, ensure proper approval of requests for user access to the system at the appropriate levels, perform checks locally before system access is granted, and report information security events in accordance with VA policy.

Regarding the July 2011 OIG conclusion that VA has not implemented effective oversight to ensure that contractor practices comply with our information security policies and procedures, OIT has taken the following actions: First, VA holds a mandatory annual training stand down where every VA facility must certify 100 percent training compliance for *VA Privacy and Information Security Awareness Training and Rules of Behavior* for all VA employees, contractors, resident-trainees, and volunteers/Veterans Service Organization representatives within their area of responsibility in the set timeframe. Contractors that are not compliant with VA's Privacy and Information Security Awareness Training and Rules of Behavior requirement will have their VA network access removed. Also, new contractors may not be given access to any VA information or information systems until they have completed this training requirement. Action items are being issued approximately every 6 months for ISO and service delivery and engineering IT operations personnel to conduct reviews of separated user accounts; this includes review of contractor accounts.

OIG Sub-Challenge #5B: Interconnections with University Affiliates (OIT-Lead, VHA)

In October 2012, OIG reported that VA has not consistently managed its systems interconnections and data exchanges with its external research and university affiliates. Despite Federal requirements, VA could not readily account for the various systems linkages and sharing arrangements. VA also could not provide an accurate inventory of the research data exchanged, where data was hosted, or the sensitivity levels. In numerous instances, OIG identified unsecured electronic and hardcopy research data at VAMCs and co-located research facilities.

OIG determined that VA's decentralized data governance approach has been ineffective to ensure that research data exchanged is adequately controlled and protected throughout the data life cycle. VA and its research partners have not consistently instituted formal agreements requiring that hosting facilities implement controls commensurate with VA standards for protecting the sensitive data. The responsible VHA program office's decentralized approach to research data collection and oversight at a local level has not been effective to safeguard sensitive VA information. For several years, leading Federal and industry sources have proposed a more centralized model for improving governance of sensitive data throughout the data life cycle. Federal and industry sources also emphasize that effective data governance should provide centralized policies, procedures, and resources to effectively identify important data and securely manage them. Because of these issues, VA data exchanged with its research partners was considered to be at risk of unauthorized access, loss, or disclosure.

VA's Program Response

Estimated Resolution Timeframe: 2014

Responsible Agency Official: Under Secretary for Health and Assistant Secretary for Information and Technology

<u>Completed 2013 Milestones</u>

All Memoranda of Understanding (MOU) and Interconnection Security Agreements (ISA) are currently under review by the OIT and will be established or updated to reflect operational environments. The review of all MOU/ISAs is currently 79.5 percent complete. A total of 162 air gapped connections have been identified and documented as part of this process.

OIT has established a review group to examine the current templates in use and the process for updating and reviewing MOU/ISAs. Target date for completion of this review, and the revisions to the current MOU/ISA templates and process, is August 30, 2013.

OIT and VHA continue to develop a set of guidelines for conducting oversight of research labs. A workgroup consisting of OIT Field Security Service and VHA Office of Research and Development subject matter experts has been convened to draft guidelines and once matured, will be sent to OIT and VHA leadership for review. Target date for completion of these guidelines is 1st quarter of 2014. An action plan for conducting oversight reviews of research labs will be completed after the guidelines are developed.

VHA appreciates the importance of an accurate inventory of collected research data, compliance with research protocol requirements on data collection, and secure management of research information over the data life cycle. However, modalities for ensuring these elements of data management do not currently exist in government or private research settings. VHA continues to consider whether the simple solution of a centralized data governance and storage model would achieve the needs of complex research data management and whether such a model would be feasible or appropriate. Such a governance and management model would take considerable human and monetary resources. A cost-benefit analysis has yet to be performed to determine whether the benefit to be gained by such a system is appropriate to the level of resourcing required to develop, implement, and manage it over time. VHA has been working with OIT to develop questions that need to be answered with respect to a centralized repository. Issues associated with centralization are intimately related to issues associated with data sharing.

OIG Sub-Challenge #5C: Strategic Management of Office of Information Technology Human Capital (OIT)

OIT provides IT systems support in the provision of benefits and health care services to our Nation's Veterans. However, within the next 5 years, OIT may face a loss of over 40 percent of its leadership and technical employees, which could threaten institutional knowledge and mission-critical IT capabilities as VA moves forward in the 21st century. Given the potential loss of critical staff, OIT has not established a strategic approach to mitigate and manage its human capital. Instead, OIT has been managing its human resources in an ad hoc manner with no clear vision. Although OIT recognizes the importance of strategic human capital management, it has not made it a priority and does not have the leadership and staff in place to support implementation of an OIT human capital strategy.

OIT has not fully implemented competency models, identified competency gaps, or created strategies for closing the gaps. OIT also has not captured the data needed to assess how well contractor support supplements OIT staffing and fills competency gaps. Moreover, OIT lacks assurance that it has made cost-effective decisions regarding how it spent money on contractors. Finally, OIT has not established a mechanism to evaluate the success of its human capital initiatives. As a result, OIT has no assurance it has effectively managed its human capital resources to support VA in accomplishing its mission. Once the strategy and competencies are in place, OIG will revisit this issue to determine the overall effectiveness of OIT's human capital management.

VA's Program Response
Estimated Resolution Timeframe: 2014
Responsible Agency Official: Director, Human Capital Management

Completed 2013 Milestones
OIT developed and implemented the OIT Human Capital Strategic Plan (HCSP), FY 2014 - 2020, and released it as scheduled on October 1, 2013. The plan was developed by OIT's Human Capital Strategic Working Group, with guidance from VA's Office of Human Resources Management Office of Workforce Planning. The HCSP is aligned with VA's missions, goals and objectives, and the performance measures and milestones outlined in the Human Capital Assessment and Accountability Framework. The HCSP is also linked to the following VA Plans:

- VA Strategic Plan Draft 2014-2020
- VA Strategic Plan Refresh FY 2011-2015
- VA Information Resource Management Strategic Plan Draft, May 15, 2013
- Office of Human Resources and Administration (HRA) Strategic Plan Draft 2014-2020
- IT Strategic Plan Draft FY 2012-2015
- Diversity and Inclusion Strategic Plan FY 2012-2016

OIT's HCSP identifies goals to remove the "ad hoc" nature of managing human resources while establishing linkage with HRA and servicing human resource stations. While we are making progress in identifying competency gaps we still have progress to make in first identifying the competency level of each employee. As of October 31, 2013, OIT has completed individual competency assessments on 93% of the 7,579 OIT employees in the Talent Management System and will continue working towards 100% completion. The number will continually change as organizational gains and losses occur.

OIG Sub-Challenge #5D: Effective Oversight of Active IT Investment Programs and Projects (OIT-Lead, VBA, VHA)

VA is challenged to ensure appropriate investment decisions are made and that annual funding decisions for VA's IT capital investment portfolio will make the best use of VA's available resources. In 2011, OIT instituted PMAS, constituting a major shift from the way VA historically has planned and managed IT development projects. PMAS was designed as a performance-based management discipline that provides incremental delivery of IT system functionality—tested and accepted by customers—within established schedule and cost criteria. As of May 2012, OIT was managing all 134 active development programs and projects using PMAS. An additional 46 projects were in the planning stage, while 30 projects were classified as new starts.

However, our 2011 audit showed the current PMAS framework did not provide a sound basis for future success. OIG reported that a lot more work remained to be done before PMAS could be considered completely established and fully operational. OIT had instituted the PMAS concept without a roadmap identifying the tasks necessary to accomplish it or adequate leadership and staff to effectively implement and manage the new methodology. OIT did not establish key management controls to ensure PMAS data reliability, verify project compliance, and track project costs. OIT also did not put in place guidance on how such controls should be used within the framework of PMAS to manage and oversee IT projects. Lacking such foundational elements, OIT has not instilled the discipline and accountability needed for effective management and oversight of IT development projects. Until these deficiencies are addressed, VA's portfolio of IT development projects will remain susceptible to cost overruns, schedule slippages, and poor performance.

VA has a longstanding history of challenges in effectively managing IT development projects. For example, the Veterans Service Network (VETSNET) program, VA's effort to consolidate Compensation and Pension (C&P) benefits processing into a single replacement system, has faced a number of cost, schedule, and performance goal challenges. In May 2009, VBA estimated the total cost of VETSNET to be more than $308 million—more than three times the initial cost estimate. After more than 15 years of VBA development, including management and process improvements, VETSNET has the core functionality needed to process and pay the majority of C&P claims. However, work remains to meet the original goals for VETSNET. Major releases of the system were also developed with unstable functional requirements, resulting in inadequate time to fully test software changes. Consequently, major releases of VETSNET contained functions that did not operate as intended and many system defects were deferred or corrected in subsequent software releases. Further complicating matters, VBA has recently launched several high profile IT initiatives that will leverage VETSNET to make benefit payments. These overlapping IT initiatives increase the risks that VBA will experience further delays in achieving the original VETSNET goals.

As of September 2012, VA had not fully tested VBMS. Due to the incremental software development approach VA chose, the system had not been fully developed to the extent that its capability to process claims from initial application through review, rating, award, to benefits delivery could be sufficiently evaluated. As VA expected, the partial VBMS capability deployed to date had experienced system performance issues. Further, scanning and digitization of Veterans' claims lacked a detailed plan and an analysis of requirements. OIG identified issues hindering VBA's efforts to convert hard copy claims to electronic format for processing within VBMS, including disorganized electronic claims folders and improper management of hard copy claims.

VA senior officials have taken recent actions to improve. However, given the incremental system development approach used and the complexity of the automation initiative, VA will continue to face challenges in meeting its goal of eliminating the backlog of disability claims processing by 2015. Because the system was in an early stage of development at the time of OIG's review, OIG could not examine whether VBMS was improving VBA's ability to process claims with 98 percent accuracy. However, OIG continues to examine VBMS implementation, functionality, and security as part of an ongoing audit in 2013.

VA's Program Response

Estimated Resolution Timeframe: 2014

Responsible Agency Official: Deputy Chief Information Officer

Completed 2013 Milestones

The characterization by OIG does not reflect that for the third year in a row OIT has delivered on greater than 80 percent of all increments for scheduled commitments and 98 percent of all increments in under 6 months. Examples of OIT effective oversight include the International Classification of Diseases, 10th edition (ICD-10) Conversion of Class 1 Clinical Remaining Products, Revenue Improvement and Systems Enhancements (RISE) – National Insurance File, and VBMS Phase 4. The accountability at the core of the

PMAS framework drives greater customer engagement and expectation for smaller, more incremental deliveries. As a result, rather than delivery of large code sets months after business requirements are known, project managers are incentivized to deliver early and often to ensure customer acceptance and satisfaction. Providing on-time delivery coupled with necessary solutions is indicative of how PMAS engages leadership at all levels and focuses project manager delivery efforts.

As Pharmacy Rengineering (PRE) and PMAS have evolved, project teams have improved their ability to determine an achievable increment-sized scope. Reviews now include function-point counts as well as an assessment of risks and dependencies. OIT requires Milestone Reviews and pre-briefs for each increment; a project will not be approved if the milestone dates, budget and technical approach are not achievable. Milestone Reviews require senior management representation from each of the primary organizations under the CIO. Each of these Milestone Reviews also involves not less than three levels of review before full approval: Level 1 IPT Approval, Level 2 Pre-brief Approval, and Level 3 Formal Milestone Brief Approval.

OIT established and implemented the recommended controls to ensure IT projects have sufficient leadership and staff assigned throughout the project life cycle prior to the release of the draft OIG report. OIT leaders are engaged in the Integrated Project Team(IPT), Milestone Review, and competency Resource Management Council (RMC) processes. OIT has implemented the red flag and Techstat processes to gain senior management assistance when a project manager has resource requirements for an Active PMAS project that cannot be met through the RMC. Red Flags serve to escalate the priority level of a resource request that goes to the competency model for staffing. OIT now uses the competency model to prioritize and allocate staffing for each project increment. Under this model, the project manager requests resources through the Project Management Council (PMC) and RMC based on the resource requirements identified in their project plans. Once the PMC approves and prioritizes a resource request, the RMC will work within the competency organization to match resources to the highest priority needs.

OIT has already addressed funding, until a decision is made regarding transferring the PRE effort to the Integrated Electronic Health Record (iEHR) project, prioritization through the IT Planning, Prioritization, Budget, and Execution (IT PPBE), IT Leadership Board (ITLB), and the Budget Operating Plan (BOP) process. These processes ensure adequate plans for resources and funding based on the transformation priorities of the department, and the prioritization input of the VA Staff Offices. OIT merely executes development funds in accordance with the prioritization guidance it receives from the IT PPBE, ITLB, and BOP. Current plans do not call for PRE to be absorbed into iEHR in FY 2014. Instead, under current plans, PRE will move forward as an independent project. The FY 2014 funding request for PRE was submitted to the BOP. Depending on the priority of the PRE project among other OIT projects, it may or may not be funded in FY 2014. Finally, it is also likely that the FY 2014 continuing resolution, which provides significantly reduced funding than was requested in the President's FY 2014 budget, may cause funding constraints that undermine VA's planning efforts.

PRE's record on deployment/implementation increments shows PRE has been very effective at completing them in less than 6 months. The schedule challenges are occurring in the period of Initial Operating Capabilities (IOC), before deployment increments. Because current policies and procedures do not include reporting for the IOC period, this data is not tracked on the PMAS Dashboard. OIG has misunderstood the difference between the IOC period (IOC entry to IOC exit) and the PMAS Deployment/Implement increment period which starts after IOC exit. OIG is focusing on the increment segment, which is not the true problem. The IOC segment is the true problem.

PMAS is the disciplined approach VA employs to ensure on-time delivery of IT capabilities. PMAS establishes the framework that ensures the customer, IT project team, vendors and all stakeholders engaged in a project focus on a single compelling mission – achieving on-time project delivery. From the very inception of PMAS, VA leadership planned to systematically expand the scope and function of PMAS over time. PMAS continues to evolve and now includes a variety of accountability structures to ensure not only that IT development projects are effectively managed, but also to ensure that the IT products that are delivered meet strict, well-defined quality, functionality and customer requirements.

The current version of PMAS (4.0) already uses the PMAS Dashboard to track the total time needed to deploy an increment. This change was implemented under PMAS 4.0 as "implementation" increments which begin after IOC exit and after Milestone 2. All current and past versions of PMAS and the PMAS Dashboard also track "development" increments. These increments end either at IOC entry or when the customer signs off and does not want to proceed to IOC entry without first working on a subsequent development increment. For some PMAS projects, this period of time consists of recursive testing and defect repair cycles until production testing reveals that the functionality is ready for additional production sites. This IOC period is not tracked on the dashboard, except in rare exceptions to the current PMAS 4.0 practices. The PMAS Dashboard has been enhanced to track all periods of time within a project, including testing, and this functionality will be available after the February 2014 implementation.

PMAS is an evolving set of policies, practices, and methodologies which have progressed through lessons learned and best practices over the past 4 years. Many findings reflect lapses in data collection and reporting, which were present in the previous iterations of PMAS, but PMAS has since matured to provide tailored workflows and guidance for the software development lifecycle.

PMAS Dashboard has already developed requirements to track IOC, testing, and deployment, which will ensure monitoring within the PMAS Dashboard of the time needed to develop and deploy IT software. OIT implemented all but the IOC period tracking in FY 2013.

A reliable methodology and guidance for capturing and reporting project costs at the increment level was established by OIT's Product Development (PD) organization in FY 2013, with 86 percent of eligible PD contracts executing at the increment level. PRE will adapt to this methodology and guidance in FY 2014.

OIT established guidance on planning well thought-out and achievable software development project increments as part of the PMAS Milestone Review process. OIT published this guidance in PMAS

Guide 4.0 in November of 2012.

Controls to ensure IT projects have sufficient leadership and staff assigned throughout the lifecycle has already been established through leadership engagement in the IPT, Milestone, and competency RMC process. In the event that insufficient resources are available, the Flag and Techstat processes allow for rapid leadership awareness and engagement to resolve resource requirements.

Increment-based development: It is important to recognize the difference between the time period covered by a PMAS increment and the time period covered by a full software development cycle. A full software development cycle includes the entire period from planning to full deployment at all sites; a PMAS increment covers a shorter period.

Health deployment variances: Due to the highly customized business processes within VHA, a project team declares IOC once it releases software into the production environment. The PMAS definition of success is customer facing functionality delivered into the production environment. OIG documents PMAS failure when the PRE project national deployment was not achieved within 6 months or less. The 6 month software development increments intentionally do not account for the IOC time, as it varies significantly amongst increments, depending on the clinical environment.

Presently, costs are often only known reliably at a project or program level. OIT is transitioning to framework which will execute development contracts at the increment level. In FY13, 86 percent of eligible PD contracts were executed at the increment level. However, it will take time before legacy contracts with only program level costs information expire and can be replaced with new contracts that require costs to be tracked at the increment level. PRE will have contracts that are all increment-based by FY 2014. PRE now meets monthly to reconcile and report actual costs to the PMAS Dashboard.

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.

OIG MAJOR MANAGEMENT CHALLENGE #1: HEALTH CARE DELIVERY

Healthcare Inspection–Consultation Mismanagement and Care Delays, Spokane VA Medical Center, Spokane, Washington
9/25/2012 | 12-01731-284 | Summary|

Healthcare Inspection–Delay in Treatment, Louis Stokes VA Medical Center, Cleveland, Ohio
10/12/2012 | 12-01487-08 | Summary |

Healthcare Inspection–Delays for Outpatient Specialty Procedures, VA North Texas Health Care System, Dallas, Texas
10/23/2012 | 12-03594-10 | Summary |

Healthcare Inspection–Alleged Clinical and Administrative Issues, VA Loma Linda Healthcare System, Loma Linda, California
11/19/2012 | 12-01758-40 | Summary |

Healthcare Inspection–Inpatient and Residential Programs for Female Veterans with Mental Health Conditions Related to Military Sexual Trauma
12/5/2012 | 12-03399-54 | Summary |

Audit of VHA's Physician Staffing Levels for Specialty Care Services
12/27/2012 | 11-01827-36 | Summary |

Healthcare Inspection–Appointment Scheduling and Access Patient Call Center, VA San Diego Healthcare System, San Diego, California
1/28/2013 | 12-04108-96 | Summary |

Healthcare Inspection–Mismanagement of Inpatient Mental Health Care, Atlanta VA Medical Center, Decatur, Georgia
4/17/2013 | 12-03869-179 | Summary |

Healthcare Inspection–Patient Care Issues and Contract Mental Health Program Mismanagement, Atlanta VA Medical Center, Decatur, Georgia
4/17/2013 | 12-02955-178 | Summary |

Healthcare Inspection–Inappropriate Use of Insulin Pens, VA Western New York Healthcare System, Buffalo, New York
5/9/2013 | 13-01320-200 | Summary |

Healthcare Inspection–Nursing Care in the Community Living Center for Spinal Cord Injury, Louis Stokes VA Medical Center, Cleveland, Ohio
6/27/2013 | 12-02186-227 | Summary |

Healthcare Inspection–Provider Availability, VA Roseburg Healthcare System, Roseburg, Oregon
7/18/2013 | 13-01241-250 | Summary |

Healthcare Inspection–Alleged Inadequate Oversight at a Contracted Homeless Program, VA New Jersey Health Care System, East Orange, New Jersey
7/16/2013 | 12-01344-243 | Summary |

Healthcare Inspection–Quality and Patient Safety Concerns in the CLC, W.G. (Bill) Hefner VA Medical Center, Salisbury, North Carolina
7/22/2013 | 13-01123-249 | Summary |
Healthcare Inspection–Review of a Patient with Medication-Induced Acute Renal Failure, Amarillo VA Health Care System, Amarillo, Texas
7/29/2013 | 13-01988-253 | Summary |
Healthcare Inspection–Follow-Up Assessment of Radiation Therapy, VA Long Beach Healthcare System, Long Beach, California
7/31/2013 | 13-00696-254 | Summary |
Healthcare Inspection–Review of VHA Follow-Up on Inappropriate Use of Insulin Pens at Medical Facilities
8/1/2013 | 13-01987-263 | Summary |
Healthcare Inspection–Prevention of Legionnaires' Disease in VHA Facilities
8/1/2013 | 13-01189-267 | Summary |
Healthcare Inspection–Review of Circumstances Leading to a Pause in Providing Inpatient Care, VA Northern Indiana Healthcare System, Fort Wayne, Indiana
8/2/2013 | 13-00670-265 | Summary |
Healthcare Inspection–Alleged Patient Rights, Quality of Care, and Other Issues, VA Puget Sound Health Care System, Seattle, Washington
8/13/2013 | 13-02235-277 | Summary |
Vet Center Contracted Care Program Review
8/16/2013 | 12-00040-268 | Summary |
Healthcare Inspection–Alleged Sterile Processing Service Deficiencies, VA Puget Sound Health Care System, Seattle, Washington
9/3/2013 | 13-01351-296 | Summary |
Healthcare Inspection–Gastroenterology Consult Delays, William Jennings Bryan Dorn VA Medical Center, Columbia, South Carolina
9/6/2013 | 12-04631-313 | Summary |
Healthcare Inspection–Laboratory Delays and Alleged Staff Training Issues, Memphis VA Medical Center, Memphis, Tennessee
9/16/2013 | 13-02599-311 | Summary |
Healthcare Inspection–An Unexpected Death in a Mental Health Treatment Program, VA New Jersey Health Care System, Lyons, New Jersey
9/17/2013 | 13-01498-318 | Summary |
Healthcare Inspection–Inadequate Staffing and Poor Patient Flow in the Emergency Department, VA Maryland Health Care System, Baltimore, Maryland
9/18/2013 | 12-03887-319 | Summary |
Healthcare Inspection–Quality of Care Issues, Erie VA Medical Center, Erie, Pennsylvania, and VA Pittsburgh Healthcare System, Pittsburgh, Pennsylvania
9/25/2013 | 13-01855-336 | Summary |
Audit of Selected VHA Non-Institutional Purchased Home Care Services
9/30/2013 | 11-00330-338 | Summary |

Congressional Testimony 2/13/13

Statement of Office of Inspector General Department of Veterans Affairs to the Committee on Veterans' Affairs U.S. House of Representatives Hearing: "Honoring The Commitment: Overcoming Barriers To Quality Mental Health Care For Veterans," February 13, 2013 More

Congressional Testimony 3/13/2013

Statement of Linda A. Halliday Assistant Inspector General For Audits and Evaluations Office of Inspector General Department of Veterans Affairs Before The Subcommittee on Health Committee on Veterans' Affairs U.S. House of Representatives Hearing: "Meeting Patient Care Needs: Measuring the Value of VA Physician Staffing Standards," March 13, 2013 More

Congressional Testimony 7/19/2013

Statement of Michael L. Shepherd, M.D., Before the Subcommittee on Health, Committee on Veterans' Affairs, U.S. House of Representatives Hearing: "Care and Treatment Available To Survivors of Military Sexual Trauma," July 19, 2013 More

Congressional Testimony 8/7/2013

Statement of Michael L. Shepherd, M.D., Before the Committee on Veterans' Affairs, U.S. Senate Hearing: "Ensuring Veterans Receive the Care They Deserve: Addressing VA Mental Health Program Management," August 7, 2013 More

OIG CHALLENGE #2: BENEFITS PROCESSING

Audit of Vocational Rehabilitation and Employment Program's Self-Employment Services at Eastern and Central Area Offices

12/11/2012 | 11-00317-37 | Summary |

Audit of NCA's Internal Gravesite Review of Headstone and Marker Placement

2/7/2013 | 12-02223-98 | Summary |

Interim Report–Participation in VBA's Veterans Retraining Assistance Program

4/15/2013 | 12-04524-171 | Summary |

Audit of VBA's Foreclosed Property Management Contractor Oversight

8/27/2013 | 12-01899-238 | Summary |

Audit of VBA's Pension Payments

9/4/2013 | 12-00181-299 | Summary |

Audit of VBA's Veterans' Retraining Assistance Program Participation

9/17/2013 | 12-04524-321 | Summary |

Congressional Testimony 2/15/2013

Statement of Linda A. Halliday Assistant Inspector General for Audits and Evaluations Office of Inspector General Department of Veterans Affairs Before the Subcommittee on Disability Assistance and Memorial Affairs Committee on Veterans' Affairs U.S. House of Representatives Hearing: "The 100 Percent Temporary Disability Rating: An Examination of its Effective Use," February 5, 2013 More

Congressional Testimony 4/10/2013

Statement of Linda A. Halliday Assistant Inspector General For Audits and Evaluations Office of Inspector General Department of Veterans Affairs Before the Subcommittee on Disability Assistance and Memorial Affairs Committee on Veterans' Affairs U.S. House of Representatives Hearing: "Sustaining the Sacred Trust: An Update on Our National Cemeteries," April 10, 2013 More

Congressional Testimony 4/18/2013

Statement of Richard J. Griffin Deputy Inspector General Office of Inspector General Department of Veterans Affairs Before the Subcommittee on Military Construction Veterans Affairs, and Related Agencies Committee on Appropriations U.S. Senate Hearing: "VA Challenges in Fiscal Year 2014," April 18, 2013 More

OIG CHALLENGE #3: FINANCIAL MANAGEMENT

Audit of VBA's Liquidation Appraisal Oversight in the Cleveland and Phoenix Regional Loan Centers

10/4/2012 | 10-04045-124 | Summary |

Review of Allegations at VA Medical Center, Providence, Rhode Island

12/17/2012 | 10-01937-63 | Summary |

Review of VHA's South Texas Veterans Health Care System's Management of Fee Care Funds

1/10/2013 | 11-04359-80 | Summary |

Audit of VA's Consolidated Financial Statements for Fiscal Years 2012 and 2011

1/18/2013 | 12-01284-13 | Summary |

Audit of VHA's Beneficiary Travel Program

2/6/2013 | 11-00336-292 | Summary |

Review of VA's Compliance with the Improper Payments Elimination and Recovery Act for FY 2012

3/15/2013 | 12-04241-138 | Summary |

Audit of the Community Nursing Home Program

3/29/2013 | 11-00331-160 | Summary |

Independent Review of VA's FY 2012 Performance Summary Report to the Office of National Drug Control Policy

3/31/2013 | 13-00680-142 | Summary |

Independent Review of VA's FY 2012 Detailed Accounting Submission to the Office of National Drug Control Policy

3/31/2013 | 13-00682-143 | Summary |

Review of VA's Programs for Addressing Climate Change

6/28/2013 | 13-01846-235 | Summary |

Audit of Non-Purchase Card Micro-Purchases

8/9/2013 | 12-01860-237 | Summary |

Review of VHA's Management of Travel, Duty Stations, Salaries and Funds in the Procurement and Logistics Office

9/30/2013 | 11-01653-300 | Summary |

OIG CHALLENGE #4: PROCUREMENT PRACTICE

Review of VHA's Minor Construction Program
12/17/2012 | 12-03346-69 | Summary |

Review of VA's Acquisitions Supporting the Veteran Employment Services Office
6/25/2013|13-00644-231 | Summary|

Audit of NCA's Contracting Practices
9/26/2013 | 12-00366-339 | Summary |

Audit of VA's Technology Acquisition Center Contract Operations
9/27/2013 | 12-02387-343 | Summary |

Review of VA's Separately Priced Item Purchases for Training Conferences
9/30/2013 | 13-00455-345 | Summary |

OIG CHALLENGE #5: INFORMATION MANAGEMENT

Review of VA's Alleged Incomplete Installation of Encryption Software Licenses
10/11/2012 | 12-01903-04 | Summary |

Audit of VA's Systems Interconnections with Research and University Affiliates
10/23/2012 | 11-01823-294 | Summary |

Audit of VA's Office of Information Technology Strategic Human Capital Management
10/29/2012 | 11-00324-20 | Summary |

Review of VBA's Transition to a Paperless Claims Processing Environment
2/4/2013 | 11-04376-81 | Summary |

Review of Alleged Transmission of Sensitive VA Data Over Internet Connections
3/6/2013 | 12-02802-111 | Summary |

Federal Information Security Management Act Audit for Fiscal Year 2012
6/27/2013 | 13-01712-229 | Summary |

Review of Alleged System Duplication in VA's Virtual Office of Acquisition Software Development Project
9/18/2013 | 12-02708-301 | Summary |

Congressional Testimony 6/4/2013
Statement of Linda A. Halliday Before the Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, U.S. House of Representatives, Hearing: "How Secure is Veterans' Private Information?" June 4, 2013 More

Congressional Testimony 5/21/2013
Statement of the Office of Inspector General before the Subcommittee on Health, Committee on Veterans' Affairs, U.S. House of Representatives Hearing, May 21, 2013 More

High-Risk Areas Identified by GAO

GAO evaluates VA's programs and operations. In February 2013, GAO issued an update to its High-Risk Series (GAO-13-283). GAO identified high-risk areas (specific to VA as well as Governmentwide) are summarized below. In response to each of the high-risk areas, the Department has provided the following:

- ***Estimated resolution timeframe (fiscal year)*** for VA to eliminate each high-risk area
- ***Responsible Agency Official*** for each high-risk area
- ***Completed 2013 milestones*** in response to the high-risk area
- ***Planned 2014 milestones*** along with ***estimated completion quarter***

High-Risk Area		Estimated Resolution Timeframe (Fiscal Year)	Page #
No.	Description (Responsible Office)		
GAO 1	**Improving and Modernizing Federal Disability Programs (VBA lead, BVA to provide additional input regarding appeals)**	**2016**	**II - 115**
GAO 2	**Strategic Human Capital Management: A Government-wide High-Risk Area (HRA)**	**2015**	**II - 118**
GAO 3	**Managing Federal Real Property: A Government-wide High-Risk Area (OM-OAEM)**	**2014**	**II - 119**
GAO 4	**Protecting the Federal Government's Information Systems and the Nation's Cyber Critical Infrastructures (OIT)**	**2014**	**II - 120**
	Appendix		**II - 122**

GAO High-Risk Area 1: Improving and Modernizing Federal Disability Programs (VBA lead, BVA to provide additional input regarding appeals)

(Based upon GAO-13-283, GAO-13-89 and GAO-11-633T)

Federal disability programs remain in need of modernization. Numerous Federal programs provide a range of services and supports for people with disabilities—including 45 employment-related programs—that together represent a patchwork of policies and programs without a unified strategy or set of national goals. Further, three of the largest Federal disability programs—managed by the Social Security Administration (SSA) and VA—rely on out-of-date criteria to a great extent in making disability benefit decisions. While SSA and VA have taken concrete steps toward updating their criteria, these disability programs emphasize medical conditions in assessing an individual's work incapacity without adequate consideration of the work opportunities afforded by advances in medicine, technology, and job demands. Finally, Federal disability benefit programs are experiencing growing disability claim workloads as the demand for benefits has increased under a difficult job market. Thus, challenges are likely to persist, despite concerted efforts to process more claims annually. GAO designated improving and modernizing Federal disability programs as high risk in 2003.

VA's Program Response

Estimated Resolution Timeframe: 2016

Responsible Agency Official: Under Secretary for Benefits

Completed 2013 Milestones

VBA is aggressively pursuing its Transformation Plan to implement a series of tightly integrated people, process, and technology initiatives designed to achieve the 2015 strategic goal of completing all rating-related compensation and pension claims within 125 days at 98 percent accuracy level. VBA is retraining, reorganizing, and streamlining business processes, while building and implementing technology solutions based on newly redesigned processes to improve benefits delivery. The objectives of transformation include achieving new efficiencies, greater effectiveness, improved quality and consistency, and a workplace that is recognized as an "employer of choice."

Significant progress is being made. As of September 30, 2013, the claims inventory totaled 722,013, down from a high of 883,930 in July 2012. As of September 30, 2013, the backlog of claims older than 125 days totaled 418,472. This was 192,601 below the peak backlog in March 2013 and its lowest point since March 2011. As of August 2013, claim-based accuracy was 89.1 percent and accuracy measured at the medical issue-based level was 95.8 percent.

VBMS was successfully deployed to all 56 ROs in June 2013, six months ahead of schedule. VBMS is a Web-based, electronic claims processing solution developed to improve business processes that will serve as the enabling technology for quicker, more accurate, integrated claims processing. VBMS Release 5.0, deployed in the fourth quarter of 2013, provides an enhanced application supporting the future end-state goal of a complete, electronic claims processing system.

VBA continues to update the entire VA Schedule for Rating Disabilities (VASRD) to ensure compliance with current medical science. The Mental Disorders, Respiratory, Skin, and Musculoskeletal and Rheumatology body systems entered the working group phase. The working group phase for the Gynecological and Breast, Eye, Ear, Nose and Throat/Audiology, and Neurological and Convulsive body systems was completed and these systems have entered the development phase. The development phase for the Infectious Diseases, Cardiovascular, Genitourinary, Digestive, and Dental and Oral body systems was completed and these systems have entered the concurrence phase.

In 2013, VBA and the DoD agreed to require the military services to certify each service treatment record (STR) as complete when transferred to VA. DoD published the new DoD Form 2963 “Service Treatment Record (STR) Transfer or Certification.” DoD completed transition to the DD Form 2963 on August 1, 2013. Having the military services’ certify the STR at the point of separation or retirement will reduce time spent by VBA adjudicators in looking for STR documentation that does not exist. Reducing the time spent looking for STR documentation will assist in decreasing the development time for compensation claims. This reduction in development time assists VBA in achieving the 125 day goal for processing compensation claims.

VA and SSA partnered via the SSA Government Services Online (GSO) initiative to pilot a Web-based tool that allows VA personnel to communicate directly with SSA personnel regarding record requests. In addition, SSA agreed to eliminate VA-provided records from the materials sent to VA. SSA and VA worked collaboratively to standardize the file size and format and implement procedures to exclude VA medical records from SSA records. On September 16, 2013, the SSA GSO system was deployed to 300 new users across all RO’s and the Appeals Management Center. This limited national rollout included training and feedback to ensure stations were prepared to transmit medical records electronically. Additional users will be phased in, by area, during 2014. .

VBA delivered nine new Web-based training modules targeting topics that address quality assurance and emerging trends in 2013. The Web-based training modules are taken individually and are available to all employees. Challenge Instructor Web-Based Training (IWT) for new employees began with a pilot in November 2012. IWT is an 8-week course for new Veterans Service Representatives (VSR) and RVSRs. Consistent, high-quality, and updated training materials are targeted to reducing errors and increasing production.

VBA provided Quality Review Team (QRT) Challenge Training for new and existing QRT members. This training consisted of IWT for 3 days, followed by a 2-week training session in Nashville, Tennessee or on-site at an RO for practical training. This Challenge program was designed to promote consistency in error detection and reporting between local and national quality reviewers. In addition, the training focused on detecting and reporting error trends at the local level, providing training to field personnel to correct deficiencies noted during quality reviews, and providing proper one-on-one mentoring of the claims processors when errors are detected.

VBA continues to enhance the Veterans Relationship Management (VRM) system, which provides Veterans with multiple self-service options that include the capability to file an online claim through a DoD-VA shared self-service portal.

VBA also accelerated the national rollout of a new Transformation Organizational Model by 9 months. The new model, which was implemented in all regional offices by the end of the 2nd quarter in 2013, includes segmented lanes, cross-functional teams, and intake processing centers.

Newly appointed VSRs and RVSRs completed a new 8-week national-level “Challenge Training” curriculum, designed to improve the timeliness and accuracy of claims processing. Marked improvements in performance were achieved following completion of the training.

Trained QRTs, focused on fixing the most common sources of errors in the claims processing cycle, substantially reduced the number of exam-related deficiencies that impact the outcome of claims decisions.

VBA expanded the Private Medical Records initiative, which is designed to reduce the length of the evidence-gathering phase of the disability claims adjudication process. In addition, a Rules-Based Processing system is being piloted in St. Paul, Minnesota, and VBA is closely tracking current metrics to assess results.

VBA, in partnership with the Board of Veterans' Appeals (Board), continued to participate in joint training to aid in standardizing adjudication across the VA benefits system. Such interactive training is expected to lead to future reduction in the number of avoidable remands.

The Board also sought to leverage technology to gain efficiencies in administrative processing. In particular, the Board piloted a program to virtually associate mail and written work products submitted by a co-located Veterans Service Organization (VSO) with claims files, which eliminates inefficiencies associated with processing and handling paper.

Planned 2014 Milestones with estimated completion quarter

In 2014, VBA will enter the stabilization and assessment phase of its multi-year approach to transformation. VBA will continue to leverage the capabilities of VBMS, VRM, and the Virtual Lifetime Electronic Record by adding increased functionality to process appeals. Additional forms to facilitate electronic filing of claims will be made available in the eBenefits Portal to further expedite the transition to a paperless environment. Separation Health Assessments conducted for Servicemembers prior to leaving service will streamline the process for those who intend to file a claim for disability benefits. The Stakeholder Enterprise Portal will provide VSOs with secure messaging, access to DoD services, on demand help, and claims status information. These planned actions and initiatives will support VBA efforts to improve the timeliness and accuracy of claims and appeals processing. (Q4)

As a part of the ongoing VASRD update project, VBA has established a goal for each body system with regards to the rulemaking progress. VBA plans to complete the working group and development phases and enter all remaining regulations into the concurrence phase in accordance with the following dates: Cardiovascular and Infectious Diseases (Q2); Skin and Respiratory, and Neurological and Convulsive (Q3); Ear, Nose and Throat/Audiology; Eye, Gynecological and Breast, Mental Disorders, and Musculoskeletal and Rheumatology. (Q4)

All STRs will be sent into DoD's Health Artifacts and Imaged Management Solution, and the system is expected to be fully deployed on December 31, 2013. VA and DoD are also collaborating to receive STRs electronically into VBMS at the point of separation or retirement from military service. (Q1)

VA and DoD will continue to discuss the best way forward for transmitting STRs from DoD to VA to meet the requirements for VA's Pre-Discharge and Integrated Disability Evaluation System programs. VA and DoD expect to identify the changes and implement them in business practices by the end of 2014. (Q4)

VBA will deliver monthly virtual training targeting error trends and emerging issues to claims processors. The target audiences will be broadened to include Claims Assistants, QRTs, and Military Service

Coordinators. QRT members will continue to receive monthly training for rating claims and quarterly training for authorization claims during the Monthly Quality Call. Challenge IWT Training for VSRs and RVSRs will continue through 2014. (Q4)

GAO High-Risk Area 2: Strategic Human Capital Management (HRA)

(Based upon GAO-13-283, GAO-13-188, GAO-12-1023T)

Addressing complex challenges such as disaster response, national and homeland security, and economic stability requires a high-quality Federal workforce able to work seamlessly with other agencies, levels of government, and across sectors. However, current budget and long-term fiscal pressures, coupled with a potential wave of employee retirements that could produce gaps in leadership and institutional knowledge, threaten the government's capacity to effectively address these and many other evolving, national issues. Although progress has been made, the area remains high-risk because more work is needed in implementing specific corrective strategies for addressing critical skills gaps and evaluating their results. GAO added this area to its high risk list in 2001.

VA's Program Response

Estimated Resolution Timeframe: 2015

Responsible Agency Official: Assistant Secretary for Human Resources and Administration

Completed 2013 Milestones

Streamline/standardize recruitment for Federal jobs. VA developed and validated 645 customized position descriptions for use throughout VA. In addition, VA developed and validated 18 customized assessment questionnaires and conducted training for 208 HR professionals focusing on valid assessment questionnaires.

Retain Personnel VA deployed a virtual training delivery method to make training available to all HR Specialists while eliminating travel expenses. VA Learning University delivered classroom, Webinar and asynchronous online training in support of developing current and future leaders to over 46,000 employees. In addition, the Leadership Proficiency Assessment program was developed to provide online tools that allow individuals to determine their strengths and areas for development as a leader.

Enhance opportunities for employees to become more engaged at work MyCareer@VA expanded its resources targeting senior leaders and supervisors to include additional Web-based training courses and resources specifically for these individuals to better understand how to develop and retain employees. MyCareer@VA has developed additional tools and resources for users to enhance their career development efforts to include Web-based trainings, CareerPrep, and CareerTalk.

Closing Mission Critical Occupations (MCOs) Staffing/Competency Gaps. VA's MCO Agency Project Team, an agency-specific spin-off of the Government-wide MCO Integrated Product Team steered by OPM, continues to identify the employee workforce gaps for the agency's top MCOs. Actions include leveraging academic affiliations such as VA facilities partnering with local academic institutions to offer medical technologist training programs.

Planned 2014 Milestones with estimated completion quarter

VA will drive transformation through strategic human capital engagement, development, and talent acquisition. More specifically, this includes:

- Development. VA will sustain the Talent Management System to ensure VA's ability to deliver training in conjunction with evaluation and return-on-investment functionality. VA is also producing a request for proposal to develop an HR training certificate/degree at no cost to VA and a reduced cost to employees. VA will also be launching a train-the-trainer initiative with trained subject matter experts throughout VA to address HR competency gaps. Lastly, VA will continue to develop strategies to close skill gaps in mission critical, leadership and key positions to align with the new VA Strategic Plan and Office of HRA's Strategic Plan. (Q4)
- Talent Acquisition. VA will place continued emphasis on recruiting and retaining a highly qualified, diverse and inclusive workforce and reintegrating Veterans for opportunities to work for VA through VESO. (Q4)

GAO High-Risk Area 3: Managing Federal Real Property (OM-OAEM)

(Based upon GAO-13-283, GAO-12-645, GAO-12-779, and GAO-12-646)

The Federal Government faces long-standing problems in managing Federal real property, including effectively managing excess and underutilized property, an overreliance on leasing, and protecting Federal facilities. The government has given high level attention to this issue and has made progress in real property management, but the underlying challenges that hamper reform remain. Specifically, the government continues to lack consistent, accurate, and useful data to support decision making. In addition, competing stakeholder interests regarding the disposition of excess real property, and legal requirements such as those related to environmental cleanup also present challenges. The Federal Protective Service has struggled to effectively target limited resources for protecting federal facilities.

VA's Program Response

Estimated Resolution Timeframe: 2014

Responsible Agency Official: Director, Asset Enterprise Management

Completed 2013 Milestones

The Capital Asset Inventory and Strategic Capital Investment Planning Automated Tool (SAT) are the primary systems related to VA's real property. A number of enhancements have been implemented in both systems to improve the overall system use, specifically focused on improving data quality, eliminating duplicate entries, and better linking assets across various data sets.

VA also began implementing changes in support of the Government-wide Freeze the Footprint (FTF) initiative. The requirements associated with the Strategic Capital Investment Planning (SCIP) process were modified to include FTF reviews. Specific initiatives were also launched to help reduce office space across VA's portfolio, starting with footprint reduction efforts in OIT and VA Central Office. Detailed reviews of current inventory utilization and plans for future disposals were also initiated.

Planned 2014 Milestones with estimated completion quarter

VA will continue to enhance the SCIP SAT with additional features such as project to building linkage and more detailed facility condition data. The SCIP SAT, beginning with FY14, will be used for creation and approval of operating plans. These further enhancements will result in a more efficient and robust management of the capital asset planning process. (Q2)

VA will continue implementation of requirements related to FTF. The SCIP process will be fully utilized to review future investments related to FTF and ensure internal controls are in place. The SCIP SAT will be modified and utilized to monitor, report, and analyze FTF actions. Lastly, specific initiatives focused on disposing un-needed FTF assets and improving space standards related to office space and warehouse space will be implemented to ensure VA is well positioned for FTF in the future. (Q3)

GAO High-Risk Area 4: Protecting the Federal Government's Information Systems and the Nation's Cyber Critical Infrastructures (OIT)

(Based upon GAO-13-183, GAO-12-816, and GAO-12-137)

As computer technology has advanced, Federal agencies and our Nation's critical infrastructures-such as power distribution, water supply, telecommunications, and emergency services have become increasingly dependent on computerized information systems and electronic data to carry out operations and to process, maintain, and report essential information. The security of these systems and data is essential to protecting national and economic security, and public health and safety. Safeguarding Federal computer systems and the systems that support critical infrastructures—referred to as cyber critical infrastructure protection (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. Risks to information and communication systems include insider threats from disaffected or careless employees and business partners, escalating and emerging threats from around the globe, 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.

VA's Program Response

Estimated Resolution Timeframe: 2014

Responsible Agency Official: Deputy Assistant Secretary for Information Security

Completed 2013 Milestones

In 2013, OIT continued its vigilant protection of VA's information systems and cyber critical infrastructures. OIT provided continuous around-the-clock monitoring of VA's network through VA's Network and Security Operations Center (VA-NSOC), which protects, responds to, and reports threats to information systems. VA-NSOC examines more than 1.29 billion Web requests per day and prevents 1.7 million viruses a year from infecting the VA network. In order to ensure that VA's cyber critical infrastructures are able to remain functional in the event of a disaster, VA's Office of Business Continuity (OBC) implemented a contingency and disaster recovery process, which is compliant with NIST standards 800-34 and 800-84. OBC also implemented a quality assurance review of completed plans and tests to ensure that these processes are monitored and updated as appropriate. OIT is a full participant in the VA Integrated Operations Center, and it has developed a Geographic Information Systems monitoring program that provides situational awareness on infrastructure systems and assets to ensure that VA can continue providing services to Veterans in the event of a disaster. Additionally, as of 2013, two percent of the two-factor authentication implementation strategy has been completed. The aim of this strategy is to enhance security, increase government efficiency, reduce identity fraud, and protect personal privacy, in accordance with Homeland Security Presidential Directive 12.

Planned 2014 Milestones with estimated completion quarter

Planned 2014 milestones – In 2014, OBC plans to implement a cyber-CIP program consistent with Federal guidance and NIST standards.

In addition, 75 percent of the two-factor authentication implementation strategy will be complete.

Estimated completion quarter – FY 2014

APPENDIX

The Appendix lists selected reports pertinent to the high-risk areas discussed. However, the Appendix is not intended to encompass all GAO work in an area.

Improving and Modernizing Federal Disability Programs

High-Risk Series: An Update, GAO-13-283, February 2013.

Military and Veterans Disability System: Pilot Has Achieved Some Goals, but Further Planning and Monitoring Needed, GAO-11-69, December 6, 2010.

Military and Veterans Disability System: Worldwide Deployment of Integrated System Warrants Careful Monitoring, GAO-11-633T, May 4, 2011.

Strategic Human Capital Management

High-Risk Series: An Update, GAO-13-283, February 2013.

Managing Federal Real Property

High-Risk Series: An Update, GAO-13-283, February 2013.

VA Real Property: Realignment Progressing, but Greater Transparency about Future Priorities Is Needed, GAO-11-197, January 31, 2011.

Federal Real Property: The Government Faces Challenges to Disposing of Unneeded Buildings, GAO-11-370T, February 10, 2011.

VA Real Property: Realignment Progressing, but Greater Transparency about Future Priorities Is Needed, GAO-11-521T, April 5, 2011.

Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures

High-Risk Series: An Update, GAO-13-283, February 2013.

Medical Devices: FDA Should Expand Its Consideration of Information Security for Certain Types of Devices, GAO-12-816, August 31, 2012.

Information Security: Weaknesses Continue Amid New Federal Efforts to Implement Requirements, GAO-12-137, October 3, 2011.

Letter from the Chief Financial Officer

December 2, 2012

The Department of Veterans Affairs (VA) is very pleased to have received its 15th consecutive unqualified ("clean") audit opinion on the Department's consolidated financial statements.

VA continually strives to strengthen its internal controls and improve business processes. These efforts have paid off; VA has gone from three material weaknesses in 2010 to one in 2013 and has gone from five significant deficiencies to none in 2013.

VA worked diligently in 2013 to remediate the Department's one remaining material weakness, "information technology (IT) security controls." Although the auditors found significant improvement, this material weakness will be carried forward into 2014. VA's success in 2013 reflects the dedication and hard work of staff throughout the Department. Congratulations to all who helped make 2013 a year of high achievement in VA financial management.

The Department is committed to meeting its four financial management goals: reducing operating costs, eliminating improper payments, strengthening internal controls, and enhancing data and analysis. Since 2010, VA has used these four goals to establish and drive its annual suite of management initiatives. VA continued work during 2013 on its remaining multi-year financial management initiatives.

VA's highest financial priority is to continue to reduce improper payments in order to comply with the Improper Payments Elimination and Recovery Act (IPERA). In 2013, the IPERA governing board, comprised of senior accountable officials and program managers throughout VA, focused on increasing its knowledge of improper payment root causes and on finding ways the Department could eliminate erroneous payments. As a direct result, improper payments were reduced by 50 percent.

In 2013, VA also completed a final rule mandating electronic invoicing for payments made by VA's Financial Services Center, helping to eliminate the errors and expense associated with traditional paper invoice submission and improving cost effectiveness, payment accuracy, and timeliness for both VA and vendors. Progress is continuing on the multi-year initiative to modernize Fee Basis payment capabilities.

VA continued to ensure that all American Recovery and Reinvestment Act (Recovery Act) transparency, reporting, and accountability goals were met. By September 30, 2013, VA had made outlays totaling over $1.8 billion (98 percent) of Recovery Act funds. For USAspending.gov, VA reported 100 percent of all required contract, grant, loan, and other assistance program spending, totaling $106.3 billion. Additionally, VA exceeded reduced spending targets established by the Office of Management and Budget (OMB), implementing Executive Order 13589, "Promoting Efficient Spending." The Executive Order, dated November 15, 2011, directs agencies to cut waste in spending and identify opportunities to promote efficient and effective spending in specific areas, including travel, printing, supplies and materials, employee IT devices, promotional items, and executive fleet inventories. Mandated reductions in spending for management support contracts were also included. VA developed and executed a plan to reduce the costs associated with these activities and exceeded the required spending reduction by 24.6 percent. VA monitors spending monthly and reports the status to OMB quarterly.

VA's Franchise Fund is expected to receive its 16th successive unqualified audit opinion on its 2013 consolidated financial statements. In addition, the Supply Fund received an unqualified opinion in 2012 and anticipates another unqualified opinion in 2013.

VA is dedicated to ensuring the proper stewardship of resources entrusted to it by Congress and the American people. The Department of Veterans Affairs is proud of its many accomplishments, but knows that a lot of work remains.

We will continue to improve financial stewardship and set ambitious goals designed to enhance performance. We are dedicated to promoting sound business practices and improving accountability, with the ultimate goal of providing more and better services to our Nation's Veterans.

Helen Tierney

Helen Tierney

Consolidated Financial Statements

DEPARTMENT OF VETERANS AFFAIRS		
CONSOLIDATED BALANCE SHEETS (dollars in millions)		
AS OF SEPTEMBER 30,	**2013**	**2012**
ASSETS		
INTRAGOVERNMENTAL		
Fund Balance with Treasury (Note 3)	$ 39,048	$ 40,574
Investments (Notes 5 and 19)	8,564	9,309
Accounts Receivable, Net (Note 6)	41	40
Other Assets	540	799
TOTAL INTRAGOVERNMENTAL ASSETS	**48,193**	**50,722**
PUBLIC		
Cash (Note 4)	8	16
Investments (Note 5)	178	178
Accounts Receivable, Net (Note 6)	2,040	1,789
Direct Loans and Loan Guarantees, Net (Note 7)	2,147	1,996
Inventories and Related Property, Net (Note 8)	71	56
General Property, Plant and Equipment, Net (Note 9)	21,976	20,631
Other Assets	26	28
TOTAL PUBLIC ASSETS	**26,446**	**24,694**
TOTAL ASSETS	**$ 74,639**	**$ 75,416**
Heritage Assets (Note 10)		
LIABILITIES		
INTRAGOVERNMENTAL		
Accounts Payable	$ 258	$ 342
Debt (Note 11)	756	843
Other Liabilities (Note 15)	1,414	1,352
TOTAL INTRAGOVERNMENTAL LIABILITIES	**2,428**	**2,537**
PUBLIC		
Accounts Payable	10,807	9,657
Liabilities for Loan Guarantees (Note 7)	7,933	5,561
Federal Employee and Veterans Benefits Liabilities (Note 13)	1,977,020	1,763,614
Environmental and Disposal Liabilities (Note 14)	823	851
Insurance Liabilities (Note 17)	9,854	10,581
Other Liabilities (Note 15)	4,260	3,936
TOTAL PUBLIC LIABILITIES	**2,010,697**	**1,794,200**
TOTAL LIABILITIES	**2,013,125**	**1,796,737**
Commitments and Contingencies (Note 18)		
NET POSITION		
Unexpended Appropriations – Funds from Dedicated Collections (Note 19)	-	-
Unexpended Appropriations – All Other Funds	208	4,131
Cumulative Results of Operations – Funds from Dedicated Collections (Note 19)	843	745
Cumulative Results of Operations – All Other Funds	(1,939,537)	(1,726,197)
TOTAL NET POSITION	**(1,938,486)**	**(1,721,321)**
TOTAL LIABILITIES AND NET POSITION	**$ 74,639**	**$ 75,416**

The accompanying notes are an integral part of these Consolidated Financial Statements.

DEPARTMENT OF VETERANS AFFAIRS		
CONSOLIDATED STATEMENTS OF NET COST (dollars in millions)		
FOR THE YEARS ENDED SEPTEMBER 30,	**2013**	**2012**
NET PROGRAM COSTS BY ADMINISTRATION (Note 21)		
Veterans Health Administration		
Gross Cost	$ 60,317	$ 56, 888
Less Earned Revenue	(3,767)	(3, 460)
Net Program Cost	56,550	53,428
Veterans Benefits Administration		
Gross Cost		
Program Costs	83,919	74,524
Veterans Benefits Actuarial Cost, Excluding Changes in Actuarial Assumptions (Note 13)	99,200	78,700
Less Earned Revenue	(1,549)	(1,666)
Net Program Cost	181,570	151,558
National Cemetery Administration		
Gross Cost		
Program Costs	305	294
Veterans Benefits Actuarial Cost, Excluding Changes in Actuarial Assumptions (Note 13)	(100)	(100)
Less Earned Revenue	-	-
Net Program Cost	205	194
Indirect Administrative Program Costs		
Gross Cost	2,087	1,972
Less Earned Revenue	(507)	(595)
Net Program Cost	1,580	1,377
NET PROGRAM COSTS BY ADMINISTRATION BEFORE CHANGES IN VETERANS BENEFITS ACTUARIAL LIABILITY ASSUMPTIONS	**239,905**	**206,557**
CHANGES IN ACTUARIAL LIABILITY ASSUMPTIONS (Note 13)		
COMPENSATION:		
Changes in Discount Rate Assumption	39,600	66,100
Changes in COLA Rate Assumption	(11,800)	(40,300)
Changes in Disability Claims Rates	70,400	123,400
Changes in Other Assumptions	15,700	-
TOTAL COMPENSATION	113,900	149,200
BURIAL:		
Changes in Discount Rate Assumption	100	200
Changes in COLA Rate Assumption	-	(100)
Changes in Other Assumptions	100	-
TOTAL BURIAL	200	100
NET (GAIN)/LOSS FROM ACTUARIAL LIABILITY ASSUMPTIONS	**114,100**	**149,300**
NET COST OF OPERATIONS (Note 21)	**$ 354,005**	**$ 355,857**

The accompanying notes are an integral part of these Consolidated Financial Statements.

DEPARTMENT OF VETERANS AFFAIRS

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION (dollars in millions)

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Funds from Dedicated Collections (Note 19)	All Other Funds	Eliminations	2013 Consolidated Total
Cumulative Results of Operations				
Beginning Balance	$ 745	$ (1,725,997)	$ (200)	$ (1,725,452)
Budgetary Financing Sources				
Appropriations Used	-	138,876	-	138,876
Nonexchange Revenue	-	8	-	8
Donations and Forfeitures of Cash and Cash Equivalents	29	-	-	29
Transfer In/Out Without Reimbursement	(2,824)	2,806	-	(18)
Other Financing Sources (Nonexchange)				
Donations and Forfeitures of Property	21	1	-	22
Transfers In/Out Without Reimbursement	(5)	5	-	-
Imputed Financing	-	1,971	-	1,971
Other	-	(325)	200	(125)
Total Financing Sources	(2,779)	143,342	200	140,763
Net Cost/(Benefit) of Operations	(2,877)	356,882	-	354,005
Net Change	**98**	**(213,540)**	**200**	**(213,242)**
Ending Balance – Cumulative Results	843	(1,939,537)	-	(1,938,694)
Unexpended Appropriations				
Beginning Balance	-	3,931	200	4,131
Budgetary Financing Sources				
Appropriations Received	-	137,298	-	137,298
Appropriations Transferred In/Out	-	133	-	133
Other Adjustments	-	(2,278)	(200)	(2,478)
Appropriations Used	-	(138,876)	-	(138,876)
Total Budgetary Financing Sources	-	(3,723)	(200)	(3,923)
Total Unexpended Appropriations	**-**	**208**	**-**	**208**
Total Net Position	**$ 843**	**$ (1,939,329)**	**$ -**	**$ (1,938,486)**

The accompanying notes are an integral part of these Consolidated Financial Statements.

DEPARTMENT OF VETERANS AFFAIRS
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION (dollars in millions)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Funds from Dedicated Collections (Note 19)	All Other Funds	Eliminations	2012 Consolidated Total
Cumulative Results of Operations				
Beginning Balance	$ 899	$ (1,503,045)	$ (200)	$ (1,502,346)
Budgetary Financing Sources				
Appropriations Used	-	131,269	-	131,269
Nonexchange Revenue	-	8	-	8
Donations and Forfeitures of Cash and Cash Equivalents	23	-	-	23
Transfer In/Out Without Reimbursement	(2,830)	2,830	-	-
Other Financing Sources (Nonexchange)				
Donations and Forfeitures of Property	22	1	-	23
Transfers In/Out Without Reimbursement	-	-	-	-
Imputed Financing	-	1,795	-	1795
Other	-	(367)	-	(367)
Total Financing Sources	(2,785)	135,536	-	132,751
Net Cost/(Benefit) of Operations	(2,631)	358,488	-	355,857
Net Change	**(154)**	**(222,952)**	**-**	**(223,106)**
Ending Balance – Cumulative Results	745	(1,725,997)	(200)	(1725,452)
Unexpended Appropriations				
Beginning Balance	-	11,848	200	12,048
Budgetary Financing Sources				
Appropriations Received	-	125,255	-	125,255
Appropriations Transferred In/Out	-	185	-	185
Other Adjustments	-	(2,088)	-	(2,088)
Appropriations Used	-	(131,269)	-	(131,269)
Total Budgetary Financing Sources	-	(7,917)	-	(7,917)
Total Unexpended Appropriations	**-**	**3,931**	**200**	**4,131**
Total Net Position	**$ 745**	**$ (1, 722,066)**	**$ -**	**$ (1,721,321)**

The accompanying notes are an integral part of these Consolidated Financial Statements.

DEPARTMENT OF VETERANS AFFAIRS
COMBINED STATEMENT OF BUDGETARY RESOURCES (dollars in millions)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgetary	Non-Budgetary Credit Reform Financing Account
Budgetary Resources (Note 22)		
Unobligated Balance brought forward, October 1	$ 15,917	$ 4,006
Recoveries of Prior Year Unpaid Obligations	2,713	-
Other Changes in Unobligated Balance	(301)	(88)
Unobligated Balance from Prior Year Budget Authority, net	18,329	3,918
Appropriations	139,431	-
Borrowing Authority	-	114
Spending Authority from Offsetting Collections	5,584	4,282
Total Budgetary Resources	**$ 163,344**	**$ 8,314**
Status of Budgetary Resources		
Obligations Incurred	$ 152,443	$ 3,147
Unobligated Balance, end of year:		
Apportioned	6,984	-
Unapportioned	3,917	5,167
Total Unobligated Balance, end of year	10,901	5,167
Total Status of Budgetary Resources	**$ 163,344**	**$ 8,314**
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, brought forward, October 1	$ 24,906	$ 310
Adjustment to Unpaid Obligations, start of year (Note 22)	-	-
Obligations Incurred	152,443	3,147
Outlays (gross)	(146,992)	(3,111)
Recoveries of Prior Year Unpaid Obligations	(2,713)	-
Unpaid Obligations, end of year	$ **27,644**	**$ 346**
Uncollected Payments:		
Uncollected Payments Fed Sources, brought forward, October 1	(1,591)	-
Adjustment to Uncollected Pymts, Fed Sources, start of year (Note 22)	-	-
Change in Uncollected Pymts Fed Sources	(503)	-
Uncollected Payments, Fed Sources, end of year,	$ **(2,094)**	**$ -**
Memorandum entries:		
Obligated Balance, start of year	$ 23,315	$ 310
Obligated Balance, end of year	25,550	346

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DEPARTMENT OF VETERANS AFFAIRS

COMBINED STATEMENT OF BUDGETARY RESOURCES (dollars in millions) (continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgetary	Non-Budgetary Credit Reform Financing Account
Budget Authority and Outlays, net		
Budget Authority, gross	$ 145,015	$ 4,396
Actual Offsetting Collections	(5,097)	(4,397)
Change in Uncollected Customer Payments from Federal Sources	(503)	-
Budget Authority, net	**$ 139,415**	**$ (1)**
Outlays, gross	$ 146,992	$ 3,111
Actual Offsetting Collections	(5,097)	(4,397)
Outlays, net	141,895	(1,286)
Distributed Offsetting Receipts	(3,238)	(193)
Agency Outlays, net	**$ 138,657**	**$ (1,479)**

The accompanying notes are an integral part of these Consolidated Financial Statements.

DEPARTMENT OF VETERANS AFFAIRS
COMBINED STATEMENT OF BUDGETARY RESOURCES (dollars in millions)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgetary	Non-Budgetary Credit Reform Financing Account
Budgetary Resources (Note 22)		
Unobligated Balance brought forward, October 1	$ 23,118	$ 3,430
Adjustment to Unobligated Balance brought forward, October 1	(10)	-
Unobligated Balance brought forward, October 1, adjusted	23,108	3,430
Recoveries of Prior Year Unpaid Obligations*	14	-
Other Changes in Unobligated Balance	(327)	(160)
Unobligated Balance from Prior Year Budget Authority, net	22,795	3,270
Appropriations	127,519	-
Borrowing Authority	-	313
Spending Authority from Offsetting Collections	5,233	3,457
Total Budgetary Resources	**$ 155,547**	**$ 7,040**
Status of Budgetary Resources		
Obligations Incurred*	$ 139,630	$ 3,034
Unobligated Balance, end of year:		
Apportioned	12,673	-
Unapportioned	3,244	4,006
Total Unobligated Balance, end of year	15,917	4,006
Total Status of Budgetary Resources	**$ 155,547**	**$ 7,040**
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, brought forward, October 1	$ 17,876	$ 292
Adjustment to Unpaid Obligations, start of year (Note 22)	10	-
Obligations Incurred*	139,630	3,034
Outlays (gross)	(132,596)	(3,016)
Recoveries of Prior Year Unpaid Obligations*	(14)	-
Unpaid Obligations, end of year	**$ 24,906**	**$ 310**
Uncollected Payments:		
Uncollected Payments Fed Sources, brought forward, October 1	(1,355)	(6)
Adjustment to Uncollected Pymts, Fed Sources, start of year (Note 22)	-	-
Change in Uncollected Pymts, Fed Sources	(236)	6
Uncollected Payments, Fed Sources, end of year	**$ (1,591)**	**$ -**
Memorandum entries:		
Obligated Balance, start of year	$ 16,531	$ 286
Obligated Balance, end of year	23,315	310

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COMBINED STATEMENT OF BUDGETARY RESOURCES (dollars in millions) (continued)

	Budgetary	Non-Budgetary Credit Reform Financing Account
Budget Authority and Outlays, net		
Budget Authority, gross	$ 132,753	$ 3,770
Actual Offsetting Collections	(5,004)	(4,449)
Change in Uncollected Customer Payments from Federal Sources	(236)	6
Budget Authority, net	**$ 127,513**	**$ (673)**
Outlays, gross	$ 132,596	$ 3,016
Actual Offsetting Collections	(5,004)	(4,449)
Outlays, net	127,592	(1,433)
Distributed Offsetting Receipts	(3,161)	(304)
Agency Outlays, net	**$ 124,431**	**$ (1,737)**

* Estimated recoveries of prior year unpaid obligations (not recorded) range from $1,200 million-$2,300 million for 2012. The effect of recording the adjustments would be to increase “Recoveries of Prior Year Unpaid Obligations” and increase “Obligations Incurred” (see Note 22 for more information).

The accompanying notes are an integral part of these Consolidated Financial Statements.

Notes to Consolidated Financial Statements

For the Years Ended September 30, 2013, and 2012 (dollars in millions, unless otherwise noted)

1. Summary of Significant Accounting Policies

Organization

The mission of the Department of Veterans Affairs (VA) is to provide medical care, benefits, social support, and lasting memorials to Veterans, their dependents, and beneficiaries [(38 U.S.C. Section 301(b) 1997)]. The Department is organized under the Secretary of VA. The Secretary's office includes a Deputy Secretary and has direct lines of authority over the Under Secretary for Health, the Under Secretary for Benefits, and the Under Secretary for Memorial Affairs. Additionally, six Assistant Secretaries, an Inspector General, a General Counsel, an Executive-In-Charge for Human Resources and Administration, and the chairmen of the Board of Contract Appeals and the Board of Veterans' Appeals support the Secretary.

Reporting Entity and Basis of Presentation

The VA consolidated financial statements, including the Combined Statements of Budgetary Resources, report all activities of VA components. VA components include the Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), National Cemetery Administration (NCA), and Indirect Administrative Program Costs. The consolidated financial statements meet the requirements of the Chief Financial Officers Act (CFO) of 1990 and the Government Management Reform Act (GMRA) of 1994. The principal financial statements have been prepared to report the financial position and results of operations of VA, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of VA in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that VA is a component of the U.S. Government, a sovereign entity. VA 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. VA's fiscal year end is September 30th.

Basis of Accounting

The principal financial statements are prepared in accordance with GAAP as promulgated by the Federal Accounting Standards Advisory Board (FASAB) and OMB Circular No. A-136, *Financial Reporting Requirements*, as revised. The Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, establishes a hierarchy of GAAP for Federal financial statements. The principal financial statements prepared in accordance with GAAP include the consolidated financial statements prepared on an accrual basis of accounting and the combined statements of budgetary resources which reflect the appropriation and consumption of budget and spending authority and other budgetary resources before eliminations.

The consolidated financial statements include the balance sheets, statements of net cost, and statements of changes in net position. In order to prepare reliable consolidated financial statements, transactions occurring among VA components must be eliminated. All significant intra-entity transactions were eliminated from VA's consolidated financial statements. However, to remain consistent with the aggregate of the account-level information presented in budgetary reports the statements of budgetary resources are not consolidated but combined, therefore elimination of intra-entity transactions is not permitted.

Budgets and Budgetary Accounting

Budgetary accounting measures appropriation and consumption of budget/spending authority or other budgetary resources, and facilitates compliance with legal constraints and controls over the use of federal funds. Under budgetary reporting principles, budgetary resources are consumed at the time of purchase. Assets and liabilities that do not consume budgetary resources are not reported, and only those liabilities for which valid obligations have been established are considered to consume budgetary resources.

The Combined Statements of Budgetary Resources (SBR) are the basic financial statements that report the Department's Budgetary Resources, Status of Budgetary Resources, Change in Obligated Balance as of year-end and Budget Authority and Outlays, Net for the year ended. Specific forms of budget authority that the Department receives are appropriations, borrowing authority and spending authority from offsetting collections. Details on the amounts shown in the Combined Statements of Budgetary Resources are included in the Required Supplementary Information section on the Schedule of Budgetary Activity shown by major account. The Combined Statements of Budgetary Resources are prepared on a combined basis, not a consolidated basis and therefore, do not include intra-entity eliminations.

See Note 22 for further disclosure on Budgets and Budgetary Accounting.

Revenues and Other Financing Sources

Exchange revenue, which is primarily medical revenue, is recognized when earned from other federal agencies or the public as a result of costs incurred or services performed on their behalf. Medical revenue is earned by VA when services are provided and are billable to the first party (Veterans) and third party insurance companies. Under chapter 17, title 38, United States Code, VHA is authorized to bill a Veteran's third-party health insurer for health care provided at VA and non-VA medical facilities. Generally, VA considers a Veteran's health care billable if the treatment is not for a service-connected disability.

Billable amounts are based on reasonable charges by locality for services provided as determined under the methodology prescribed by 38 CFR Regulation 17.101. Under this methodology, the billable amounts for services provided by VA represent the 80th percentile of nationwide average rates developed from commercial and Medicare statistical data by locality throughout the nation. The statistical data is adjusted by the Consumer Price Index (CPI) to account for the historical nature of the data being utilized. The billable amounts by service provided are developed based on the classification of services as inpatient, outpatient, professional and surgical or non-surgical. The nationwide average rates used to determine billable amounts for services provided for inpatient care are updated annually effective October 1st and nationwide average rates for billable amounts for outpatient and professional care are updated annually effective January 1st . The updated charges are published by a Notice in the Federal Register and the charges are available on the VHA Chief Business Office (CBO) website (http://www1.va.gov/CBO/apps/rates/). Revenue earned but unbilled is estimated using historical average data. An allowance for contractual adjustments from insurance companies and uncollectible amounts is determined using historical average data.

Exchange revenue also consist of: benefits revenue from reimbursement of education benefit programs from service member contributions that are transferred to the general fund account with the Department of the Treasury (Treasury); insurance revenue from insurance policy premiums paid by policyholders; and housing revenue from interest earned on direct loans.

Nonexchange revenue (e.g., donations) is recognized when received, and the related receivables, refunds, and offsets are recognized when measurable and legally collectible. Nonexchange revenue also consist of: benefits revenue from reimbursement of education benefit programs by Department of Defense (DoD); insurance revenues from interest earned from Treasury on investments of insurance policy premiums; and housing revenue from interest earned from Treasury on uninvested balances in financing accounts and reestimates of subsidy.

Imputed financing sources consist of imputed revenue for expenses relating to legal claims paid by the Treasury Judgment Fund and post-retirement benefits for VA employees paid by the Office of Personnel Management (OPM).

Transferring Budget Authority to Other Agencies
VA, as the transferring (parent) entity, is a party to allocation transfers with DoD, the transferee (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (transfer appropriation account) is created in the Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this transfer appropriation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g. budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived.

Federal Credit Reform Act of 1990
Direct loan obligations and loan guarantee commitments made after 1991, and the resulting direct loans or loan guarantees, are governed by the Federal Credit Reform Act of 1990 (the Credit Reform Act). The financial statement disclosures herein are also in accordance with Statement of Federal Financial Accounting Standards (SFFAS) 2, *Accounting for Direct Loans and Guarantees*, as amended. The Credit Reform Act provides that the present value of the estimated net cash flows to be paid by VA for subsidy costs associated with direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed as a result of its borrowing from Treasury. Direct loans and guaranteed loans receivable are reported net of an allowance for subsidy costs at present value, and loan guarantee liabilities are reported at present value.

The subsidy costs related to direct loans and guaranteed loans receivable consist of the interest rate differential between the loans to Veterans and the borrowing from Treasury, estimated default costs, net of recoveries, offsets from fees and collections, and other estimated subsidy costs affecting cash flows. Adjustments to the allowance for subsidy costs affecting cash flows consist of fees received, foreclosed property acquired, loans written off, subsidy allowance amortization and reestimates of interest rates and application of loan technical/default provisions approved by OMB.

When the present value of cash inflows to VA is less than the present value of cash outflows made by VA, a subsidy cost is incurred by VA and reported as an allowance for subsidy costs that reduces direct loans and guaranteed loans receivable reported in the consolidated balance sheet. However, a negative subsidy occurs when the present value of cash inflows to VA exceeds the present value of cash outflows made by VA. The resulting negative subsidy is reported as an allowance for subsidy costs that increases direct loans and guaranteed loans receivable reported in the consolidated balance sheet.

The cash flow costs used to calculate the present value of the liability for loan guarantees and loan sale guarantees consist of the estimated default costs, net of recoveries, fees and other collections, adjustments for fees received, foreclosed property and loans acquired, claim payments to lenders, interest accumulation on the liability balance, modifications, changes in reestimates of interest rates and application of loan technical/default provisions approved by OMB.

Direct loans obligated before October 1, 1992, are not subject to the Federal Credit Reform Act. Direct loans obligated before October 1, 1992, are recorded at net realizable value of the remaining balance of amounts disbursed plus accrued and unpaid interest receivable. The allowance for loan losses on direct loans obligated before October 1, 1992, is recognized when it is more likely than not that the direct loans will not be totally collected. The allowance of the uncollectible amounts is reestimated each year as of the date of the financial statements. Loan losses are reestimated by program.

Risk factors are evaluated for each program and separate loan year disbursed. Risk factors include historical loan experience, regional economic conditions, financial and relevant characteristics of borrowers, value of collateral to loan balance, changes in recoverable value of collateral and new events that would affect the loans' performance. A systematic methodology based on an econometric model is used to project default costs by risk category. Actual historical experience includes actual payments, prepayments, late payments, defaults, recoveries, and amounts written off.

Fund Balance with Treasury

Treasury performs cash management activities for all Federal Government agencies. The Fund Balance with Treasury (FBWT) represents the right of VA to draw on the Treasury for allowable expenditures. Trust fund balances consist primarily of amounts related to the Post-Vietnam Veterans Educational Assistance Program (VEAP) Trust Fund, the National Service Life Insurance (NSLI) Fund, the United States Government Life Insurance (USGLI) Fund, the Veterans Special Life Insurance (VSLI) Fund, the General Post Fund, and the National Cemetery Gift Fund. The use of these funds is restricted.

Revolving funds, used by the Supply Fund and Franchise Fund, finance a cycle of business-like operations through amounts received from the sale of products or services. The collections are used to finance its spending, usually on a self-sustaining basis. Revolving funds record the collections and the outlays in the same Treasury account. A revolving fund is a form of permanent appropriation receiving authority to spend their collections and do not generally receive appropriations.

Appropriated funds are general fund expenditure accounts established to record amounts appropriated by law for the general support of Federal Government activities and the subsequent expenditure of these funds. It includes spending from both annual and permanent appropriations.

Special funds are an appropriation account established to record appropriations, obligations, and outlays financed by the proceeds of special fund receipts which are dedicated collections by law for a specific purpose or program. Medical Care Collections Fund and Lease of Land and Building (NCA Facilities Operation Fund) are special funds.

The Status of Fund Balance with Treasury shown in Note 3 represents the VA's unobligated balances, obligated balances and deposit and clearing accounts. The unobligated and obligated balances presented in that section may not equal related amounts reported on the Combined Statements of Budgetary Resources (SBR). The unobligated and obligated balances reported on the SBR are supported by FBWT, as well as other budgetary resources that do not affect FBWT, primarily expired authority.

Cash

Cash consists of Canteen Service and Agent Cashier advances at the VA field stations. Treasury processes all other cash receipts and disbursements. Occasionally, cash includes Loan Guaranty Program amounts held in commercial banks and cash held by non-federal trusts. Amounts relating to the Loan Guaranty Program represent deposits with trustees for offsets against loan loss claims related to sold loan portfolios. Funds held by non-federal trusts are restricted and may be used only in accordance with the terms of the trust agreements.

Investments

Investments are reported at cost net of amortized premiums or discounts and accrued interest, which approximates market value, and are redeemable at any time for their original purchase price. Insurance program investments, which comprise most of the VA's investments, are in non-marketable Treasury special bonds and certificates. Interest rates for Treasury special securities are initially set based on average market yields for comparable Treasury issues. Special bonds, which mature during various years through the year 2028, are generally held to maturity unless needed to finance insurance claims and dividends. Other program investments are in securities issued by Treasury, with the exception of non-federal Trust investments in mutual funds and the Loan Guaranty Program investments in housing trust certificates. No securities have been reclassified as securities available for sale or early redemption. Additionally, no permanent impairments of securities have occurred. See Note 19 for additional disclosure of intragovernmental investments in Treasury securities from dedicated collections.

Allowances are recorded to reflect estimated losses of principal as a result of the subordinated position in housing trust certificates. The estimated allowance computations are based upon discounted cash flow analysis. VA continues to use the income from these subordinated housing trust certificates to fund the Housing Trust Reserve Fund (Reserve Fund), which is used in turn to fund deficiencies in scheduled monthly principal and interest on the loans as well as to cover any realized losses incurred in the prior month. Any excess funds in the Reserve Fund are reimbursed to VA upon request.

Accounts Receivable

Accounts receivable are reported at net realizable value measured as the carrying amount less an allowance for loss provision or contractual adjustment for medical care as considered necessary. Contractual adjustments are estimated for Medical Care Collection Fund (MCCF) receivables due from patients and insurance companies using the allowance method. The allowance is determined based on the VA's historical experience and collection efforts and the contractual nature of the balance due. Uncollectible amounts are written off against the allowance for loss provision or contractual adjustment for medical care once VA determines an amount, or a portion thereof, to be uncollectible.

Accounts receivable consists of intragovernmental accounts receivable and public accounts receivable. Intragovernmental accounts receivable consists of amounts due from other Federal Government agencies primarily for reimbursement of costs and lease payments receivable. All amounts due from Federal Government agencies are considered fully collectible; therefore, no allowance for loss provision is recognized.

Public accounts receivable consists primarily of (a) amounts due for Veterans' health care, (b) amounts due for compensation, pension, and readjustment benefit overpayments, (c) amounts due for education benefits and readjustment overpayments and (d) other miscellaneous receivables due primarily for general fund advances, insurance, Loan Guaranty receivables and medical research.

VA is required by Public Law (P.L.) 96-466 to charge interest and administrative costs on benefit debts similar to charges levied on other debts owed the Federal Government. The VA's current policy is not to charge interest on compensation, pension debts and certain education benefits based on a July 1992 decision by the then-VA Deputy Secretary.

Loans Receivable

Loans receivable consist of direct loans and defaulted guaranteed loans receivable. Included in direct loans are vendee loans, acquired loans, and Native American direct loans. These three types of loans receivable are part of the VA Loan Guaranty Program. Direct loans also include loans on Veterans' insurance policies. The loans receivable are secured by the underlying real estate and insurance policies. The present value of the cost VA will bear as guaranteed loans default is an element of the mortgage loan benefit that VA provides to Veterans. This cost is reflected in the financial statements as the liability for guaranteed loans and the allowance for subsidy for defaulted guaranteed loans included in the balance of loans receivable.

Vendee loans are direct loans issued to a third party borrower for the acquisition price of foreclosed real estate sold by VA after the transfer of the property to VA by a private sector mortgage lender upon default of a loan subject to the VA Loan Guaranty Program. Acquired loans are VA guaranteed loans in default that VA purchases from the private sector mortgage lender and services the loan with the Veteran directly after VA determines that the Veteran can service the debt service payments. Native American direct loans are special financing that enables Native Americans to purchase a home on federally recognized trust land.

Veterans that are government life insurance policyholders with permanent plan coverage or paid-up additional insurance can borrow against the cash value of their policy, creating an insurance policy direct loan. The loan amount may not exceed 94 percent of the cash surrender value of the policy or the paid-up additional insurance. Prior to November 2, 1987, policy loans were issued at fixed rates depending on the fund and time period. The remaining fixed rate loans are at 4 percent and 5 percent. All policy loans issued since November 2, 1987, have a variable interest rate with a minimum of 5 percent and a maximum of 12 percent. Rate changes are tied to the ten-year constant maturities, U.S. Treasury Securities Index and may only change on October 1. The variable rate has been 5 percent since October 1, 2001.

The interest due is equal to the interest rate times the loan balance as of the loan anniversary date. Any interest for the year not paid within 20 days of the anniversary date is added to the loan balance. Policyholders may repay loans at their discretion as long as the loan amount plus accumulated interest does not exceed 94 percent of the cash surrender value. If this occurs, the policyholder is notified that their policy will be surrendered unless a minimum payment is received within 90 days. At the policyholder's death or the maturity of the policy, any loan indebtedness is deducted from the insurance proceeds.

Loans receivable for direct loans are recorded as funds are disbursed. The carrying amount of direct loans receivable includes the remaining balance of the amount disbursed, interest receivable, an allowance for loan losses using the allowance method for pre-1992 loans, the present value of an allowance for subsidy costs for post-1991 loans and the fair market value less cost to dispose of foreclosed property based on the present value of future cash flows from the property.

Loans receivable for defaulted guaranteed loans are recorded when amounts are disbursed by VA to fund its guaranty with the lender for defaulted loans and represents the net value of the assets related to the pre-1992 and post-1991 guaranteed loans that defaulted. The carrying amount of the guaranteed loans receivable includes the amount dispersed by VA for its guaranty under the defaulted loans, an allowance for loan losses using the allowance method for pre-1992 loans and the fair market value less cost to dispose of foreclosed property based on the present value of future cash flows from the property.

For loans obligated prior to October 1, 1991, the loan loss allowance is estimated based on past experience and an analysis of outstanding balances. For loans obligated after September 30, 1991, the allowance for subsidy costs adjustment is due to the interest rate differential between the loans and borrowing from Treasury, the estimated delinquencies and defaults, net of recoveries, offsets from fees, and other estimated cash flows.

The provision for losses on vendee loans is based upon historical loan foreclosure results applied to the average loss on defaulted loans. The calculation is also based on the use of the average interest rate of U.S. interest-bearing debt as a discount rate on the assumption that the VA's outstanding vendee or direct loans will default over a 12-year period. For 2013 and 2012, VA determined that these vendee loans have sufficient equity, due to real estate appreciation and buy-down of principal, to minimize or eliminate any potential loss to VA.

The amount recorded for foreclosed property is estimated based upon the present value of future cash flows to be received upon the disposition of the property. To determine the future cash flows from a foreclosed property, VA obtains an independent appraisal of the property to determine fair market value which is reduced by estimated future carrying and disposal costs such as acquisition, management, selling and transfer costs and estimated gains or losses on property resale.

VA accrues interest on performing and non-performing loans receivable until the outstanding balance is paid in full. Performing loans receivable are those loans where the amount due on the outstanding balance is paid in full by the established due date. Non-performing loans receivable are those loans where the amount due on the outstanding balance is not paid in full by the established due date which results in a delinquency of the indebtedness. Interest receivable is accrued on the non-performing loan balance until the amount due is paid to a current status, debt is paid in full or otherwise resolved through compromise, waiver of the charges or termination of collection action. VA charges a fixed interest rate on loans issued for the duration of the loan term, including any delinquency period. The interest rate is set at loan inception based on three benchmark interest rates tracked by VA. VA will apply payments received from the debtor first to penalties and administrative costs, second to interest receivable and third to outstanding debt principal.

The recorded value of loans receivable, net, and the value of assets related to direct loans receivable are not the same as the proceeds that VA would expect to receive from selling its loans. It is at least reasonably possible that the proceeds from the sale of its loans will differ from the reported carrying value of the loans receivable and the underlying value of their related assets resulting in a realized gain or loss on sale.

Inventories

Inventories consist primarily of items such as Canteen Service retail store stock held for current sale and are reported at cost using the weighted-average cost method. Inventory that is excess, obsolete or unserviceable is reported at its estimated net realizable value. Upon disposal, any difference between the inventory's recorded amount and the value received for the inventory will be recognized as a gain or loss.

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 are used to provide medical care to Veterans. Property, plant, and equipment, including transfers from other federal agencies, leasehold improvements, other structures not classified as buildings and capital leases are valued at net carrying cost. Multi-use heritage assets are recognized and presented with general property, plant and equipment in the basic financial statements and additional information for the multi-use heritage assets with only incidental government use are classified as and included with the heritage assets information in Note 10. When the capitalization criteria are met, major additions, replacements, and alterations are capitalized, whereas routine maintenance and repairs are expensed when incurred.

VA has a significant construction program for medical facilities, national cemeteries, and other veteran related projects. VA submits its major construction project plans for medical facilities and national cemeteries to Congress for approval prior to receiving appropriated funds. VA maintains separate appropriated fund accounts for each type of project, as authorized, for major and minor construction and non-recurring maintenance projects.

Construction project costs incurred during the design and development phases are recorded in the appropriate Construction Work-in-Process (WIP) accounts including all materials, supplies, services, capital equipment, transportation costs, incremental overhead or support costs, and other construction-related costs directly attributable to the project. The assets are transferred to either capitalized or non-capitalized property, plant, and equipment, as appropriate, when placed in service. Construction projects completed in multiple phases are recorded as Construction WIP until the project phase is placed in service. Personal property and equipment not meeting the capitalization criteria is expensed upon being placed in service.

Individual items are capitalized if the useful life is two years or more and the unit price is $100 thousand or greater. Buildings are depreciated on a straight-line basis over estimated useful lives of 25 to 40 years. Equipment is also depreciated on a straight-line basis over its useful life, usually 5 to 20 years.

Internal use software is also subject to the $100 thousand threshold for capital assets. The costs subject to capitalization are incurred during the software development phase, and include the design of the chosen path, programming development, installation of hardware and testing, and are accumulated in Software in Development until a project is successfully tested and placed in service. The capitalized costs are amortized on a straight-line basis, and the amortization term is in accordance with the planned life cycle established during the software's planning phase which generally ranges from 2 to 4 years. Preliminary design phase costs and post implementation costs are expensed as incurred.

Property, plant and equipment, including construction WIP, internal use software and capitalized lease assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying value of the long-lived asset or asset group is not recoverable, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including quoted market values and third party independent appraisals, as considered necessary.

VA follows Technical Release 14, Implementation Guidance on the Accounting for the Disposal of General Property, Plant, & Equipment, which clarifies existing SFFAS 6, Accounting for Property, Plant, and Equipment, requirements to account for the disposal, retirement, or removal from service of general property, plant, and equipment (G-PP&E), as well as, the recognition and measurement of disposal related cleanup costs. The guidance differentiates between permanent and other than permanent removal from service of G-PP&E assets and delineates events that trigger discontinuation of depreciation and removal of G-PP&E from accounting records.

The removal from service is considered other than permanent, unless there is evidence of management's documented decision to permanently remove the asset from service and the asset's use is terminated. Permanent removal from service is evident from management's documented decision to dispose of an asset by selling, scrapping, recycling, donating or demolishing the asset. If only the termination of use or management's decision to permanently remove an asset from use occurs, but not both business events, then permanent removal from service has not occurred and there is no change in the G-PP&E reported value and depreciation continues. Likewise, in the case of G-PP&E cleanup costs, if only one of the two business events has occurred, permanent removal from service has not occurred and any cleanup costs associated with disposal, closure, and/or shutdown should continue to be expensed and accumulate as a liability.

When VA documents its decision to permanently remove an asset from service by selling, scrapping, recycling, donating or demolishing the asset and the asset's use is terminated, depreciation and amortization ceases in anticipation of disposal, retirement, or permanent removal from service; the G-PP&E accounts along with associated accumulated depreciation/amortization is removed from the G-PP&E accounts and recorded in an appropriate asset account at its expected net realizable value. Any difference in the book value of the G-PP&E and its expected net realizable value is recognized as a gain or a loss in the period of adjustment. The expected net realizable value is adjusted at the end of each accounting period and any further adjustments in value recognized as a gain or a loss.

There are no restrictions on the use or convertibility of G-PP&E. For disclosure regarding Heritage Assets see Note 10.

SFFAS No. 40, *Definitional Changes to Deferred Maintenance; Amending Statement of Federal Financial Accounting Standards 6, Accounting for Property, Plant, and Equipment*, was adopted by VA for the year ended September 30, 2012. This standard clarifies that repair activities should be included to better reflect asset management practices, and improve reporting on deferred maintenance and repairs activities not performed when they should have been or were scheduled to be, therefore, are put off or delayed for a future period.

FASAB issued SFFAS No. 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standard 6, 14, 29 and 32*, which is effective for periods beginning after September 30, 2014. This standard requires expanded qualitative and quantitative disclosure of the deferred maintenance and repairs, including (1) maintenance and repairs policies and how they are applied, (2) ranking and prioritizing maintenance and repair activities among other activities, (3)determining acceptable condition standards, (4) whether deferred maintenance and repairs are related solely to capitalized G-PP&E and stewardship property, plant and equipment or also to non-capitalized or fully depreciated G-PP&E, (5) G-PP&E excluded from measurement and/or reporting of deferred maintenance and repairs and the rationale for the exclusion of other than non-capitalized or fully depreciated G-PP&E, (6) beginning and ending deferred maintenance and repairs balances by category of G-PP&E, and (7) explanation of significant changes from the prior year. Management is currently evaluating required changes to existing disclosures to be in compliance with the standard but does not believe that implementation will have a material effect on financial position, results of operations or disclosures. For additional disclosure on deferred maintenance and repairs of G-PP&E and heritage assets see Required Supplementary Information (RSI).

SFFAS No. 44, *Accounting for Impairment of General Property, Plant and Equipment Remaining in Use*, is effective for periods after September 30, 2014. This Statement establishes accounting and financial reporting standards for impairment of G-PP&E remaining in use, except for internal use software. G-PP&E is considered impaired when there is a significant and permanent decline in the service utility of G-PP&E or expected service utility for construction work in progress and management has no reasonable expectation that the lost service utility will be replaced or restored. Existing processes and internal controls are expected to reasonably assure identification and communication of potential material impairments, such as those related to deferred maintenance and repairs, and VA will not be required to conduct annual or other periodic surveys solely for the purpose of applying impairment standards.

The loss from impairment is recognized and reported in the statement of net cost in program costs or costs not assigned to programs. Reversals of impairment losses are not recognized. Where an impairment loss is not recognized, adjustments to the G-PP&E's depreciation methods, useful life or salvage value estimates may be appropriate. In the period the impairment loss is recognized, disclosure of the G-PP&E remaining in use for which an impairment loss is recognized, the nature and amount of the impairment, and the financial statement classification of the impairment loss will be provided in the notes to the financial statements. VA is currently evaluating the financial statement impact of implementing this standard and does not believe that implementation will have a material effect on financial position and results of operations.

Other Assets

Intragovernmental Other Assets are reported at cost and consist primarily of Intragovernmental Advances - Federal and are primarily advances to the Army Corps of Engineers (Corps) and the General Services Administration (GSA). Public Other Assets are reported at cost and consist of Public Advance Payments made by VHA primarily to hospitals and medical schools under house staff contracts, grantees and beneficiaries, with the balance of the advances being made to employees on official travel.

Accounts Payable

Accounts payable are amounts owed by VA for goods and services received from, progress in contract performance made by, and rents due to other entities and scheduled compensation, pension and education benefits payable to Veterans. Accounts payable do not include liabilities related to on-going continuous expenses such as employee's salaries, benefits, annuities for insurance programs, interest payable and loan guarantee losses and Veterans compensation, pension and education benefits payable which are covered by other liabilities. When VA accepts title to goods, whether the goods are delivered or in transit, or incurs costs for services received, VA recognizes a liability for the unpaid amount of the goods and services. If invoices for those goods and services are not available when financial statements are prepared, the amounts owed are estimated.

Intragovernmental accounts payable consists of amounts owed to other Federal Government agencies and accounts payable from cancelled appropriations. The remaining accounts payable consist of amounts due to the public. Intragovernmental and public accounts payable are covered by budgetary resources.

Loan Guarantees

VA provides loan guarantees using two types of guaranty programs. Under one program, a loan may be made to an eligible Veteran borrower 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 a default by the Veteran borrower results in a loss by the loan holder. If the loan holder acquires the property which had secured the guaranteed loan at the liquidation sale, the loan holder can elect to convey the property to VA, which then attempts to resell the property at the best possible price and terms.

VA reports the liability on the guarantee of loans in accordance with the requirements of the Credit Reform Act. For these loans, the Liability for Loan Guarantees represents the present value of the estimated net cash outflows considered most likely to be paid by VA as a result of a claim against the guarantee on a defaulted loan. VA guarantees the loan against loss at foreclosure for which VA pays net cash flow up to a legally specified maximum based on the value of individual loans. VA will pay the lender the guarantee and foreclosure expenses.

The second loan guaranty program involves the sale of direct loans. VA will bundle vendee and acquired loans and sell them to a third party investor (Trust) pursuant to a sale agreement. Under the sale agreement, the Trust owns the mortgage loans acquired in the sale and will issue certificates backed by the mortgage loans and installment contracts. The certificates represent interests in the assets of the Trust and investors are paid from the Trust's assets. On the closing date of the certificates, VA transfers its entire interest in the related loans receivable and collateral to the Trustee for the benefit of the related certificate holders pursuant to the sale agreement. It is at least reasonably possible that the proceeds from the sale of VA's loans will differ from the reported carrying value of those loans and the underlying value of their related assets resulting in a realized gain or loss on sale. VA guarantees that the investor will receive full and timely distributions of the principal and interest on the certificates backed by the full faith and credit of the Federal Government.

VA reports the liability on the guarantee of loans sold under the Vendee Mortgage Trust and American Housing Trust programs in accordance with the requirements of the Credit Reform Act. For these loans, the Liability for Loan Guarantees represents the present value of the estimated net cash outflows considered most likely to be paid by VA arising from a claim against the guarantee. These loan sales contain two types of guarantees for which VA pays net cash flow. VA guarantees that the principal and interest payment due on a loan will be paid by the 15th of each month. If the payment is not made by the borrower, VA allows the loan servicer to take funds from a cash reserve account for the amount of the deficiency. VA also guarantees the loans against loss at foreclosure. Although VA will not buy back the loan, VA will pay the loan loss and foreclosure expenses.

Insurance Liabilities
Insurance Liabilities for VA's life insurance programs include: policy reserves; unearned premiums; insurance dividends left on deposit and related interest payable; accrued interest payable on insurance policies and dividends payable to policyholders.

Actuarial reserve liabilities for VA's insurance programs for 2013 and 2012 are based on mortality and interest rate assumptions that vary by fund, type of policy, and type of benefit. The interest rate assumptions range from 2.25 to 5.0 percent. The mortality assumptions include the American Experience Table, the X-18 Table, the 1941 Commissioners Standard Ordinary (CSO) Table, the 1958 CSO Basic Table, the 1980 CSO Basic Table, and the 2001 Valuation Basic Male (VBM) Table.

National Service Life Insurance (NSLI) basic policy reserves for permanent plans are based on the American Experience Table with 3 percent interest, except for the Modified Life plans, which are based on the 1958 CSO Basic Table with 3 percent interest, and paid-up additions purchased by dividends, which are based on the 2001 VBM Table with 4 percent interest. The reserve for Term policies is based on the 2001 VBM Table with 4 percent interest and the age 70 rate (the capped premium) of $6.18 per month per $1,000 face amount.

United States Government Life Insurance (USGLI) permanent plan policy reserves are based on the American Experience Table with 3.5 percent interest and are held on a net single premium basis.

Veterans Special Life Insurance (VSLI) permanent plan policy reserves are based on the X-18 Table at 2.5 percent interest, except for paid-up additions, which are based on the 1980 CSO Basic Table with 5 percent interest. The reserve for Term policies is based on the 1980 CSO Basic Table with 5 percent interest and the age 70 rate (the capped premium) of $5.87 per month per $1,000 face amount.

Service-Disabled Veterans Insurance (S-DVI) permanent plan policy reserves are based on the 1941 CSO Table at 3.5 percent interest using rate book premiums. The reserve for 5-Year Term policies is based on varying ratios of the 1941 CSO Table at 3.5 percent interest using rate book premiums and is computed on a complete contract basis. The mortality ratios start at 250 percent for ages 50 and below and grade down to 100 percent of the table for ages 65 and older. The reserve for Term policies renewed at age 70 and over is based on the 1941 CSO Table with 3.5 percent interest and the age 70 Term capped premium of $5.87 per month per $1,000 face amount.

Veterans Reopened Insurance (VRI) basic policy reserves are based on an interest rate of 3.5 percent and a mortality basis that varies by segment ("J", "JR" or "JS") and by rating code within the "JR" segment. For "J", the basis is 100 percent of the 1958 CSO Basic Table. For "JR", the basis is the same as the rating code (150, 175, 200, 250, 300, 400 or 500 percent) of the Basic Table. For "JS", the basis is the American Experience Table, and the reserve is a single premium. Reserves for paid-up additions are based on the 2001 VBM Table and 4 percent interest for "J", the 1958 CSO Basic Table and 4 percent interest for "JR", and 150 percent of the 1958 CSO Basic Table and 4 percent interest for "JS".

The Veterans' Mortgage Life Insurance (VMLI) program is operated through the Veterans' Insurance & Indemnities (VI&I) fund. The reserve for VMLI policies is based on 500 percent of the 1958 CSO Basic Table at 2.5 percent interest.

A reserve for unearned premiums is held for premiums paid for coverage past the date of the statement. It is comprised of an estimate for premiums paid less than one month in advance that are unearned at the end of the reporting period, and a reserve for premiums paid one month or more in advance computed from in-force master records.

Insurance dividends that are left on credit or deposit with VA accrue interest at a rate that varies by fund relative to the fund's investment portfolio earnings. For 2013, the interest rates ranged from 3.5 percent to 5.0 percent, and for 2012, they ranged from 4.25 percent to 5.5 percent.

The Secretary of VA determines annually the excess funds available for dividend payment. Policyholders can elect to: (1) receive a cash payment; (2) prepay premiums; (3) repay loans; (4) purchase paid-up insurance; or (5) deposit the amount in an interest-bearing account. Policies in four of the administered programs are eligible for dividends: NSLI, USGLI, VSLI and VRI. The dividend authorization is based on an actuarial analysis of each program's claims and investment experience, compared to the mortality and interest assumptions utilized in that program, at the end of the preceding calendar year. Dividends are declared on a calendar year basis and paid on policy anniversary dates. A provision for dividends is charged to operations and an insurance dividend is established when gains to operations are realized in excess of those essential to maintain solvency of the insurance programs.

The reserve for Dividends Payable is an estimate of the present value of dividends accrued as of the valuation date. In accordance with GAAP requirements, VA records only that portion of the estimated policy dividend that applies to the current reporting period as a dividend liability. For 2013 and 2012, a discount rate of 4 percent (5 percent VSLI), along with the appropriate accrual factor, was used. The methodology employed by VA to estimate the dividend liability reflects expected dividends to be paid by quarter using percentages that are based on the actual distribution of dividend anniversaries at the end of the prior year.

Annual Leave
Federal employees' annual leave is accrued as it is earned, and the accrual is reduced annually for actual leave taken. Each year, the accrued annual leave balance is adjusted to reflect the latest pay rates for leave that has been earned but not taken. Sick and other types of non-vested leave are expensed as taken. To the extent appropriations are not available to fund annual leave earned but not used, funding will be obtained from future financing sources, and therefore, these liabilities are not covered by budgetary resources.

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. Consistent with past practice, these projected annual benefit payments have been discounted to present value using the OMB's economic assumptions for 10-year Treasury notes and bonds.

Pension, Other Retirement Benefits, and Other Post-Employment Benefits
Each employing federal agency is required to recognize its share of the cost and imputed financing of providing pension and post-retirement health benefits and life insurance to its employees. Factors used in the calculation of these pensions and post-retirement health and life insurance benefit expenses are provided by OPM to each agency.

VA's employees are covered under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS); VA makes contributions according to both plan's requirements. CSRS and FERS are multi-employer plans administered by OPM. VA does not maintain or report information about the assets of the plans, nor does it report actuarial data for the accumulated plan benefits. That reporting is the responsibility of OPM.

Veterans Benefits Liability

VA provides compensation benefits to Veterans who are disabled by military service-related causes. Benefits are also provided to deceased Veterans' beneficiaries. These benefits are provided in recognition of a Veteran's military service. The liability for future compensation and burial payments is reported on VA's balance sheet at the present value of expected future payments, and is developed on an actuarial basis. Various assumptions in the actuarial model, such as the total number of Veterans, estimated future military separations, the number of Veterans and dependents receiving payments, discount rates, cost of living adjustments, presumptive service conditions resulting in disability benefits coverage and life expectancy, impact the amount of the liability.

Discount rates used to measure the actuarial liabilities are based on spot rates derived from the 10-year average historical interest rate yield curve on Treasury securities at September 30 of each year for the 10-year historical period with maturities consistent with the period of expected future payments. As a result, each year for which expected future payments are projected has a separate discount rate associated with it. However, a single weighted average discount rate is also disclosed that may be used for all projected future payments that results in a present value that is not materially different than the resulting present value using multiple-rates.

Estimated liabilities for Veterans compensation and burial obligations in the financial statements are measured as of the end of the fiscal year based on June 30 beneficiary data that is adjusted for material known changes in the number of participants covered (enrollment) during the 4th quarter. The method used to measure the liabilities provides for consistency in the underlying relationship between discount rate, COLA, and the other economic assumptions. For 2013, valuation techniques or their application used to measure the fair value of the actuarial liabilities were consistently applied compared to the previous year.

From time to time, VA may determine it is preferable to make refinements to the valuation techniques or their application used to measure the fair value of the actuarial liabilities because VA management concludes that the resulting measurements are equally or more representative of fair value of the actuarial liabilities in the circumstances and were due to improved computer software modeling capability and/or improved information. The resulting changes in fair value of the actuarial liabilities from the changes in valuation techniques or their application are treated as a change in estimate and accounted for on a prospective basis.

Congress established a process to guide the creation of new presumptive disability benefit payments through the Agent Orange Act of 1991, P.L. No. 102-4. The Secretary of VA relying on independent studies by the Institute of Medicine (IOM) determines whether presumptions of service connection are warranted and presumptive disability benefit payments are due. Upon determination by the Secretary of VA that presumptive disability benefit payments are due, there is a waiting period and a final regulation is issued. In accordance with the Agent Orange Act, the adjudication of cases based on the new presumption has begun and a liability has been recognized.

SFFAS 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting Gains and Losses from Changes in Assumptions, and Selecting Discount Rates and Valuation Dates* (SFFAS 33) applies to the actuarial liabilities recognized for Veterans compensation and burial obligations reported in VA's financial reports prepared pursuant to FASAB standards.

SFFAS 33 requires the display of gains and losses from changes in long-term assumptions used to measure liabilities for Veterans compensation and burial obligations, as separate line items on the Statements of Net Cost. The Standard also requires disclosure in notes to the financial statements of a reconciliation of beginning and ending Veterans compensation and burial obligations balances, including all material components of expense "from experience" and "from assumptions changes" by significant programs and in total. In addition, SFFAS 33 provides standards for selecting the discount rate assumption to measure the Veterans compensation and burial obligations as of the reporting date and selecting a valuation date for estimating the obligation which will establish a consistent method for such measurements.

Contingencies
VA is a party in various administrative proceedings, legal actions, and claims brought against it. In the opinion of VA management and legal counsel, the ultimate resolutions of these proceedings, actions, and claims will not materially affect the financial position or results of VA operations other than as disclosed in Note 18, Contingencies.

Non-Federal Trusts
VA has entered into enhanced-use leases to maximize use of underutilized VA property. Certain enhanced-use leases were entered into with non-federal trusts. VA leased back the assets developed by the non-federal trusts under long-term leases. The assets developed by the non-federal trusts include cogeneration plants, office buildings, or parking garages and were financed with public bonds. The public bonds are repaid from the cogeneration fees and lease payments made by VA under the leases as long as VA utilizes these facilities. Under the lease arrangements, VA is the primary beneficiary of the trust assets with the obligation to absorb the majority of any expected losses and receive the majority of the residual returns that could be significant. As a result, VA has a controlling financial interest in the non-federal trust assets under the enhanced-use leases. Accordingly, the assets, liabilities, and results of operations of these six trusts under the enhanced-use leases are consolidated with VA operations in the accompanying consolidated financial statements.

Application of Critical Accounting Estimates
The financial statements are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions that may change in the future. Actual results could differ materially from the estimated amounts. The financial statements include information to assist in understanding the effect of changes in assumptions to the related information.

Comparative Data

Effective for 2013, the SBR presentation has changed to better align with the new format of the report on Budget Execution and Budgetary Resources (SF 133) as required by OMB. The new format has additional reconciliation requirements with budget execution information reported in the Budget of the United States to ensure the integrity of the numbers presented. As a result of the format changes, the 2012 data has been reclassified to conform to the 2013 presentation. There are no other effects reported in the consolidated or combined financial statements.

Subsequent Events

Subsequent events have been evaluated through the auditors' report date which is the date the financial statements were available to be issued, and management determined that there are no other items to disclose.

2. Non-Entity Assets

Entity and Non-Entity assets have been combined on the balance sheet. Non-Entity assets relate primarily to state and local taxes and other employee payroll withholdings and personal funds of patients included in Fund Balance with Treasury; downward reestimates for the Veterans Housing Program included in Intragovernmental Accounts Receivable; and amounts due to Treasury for medical costs billed to Veterans included in Public Accounts Receivable.

There are offsetting liabilities in the consolidated balance sheet for the non-entity assets reported below. Offsetting liabilities are included in Intragovernmental Other Liabilities and Accounts Payable and Public Other Liabilities, Insurance Liabilities and Accounts Payable. There is no balance in the consolidated net position from the non-entity assets.

Non-Entity Assets
as of September 30,

	2013	2012
Fund Balance with Treasury	$ 116	$ 112
Intragovernmental Accounts Receivable	1	1
Public Accounts Receivable	71	68
Total Non-Entity Assets	$ 188	$ 181

3. Fund Balance with Treasury

Fund Balance with Treasury as of September 30,	2013	2012
Entity Assets		
Trust Funds	$ 87	$ 94
Revolving Funds	6,060	4,872
Appropriated Funds	32,386	35,143
Special Funds	349	293
Other Fund Types	50	60
Total Entity Assets	38,932	40,462
Non-Entity Assets		
Other Fund Types	116	112
Total Non-Entity Assets	116	112
Total Entity and Non-Entity Assets	$ 39,048	$ 40,574
Reconciliation of VA General Ledger Balances with Treasury		
Balance per VA General Ledger	$ 40,145	$ 40,386
Reconciled Differences, Principally Timing	(1,167)	118
Unreconciled Differences	70	70
Fund Balance with Treasury	$ 39,048	$ 40,574
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	$ 6,898	$ 12,614
Unavailable	7,405	5,525
Obligated Balance Not Yet Disbursed	24,333	22,046
Deposit /Clearing Account Balances	412	389
Fund Balance with Treasury	$ 39,048	$ 40,574

4. Cash

Cash as of September 30,	2013	2012
Canteen Service	$ 2	$ 2
Agent Cashier Advance	6	14
Total Cash	$ 8	$ 16

5. Investments

Investment Securities									
as of September 30, 2013									
		Cost	**Amortization Method**		**Amortized (Premium)/ Discount**	**Interest Receivable**	**Investments, Net**		**Market Value**
Intragovernmental Securities (Note 19)									
Non-Marketable: Special Bonds	$	8,406	N/A	$	-	70	8,476	$	8,476
Treasury Notes		90	Effective Interest		(3)	1	88		88
Total	$	8,496		$	(3)	71	8,564	$	8,564
Public Securities									
Trust Certificates (Loan Guaranty)	$	140	N/A	$	-	-	140	$	140
Mutual Funds (Non-Federal Trusts)		44	Straight-line		(6)	-	38		38
Total	$	184		$	(6)	-	178	$	178
as of September 30, 2012									
Intragovernmental Securities (Note 19)									
Non-Marketable: Special Bonds	$	9,132	N/A	$	-	112	9,244	$	9,244
Treasury Notes		65	Effective Interest		(1)	1	65		65
Total	$	9,197		$	(1)	113	9,309	$	9,309
Public Securities									
Trust Certificates (Loan Guaranty)	$	140	N/A	$	-	-	140	$	140
Mutual Funds (Non-Federal Trusts)		43	Straight-line		(5)	-	38		38
Total	$	183		$	(5)	-	178	$	178

6. Accounts Receivable, Net

Accounts Receivable, Net as of September 30,		2013		2012
Intragovernmental Accounts Receivable, Net	$	41	$	40
Public Accounts Receivable				
Medical Care	$	2,343	$	2,224
Contractual Adjustment and Allowance for Loss Provision		(1,023)		(1,017)
Net Medical Care		1,320		1,207
Compensation and Pension		1,071		1,067
Allowance for Loss Provision		(727)		(665)
Net Compensation and Pension		344		402
Education Benefits		380		365
Allowance for Loss Provision		(109)		(269)
Net Education Benefits		271		96
Other		127		102
Allowance for Loss Provision		(22)		(18)
Net Other		105		84
Total Public Accounts Receivable		3,921		3,758
Total Contractual Adjustment and Allowance for Loss Provision		(1,881)		(1,969)
Public Accounts Receivable, Net	$	2,040	$	1,789

The Total Contractual Adjustment and Allowance for Loss Provision as a percentage of Total Public Accounts Receivable was approximately 48 percent and 52 percent at September 30, 2013 and 2012, respectively. The Medical Care Contractual Adjustment and Allowance for Loss Provision as a percentage of Total Medical Care related accounts receivable was approximately 44 percent and 46 percent at September 30, 2013 and 2012, respectively.

Included in the Medical Care Contractual Adjustment and Allowance for Loss Provision is an Allowance for Contractual Adjustment of $611 million and $593 million or approximately 56 percent and 57 percent, respectively of Medical Care Collection Fund third party receivables of $1.09 billion and $1.04 billion at September 30, 2013 and 2012, respectively.

The Compensation and Pension Allowance for Loss Provision as a percentage of Total Compensation, Pension and Readjustment Benefit Overpayment-related accounts receivable was approximately 68 percent and 62 percent at September 30, 2013 and 2012, respectively. The Education Benefits Allowance for Loss Provision as a percentage of Total Education Benefits and Readjustment Benefit Overpayment-related accounts receivable was approximately 29 percent and 74 percent at September 30, 2013 and 2012, respectively.

7. Direct Loans and Loan Guarantees

As more fully discussed in Note 1 under the Loans Receivable and Loan Guarantees sections, the accounting for direct loans receivable and loan guarantee liabilities made after 1991, is governed by the Credit Reform Act. Disclosure of direct loans receivable and loan guarantee liabilities is provided in accordance with SFFAS 2, *Accounting for Direct Loans and Guarantees*, as amended.

VA operates the following direct loan and loan guaranty programs:

- Home Loans
- Vocational Rehabilitation and Employment
- Insurance

The VA Home Loan program is the largest of the VA loan programs. The Home Loan program provides loan guarantees and direct loans to Veterans, Servicemembers, qualifying dependents, and limited non-veterans to purchase homes and retain homeownership with favorable market terms.

VA operates in the broader mortgage marketplace; as a result, the VA housing program is affected by overall housing market conditions. The current mortgage market has demonstrated steady improvements; homeowner equity is recovering. VA and loan servicers will be better able to use foreclosure-resolution and avoidance tools to improve the outcomes of servicing efforts offered to borrowers with delinquent VA guaranteed home loans.

VA projects, funds, and reports the long-term direct costs for these loans; that is, estimates of loan lifetime costs incurred by the government from making VA loans. These estimates of long-term costs are updated annually and represent capital required to cover expected lifetime loan losses. For the year ended September 30, 2013, VA reestimated the capital set aside required for changes in projected lifetime cash flows mainly for loan guarantees for Veterans and Servicemembers. Some drivers for the reestimated capital required are as follows:

- Unanticipated higher proportion of new refinance loan guarantees in 2013 due to lower mortgage rates and increases in home prices and sales. The higher level of refinancing activity increased the capital cushion through additional funding fee collections. However, the average funding fee per collection decreased as a loan refinancing incurs a lower percentage fee than a new loan.

- Higher claim payments for some older loan guarantees because of uncontrollable loan performance drivers (e.g., continuing elevated claim levels following the housing crisis despite rising home prices and historically low mortgage rates).

VA performs economic modeling and analysis using available loan portfolio data and economic assumptions correlated with some key loan data (foreclosures, outlays and collections, home prices, interest rates, and loan prepayments and terms). These estimates are based on current conditions that may change in the future. Actual results may differ materially from estimated amounts.

The Vocational Rehabilitation and Employment direct loans provide temporary financial assistance to eligible beneficiaries. Loans provided under this program are interest free and must be repaid within 10 months.

Veterans that are government life insurance policyholders with permanent plan coverage or paid-up additional insurance can borrow against the cash value of their policy, creating an insurance policy direct loan. The loan amount may not exceed 94 percent of the cash surrender value of the policy or the paid-up additional insurance.

Direct Loans

The following tables summarize the carrying amount of loans receivable related to pre-1992 and post-1991 direct loans. The carrying amount of direct loans receivable includes the remaining balance of the amount disbursed, interest receivable, an allowance for loan losses using the allowance method (estimated uncollectible loans) for pre-1992 loans, the present value of an allowance for subsidy costs for post-1991 loans and the fair market value less cost to dispose of foreclosed property based on the present value of future cash flows from the property. An analysis of loans receivable and the nature and amounts of the subsidy costs associated with the direct loans are provided in the tables that follow:

Loans Receivable and Related Foreclosed Property and Insurance Policy Loans From Direct Loans as of September 30, 2013

	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans, Net
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method)	$ 8	6	-	-	$ 14
Insurance Policy Loans	384	9	-	-	393
Total Loans Receivable and Related Foreclosed Property and Insurance Policy Loans, Excluding Direct Loans Obligated After 1991, Net					$ 407

	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Foreclosed Property	Value of Assets Related to Direct Loans, Net
Direct Loans Obligated After 1991	$ 584	16	56	17	$ 673
Total Loans Receivable and Related Foreclosed Property and Insurance Policy Loans from Direct Loans, Net					$ 1,080

Loans Receivable and Related Foreclosed Property and Insurance Policy Loans From Direct Loans as of September 30, 2012

	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans, Net
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method)	$ 11	10	(1)	-	$ 20
Insurance Policy Loans	423	10	-	-	433
Total Loans Receivable and Related Foreclosed Property and Insurance Policy Loans, Excluding Direct Loans Obligated After 1991, Net					$ 453

Loans Receivable and Related Foreclosed Property and Insurance Policy Loans From Direct Loans (continued)
as of September 30, 2012

	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Foreclosed Property	Value of Assets Related to Direct Loans, Net
Direct Loans Obligated After 1991	$ 653	15	24	7	$ 699
Total Loans Receivable and Related Foreclosed Property and Insurance Policy Loans from Direct Loans, Net					$ 1,152

Direct Loans Disbursed

The total amount of new direct loans disbursed for the years ended September 30, 2013 and 2012 was $2.2 million and $159.7 million, respectively.

Subsidy Expense for Post-1991 Direct Loans

Subsidy expense reflected no material change over the prior year and the methodology used to compute the subsidy expense was consistent with the prior year.

Input data and assumptions were changed based on analysis of loan performance and economic conditions in 2013. The changes in economic assumptions were marginal drivers in analysis of change in subsidy estimates for future potential bad loans. Actual home price appreciation, mortgage rate, and Treasury bond yield were better than their predicted values.

The subsidy expense for direct loans is as shown:

Direct Loan Subsidy Expense
for the years ended September 30,

	2013	2012
Interest Differential	$ (1)	$ (28)
Defaults	-	1
Fees*	-	(1)
Other**	-	25
Subtotal	(1)	(3)
Interest Rate Reestimates	(11)	4
Technical Reestimates	(33)	(19)
Total Direct Loan Subsidy Expense	$ (45)	$ (18)

* "Fees" expense for direct loans includes estimated down payments and other fees collected when homes are sold with vendee financing.
** "Other" expense for direct loans includes the estimated loss of scheduled principal and interest when vendee loans are sold.

Budgetary Subsidy Rates for Direct Loans by Component

The subsidy rates disclosed below pertain only to the current year loans. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of both current year loans and prior year(s) loans. The subsidy expense reported in the current year also includes reestimates.

Budgetary Subsidy Rates for Direct Loans by Component	
Interest Differential	(32.62%)
Defaults	7.57%
Fees	(0.92%)
Other	21.14%

Allowance for Subsidy for Direct Loans (Post-1991)

For these loans, the allowance for subsidy represents the difference between the balance of the direct loan and the present value of the estimated net cash flows to be paid by VA. The allowance for subsidy is the result of the interest rate differential between the loans and borrowing from Treasury, the estimated delinquencies and defaults, net of recoveries, offsets from fees, and other estimated cash flows. For 2013, the subsidy rate is (2.54) percent for Veterans Housing Direct – Vendee Loans, (2.29) percent for Veterans Housing Direct – Acquired Loans, and (17.83) percent for Native American Direct. For 2012, the subsidy rate is (2.12) percent for Veterans Housing Direct – Vendee Loans, (4.09) percent for Veterans Housing Direct – Acquired Loans, and (11.97) percent for Native American Direct. The negative balances related to the allowance for subsidy shown below represent an increase in the post - 1991 direct loan balances reported in the direct loan table.

Schedule for Reconciling Subsidy Cost Allowance Balances		
Beginning Balance, Changes and Ending Balance		
	2013	**2012**
Beginning balance of the allowance	$ (24)	$ (2)
Subsidy expense for direct loans disbursed during the reporting years by component:		
Interest subsidy costs	(1)	(28)
Default costs (net of recoveries)	-	1
Fees and other collections	-	(1)
Other subsidy costs	-	25
Total of the above subsidy expense components	(1)	(3)
Adjustments:		
Fees received	-	4
Foreclosed property acquired	(7)	18
New Loans	2	5
Loans written off	(5)	(4)
Subsidy allowance amortization	16	(14)
Change in reestimate approved by OMB	7	(13)
Total Adjustments	13	(4)
Ending balance of the allowance before reestimates	(12)	(9)
Subsidy reestimates by component		
Interest rate reestimate	(11)	4
Technical/default reestimate	(33)	(19)
Total of the above reestimate components	(44)	(15)
Ending balance of the allowance	$ (56)	$ (24)

Loan Guarantees

The following tables summarize the carrying amount of loans receivable related to pre-1992 and post-1991 defaulted guaranteed loans. The carrying amount of the guaranteed loans receivable includes the amount dispersed by VA for its guaranty under the defaulted loans, an allowance for loan losses using the allowance method (estimated uncollectible loans) for pre-1992 loans and the fair market value less cost to dispose of foreclosed property based on the present value of future cash flows from the property.

An analysis of loans receivable, loan guarantees, the liability for loan guarantees, and the nature and amounts of the subsidy costs associated with loan guarantees are provided in the tables that follow:

Loans Receivable and Related Foreclosed Property from Loan Guarantees
as of September 30, 2013

	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Defaulted Guaranteed Loans - Pre-1992 Guarantees (Allowance for Loss Method)	$ 31	-	-	4	$ 35
Defaulted Guaranteed Loans - Post-1991 Guarantees	5	-	-	1,027	1,032
Total Loans Receivable and Related Foreclosed Property from Loan Guarantees					$ 1,067

Loans Receivable and Related Foreclosed Property from Loan Guarantees
as of September 30, 2012

	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Defaulted Guaranteed Loans - Pre-1992 Guarantees (Allowance for Loss Method)	$ 32	-	(10)	4	$ 26
Defaulted Guaranteed Loans - Post-1991 Guarantees	5	-	-	813	818
Total Loans Receivable and Related Foreclosed Property from Loan Guarantees					$ 844

Foreclosed Property
Prior to the foreclosure of property secured by a VA Loan Guarantee, VA obtains an independent appraisal of the property. This appraisal is reviewed by VA staff or delegated Staff Appraisal Reviewer to substantiate the fair market value. To determine the net value of the property, VA costs such as acquisition, management, and disposition of the property as well as estimated losses on property resale, are subtracted from the estimated fair market value. The amount recorded for foreclosed property is estimated based upon the present value of future cash flows to be received upon the disposition of the property. Future cash flows are estimated based on the estimated selling price less the amounts paid at foreclosure plus estimated costs to carry the property.

Recent volatility in the United States housing market could change the estimates and assumptions used for these calculations in the future, which could impact the amounts reported and disclosed herein.

There has been no change in the methodology for calculating the amount recorded for foreclosed property and there are no restrictions on the use or disposition of foreclosed property for the years ended September 30, 2013, and 2012.

As of September 30, 2013, and 2012, the number of residential properties in VA's inventory was approximately 11,100 and 10,400, respectively. For 2013 and 2012, the average holding period from the date properties were conveyed to VA until the date properties were sold was approximately 9 months and 8 months, respectively. The number of properties for which foreclosure proceedings are in process was approximately 18,800 and 23,400 as of September 30, 2013, and 2012, respectively.

Guaranteed Loans				
as of September 30,				
		2013		**2012**
Guaranteed Loans Outstanding:				
Outstanding Principal of Guaranteed Loans, Face Value	$	339,245	$	286,626
Amount of Outstanding Principal Guaranteed	$	89,227	$	76,137
Loan Principal Amortization Payments, Face Value	$	(1,452)	$	(1,073)
Termination of Outstanding Principal Guaranteed, Face Value	$	(74,123)	$	(67,795)
New Guaranteed Loans Disbursed:				
Outstanding Principal of Guaranteed Loans, Face Value	$	128,194	$	106,763
Amount of Outstanding Principal Guaranteed	$	32,359	$	27,402
Number of New Loans Disbursed		570,646		492,497

Liabilities for Pre-1992 and Post-1991 Loan Guarantees, Excluding Loan Sale Guarantees (Present Value Method)	$	7,559	$	5,445

Loan Guarantee Modifications
OMB Circular No. A-11, section 185, specifies that modifications to existing loan guarantee subsidy costs result from the government's decision to alter the percentage of the loan it will guarantee. The subsidy cost of a modification is the difference between the net present value of the remaining estimated cash flows before and after the modification (i.e., post-modification liability minus pre-modification liability) and the change in carrying amount is recognized as a gain or a loss. A reduction in the loan guarantee liability due to a modification reflects as savings to VA resulting in a modification gain being recognized. An increase in the loan guarantee liability due to a modification reflects increased costs to VA resulting in a modification loss being recognized. The carry amount of the loan guarantee liability reflects the post-modification liability balance.

VA and loan servicers perform loan modifications under current laws without the need to modify executed subsidy estimates for existing loan guarantees from 1992 to 2013.

Multiple reestimate discount rates are used to calculate loan subsidy modification costs for existing loan guarantees from 1992 to 2013. The reestimate discount rate is either a weighted average rate (prior to 2001) or a single effective rate depending on the loan issuance year of the cash flows. The discount rates range between 2.31 percent to 7.59 percent.

VA recognizes gains or losses on modification as described above. VA performed two loan modifications in 2012 and none in 2013. The Honoring America's Veterans and Caring for Camp Lejeune Families Act extended the period of protections for members of uniformed services relating to mortgages, mortgage foreclosure, and eviction. Specifically, section 710 amended section 303 of the Servicemembers Civil Relief Act (SCRA) by extending the period in which a Servicemember may exercise SCRA protections from nine months after the period of service ends to one year. The amendments made by section 710 will expire on December 31, 2014, at which time the protection would revert to the original 90-day period noted under Section 303 of SCRA.

The VA Loan Guaranty Service amended its regulations related to modification of guaranteed housing loans in default via the Loan Guaranty Revised Loan Modification Procedures (RIN 2900-AN78). Specifically, changes were made to the requirements related to maximum interest rates on modified loans, and to items that may be capitalized in a modified loan amount. VA expects that Veteran borrowers would receive loan modifications (as opposed to alternatives to foreclosure and foreclosures) as result of this regulation change, their modified loans would remain in good standing and not result in a net loss to lenders or VA.

Subsidy Expense for Post-1991 Loan Guarantees
Pursuant to the Credit Reform Act, subsidy costs for new loan guarantees, net of up front funding fees, must be obligated at the time the loan is disbursed. The current and prior year upward reestimate was principally caused by increasing claim payments following the housing crisis, increasing demand for new refinance loan guarantees resulting from lower mortgage rates, higher home sale prices and a recovering housing market. Specifically, the Loan Guarantee Financing Account (4129) operating income deteriorated on higher foreclosure claim payments that were inconsistent with rising home prices. The loan guarantee average funding fee rate deteriorated on higher demand for refinance loan guarantees.

Deterioration in the average funding fee rate relative to budget contributed to upward reestimates. 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,		
	2013	**2012**
Defaults	$ 1,897	$ 1,693
Fees	(2,032)	(1,856)
Subtotal	(135)	(163)
Interest Rate Reestimates	167	13
Technical Reestimates	1,421	777
Total Guaranteed Loan Subsidy Expenses	$ 1,453	$ 627

Budgetary Subsidy Rates for Loan Guarantees by Component

The subsidy rates disclosed below pertain only to the loans guaranteed in the current year. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current year could result from disbursements of loans from both current year loan guarantees issued and prior year(s) loan guarantees issued. The subsidy expense reported in the current year also includes reestimates.

Budgetary Subsidy Rates for Loan Guarantees	
Defaults	1.55%
Fees	(1.66)%

Liability for Loan Guarantees (Post-1991)

VA guarantees the loan against loss at foreclosure for which VA pays net cash flow up to a legally specified maximum based on the value of individual loans. VA will pay the lender the guarantee and foreclosure expenses. If an agreement can be made with the Veteran, VA may acquire the loan by refunding the lender for the loan. The subsidy rate for 2013 was (.11) percent. In November 2011, Congress enacted and the President signed PL 112-56 which included a change in the funding fees charged to Veterans who receive a guaranteed loan after November 22, 2011. This change in funding fee affected the cash flows of the program and resulted in a change to the subsidy rate for 2012. Therefore, in 2012, there are two subsidy rates for guaranteed loans. For loans guaranteed between October 1 and November 22, 2011, the subsidy rate is (0.20) percent and for loans guaranteed after November 22, 2011 the subsidy rate is 0.28 percent. There was no similar legislation affecting 2013. In the table below, the current year and prior year upward reestimate was principally caused by increasing claim payments on some older loan guarantees following the housing crisis and increasing demand for new loan guarantees resulting from a recovering housing market.

Schedule for Reconciling Loan Guarantee Liability Balance		
Beginning Balance, Changes and Ending Balance	2013	2012
Beginning balance of the liability	$ 5,445	$ 4,973
Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
Default costs (net of recoveries)	1,897	1,693
Fees and other collections	(2,032)	(1,856)
Total of the above subsidy expense components	(135)	(163)
Adjustments:		
Fees received	1,494	1,203
Foreclosed property	(243)	(464)
Claim payments to lenders	(1,123)	(817)
Interest accumulation on the liability balance	149	166
Change in reestimate approved by OMB	384	(222)
Modification	-	(4)
Other	-	(17)
Total Adjustments	661	(155)
Ending balance of the liability before reestimates	5,971	4,655
Subsidy reestimates by component		
Interest rate reestimate	167	13
Technical/default reestimate	1,421	777
Total of the above reestimate components	1,588	790
Ending balance of the liability	$ 7,559	$ 5,445

Schedule for Reconciling Pre-1992 Loan Guarantee Liabilities		
Beginning Balance, Changes and Ending Balance	2013	2012
Beginning balance of the liability*	$ 189	$ -
Claims	(11)	-
Foreclosed Properties	(4)	-
Veteran Liability Debts	29	-
Amortization of Liability Balance	5	-
Total	$ 208	$ -

*This Beginning balance was a component (Resources Payable to Treasury) of Other Intragovernmental Liabilities in the 2012 Balance Sheet. The reclassification to Loan Guarantee Liabilities was done in 2013 and the prior period was not restated as the balance was not material to the financial statements.

Loan Sales

VA owns mortgages and real estate on certain defaulted loans that were guaranteed by VA and have gone through the foreclosure process with the lender. VA sells the real estate to a third party owner and makes the direct loan for the underlying mortgage loan receivable. To reduce the administrative burden of servicing these loans, VA will bundle these loans and sell them to a third party investor (Trust) pursuant to a sale agreement. It is at least reasonably possible that the proceeds from the sale of its loans will differ from the reported carrying value of the loans and the underlying value of their related assets resulting in a realized gain or loss on sale.

Under the sale agreement, the Trust owns the mortgage loans and other property acquired in the sale and makes elections to treat certain of its assets as one or more Real Estate Mortgage Investment Conduits (REMIC) for U.S. Federal income tax purposes. In addition, the Trust will issue certificates backed by mortgage loans and installment contracts. The certificates represent interests in the assets of the Trust and are paid from the Trust's assets. On the closing date of the certificates, VA transfers its entire interest in the related loans receivable and collateral to the Trustee for the benefit of the related certificate holders pursuant to the sale agreement. VA guarantees that the investor will receive full and timely distributions of the principal and interest on the certificates backed by the full faith and credit of the Federal Government.

During the period 1992 through 2013, the total loans sold amounted to $14.2 billion. VA recognized no loan sale proceeds or gain or loss on sale of loans during 2013. VA recognized loan sale proceeds of $198 million during 2012 resulting in a gain of $8 million. As a result of the sale of loans receivable with a carrying amount of $0 million and $190 million in 2013 and 2012, respectively, the amount of guaranteed loans sold increased by the carrying amount of the loans receivable at the date of sale. The components of the loan sale and the outstanding balance for guaranteed loans sold are summarized in the tables below:

Loan Sales				
Years Ended September 30,				
		2013		**2012**
Loans Receivable Sold	$	-	$	190
Net Proceeds from Sale		-		(198)
Gain on Receivables Sold	$	-	$	(8)

Outstanding Balance of Loan Sale Guarantees - Guaranteed Loans Sold				
as of September 30,				
		2013		**2012**
Outstanding Balance Guaranteed Loans Sold, Start of Year	$	1,808	$	1,789
Sold to the Public		-		190
Payments, Repayments, and Terminations		(211)		(171)
Outstanding Balance Guaranteed Loans Sold, End of Year	$	1,597	$	1,808

Subsidy Expense for Loan Sale Guarantees

Pursuant to the Credit Reform Act, subsidy costs for new loan sale guarantees must be obligated at the time the loan sale is closed. The subsidy expense for loan sale guarantees is below:

Loan Sale-Guaranteed Loan Subsidy Expense		
for the years ended September 30,		
	2013	2012
Defaults	$ -	$ 6
Fees	-	14
Other	-	-
Subtotal	-	20
Interest Rate Reestimates	30	(2)
Technical Reestimates	23	(11)
Total Loan Sale-Guaranteed Subsidy Expense	$ 53	$ 7

Liability for Loan Sale Guarantees (Post-1991)

For these programs, the guaranteed loan sale liability represents the present value of the estimated net cash flows to be paid by VA as a result of the guarantee. These sales contain two types of guarantees. VA guarantees that the principal and interest payment due on a loan sold will be paid by the 15th of each month. If not paid by the borrower, VA allows the loan servicer to take funds from cash reserve accounts for the deficient amount. VA also guarantees the loan against loss at foreclosure. VA will not buy back the loans but will pay off the loan loss and foreclosure expenses. There were no guaranteed loans sold in 2013, therefore the subsidy rate is not applicable to 2013. The subsidy rate for 2012 is 10.75 percent.

Schedule for Reconciling Loan Sale Guarantee Liability Balances		
Beginning Balance, Changes and Ending Balance	**2013**	**2012**
Beginning balance of the liability	$ 116	$ 89
Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
Default costs (net of recoveries)	-	6
Fees	-	14
Total of the above subsidy expense components	-	20
Adjustments:		
Claim payments to lenders	(29)	(29)
Interest accumulation on the liability balance	46	24
Change in reestimate approved by OMB	(20)	17
Gain on Loan Sales	-	8
Total Adjustments	(3)	20
Ending balance of the liability before reestimates	113	129
Subsidy reestimates by component		
Interest rate reestimate	30	(2)
Technical/default reestimate	23	(11)
Total of the above reestimate components	53	(13)
Ending balance of the liability	$ 166	$ 116

Program Totals

Total Loans Receivable and Related Foreclosed Property, Net as of September 30,	2013	2012
Total Direct Loans	$ 1,080	$ 1,152
Total Guaranteed Loans	1,067	844
Total Loans Receivable and Related Foreclosed Property, Net	$ 2,147	$ 1,996

Total Subsidy Expense for the years ended September 30,	2013	2012
Total Direct Loans	$ (45)	$ (18)
Total Guaranteed Loans	1,453	627
Total Loan Sales	53	7
Total Subsidy Expense	$ 1,461	$ 616

Total Liabilities for Loan Guarantees as of September 30,	2013	2012
Total Loan Guarantee Liability	$ 7,559	$ 5,445
Total Pre-1992 Loan Guarantee Liability	208	-
Total Loan Sale Guarantee Liability	166	116
Total Liabilities for Loan Guarantees	$ 7,933	$ 5,561

Administrative Expense

Administrative expense for direct and guaranteed loans for the fiscal years ended September 30, 2013, and 2012 was $151 million and $143 million, respectively.

8. Inventories and Related Property, Net

Inventories as of September 30,	2013	2012
Held for Current Sale	$ 71	$ 54
Other	-	2
Total Inventories	$ 71	$ 56

9. General Property, Plant and Equipment

General Property, Plant and Equipment
as of September 30, 2013

	Cost	Accumulated Depreciation /Amortization	Net Book Value
Land and Improvements	$ 1,158	$ (241)	$ 917
Buildings	25,834	(14,138)	11,696
Equipment	4,429	(2,393)	2,036
Other Structures and Capital Leases	3,612	(2,021)	1,591
Internal Use Software	912	(587)	325
Construction Work in Progress	5,102	-	5,102
Internal Use Software in Development	309	-	309
Total Property, Plant, and Equipment	$ 41,356	$ (19,380)	$ 21,976

General Property, Plant and Equipment
as of September 30, 2012

	Cost	Accumulated Depreciation /Amortization	Net Book Value
Land and Improvements	$ 1,006	$ (186)	$ 820
Buildings	24,129	(12,872)	11,257
Equipment	4,110	(2,181)	1,929
Other Structures and Capital Leases	3,314	(1,859)	1,455
Internal Use Software	707	(366)	341
Construction Work in Progress	4,505	-	4,505
Internal Use Software in Development	324	-	324
Total Property, Plant, and Equipment	$ 38,095	$ (17,464)	$ 20,631

Depreciation and amortization expense totaled $2.1 billion and $1.9 billion in 2013 and 2012, respectively. Loss on disposition of assets totaled $100.2 million and $101.3 million in 2013 and 2012, respectively.

10. Heritage Assets

Heritage assets are properties that possess one or more of the following characteristics: historical or natural significance; cultural; educational or aesthetic value; or significant architectural characteristics. VA has properties at medical centers, Regional Offices and National Cemeteries that meet the criteria for heritage assets. Historic heritage assets allow VA to meet its responsibilities under the National Historic Preservation Act to administer federally owned, administered, or controlled prehistoric or historic resources in a spirit of stewardship for the inspiration and benefit of present and future generations.

Generally, additions to and withdrawals of VA's heritage assets inventory result from field station condition assessment surveys, which identify items such as new collections or newly designated assets. There were no heritage assets transferred between Federal entities or acquired through donation or devise that were considered material to the consolidated financial statements for 2013 and 2012, therefore, fair value disclosure is not required for heritage assets acquired by donation or devise. VA classifies its heritage assets as: Art Collections (including artwork, archives, historic medical equipment, medals and awards, furniture, archaeological materials, and photographs); Buildings and Structures (including historic hospitals, quarters, lodges, and chapels, but excluding multi-use buildings); Monuments/Historic Flag Poles, Other Non-Structure Items (including rostrums, gates and historic walls); Archaeological Sites; and Cemeteries. According to VA’s policy for heritage assets, only developed sections of National Cemeteries are classified as heritage assets.

VA expensed $7.1 million and $7.0 million of heritage assets costs associated with acquisition, construction, renovation and/or modification of VA-owned personal property and buildings and structures when the buildings or structures are declared heritage assets for the years ended September 30, 2013 and 2012, respectively.

The significant withdrawals in 2013 resulted primarily from the reclassification of multi-use heritage assets out of heritage assets based on a review of the heritage asset inventory.

Heritage Assets in Units					
as of September 30,	**2012 Balance**	**2013 Additions**	**2013 Withdrawals**	**2013 Balance**	**(Unaudited) Condition**
Art Collections	32	-	(8)	24	A
Buildings and Structures	2,081	-	(1,477)	604	A/U
Monuments/Historic Flag Poles	1,593	-	(391)	1,202	A
Other Non-Structure Items	291	99	-	390	A
Archaeological Sites	10	-	(1)	9	A
Cemeteries	*164	-	-	*164	A
Total Heritage Assets in Units	4,171	99	(1,877)	2,393	

Explanation of Condition: A = Acceptable (No to slight deterioration); U=Unacceptable (Moderate to significant deterioration).
* This total accounts only for open, operational cemeteries, not those under development.

11. Debt

Intragovernmental Debt as of September 30, (dollars in millions)	2012 Beginning Balance	2012 Net Borrowing	2012 Ending Balance	2013 Net Borrowing	2013 Ending Balance
Loan Guaranty Debt					
Debt to the Treasury	$ 1,674	$ (837)	$ 837	$ (88)	$ 749
Debt to the Federal Financing Bank	5	-	5	-	5
Total Loan Guaranty Debt	1,679	(837)	842	(88)	754
Direct Loans Debt – Vocational Rehabilitation Program					
Debt to the Treasury	1	-	1	1	2
Debt to the Federal Financing Bank	-	-	-	-	-
Total Direct Loans Debt	1	-	1	1	2
Total Debt					
Debt to the Treasury	1,675	(837)	838	(87)	751
Debt to the Federal Financing Bank	5	-	5	-	5
Total Debt	$ 1,680	$ (837)	$ 843	$ (87)	$ 756

At September 30, 2013, and 2012, all debt is classified as intragovernmental debt. Except as noted above, VA had no debt due to any other Federal agency and all debt is covered by budgetary resources.

Loan Guaranty Program debt has a 30-year term from the date of issuance and bears interest at the Treasury securities rate at the time of borrowing. The interest rates on debt issued in 2013 ranged from 2.74 to 3.49 percent and 2.64 to 3.49 percent for debt issued in 2012. The interest rates on all outstanding debt issued ranged from 2.00 to 7.58 percent in 2013 and 1.00 to 7.58 percent in 2012. Interest expense was $40 million for 2013 and $116.2 million for 2012.

Vocational Rehabilitation Program Direct Loan debt has a 2-year term from the date of issuance and bears interest at the Treasury securities rate at the time of borrowing. The interest rates on debt issued was 1.00 percent in 2013 and 2012. The interest rate on all outstanding debt issued is 1.00 percent in 2013 and ranged from 1.00 to 1.49 percent in 2012. Interest expense was $41 thousand each year for 2013 and 2012.

Net borrowings related to the Loan Guaranty Program debt and Direct Loans Program debt do not include any amounts that result from refinancing debt.

No debt was held by the public during 2013 or 2012. There were no redemptions or calls of debts before maturity or write-offs of debt owed to the Treasury.

12. Liabilities Not Covered By Budgetary Resources

Liabilities Not Covered By Budgetary Resources as of September 30,	2013	2012
Workers' Compensation (FECA)*	$ 2,680	$ 2,463
Annual Leave	1,908	1,848
Judgment Fund	1,397	1,178
Environmental and Disposal Liabilities	823	851
Veterans Compensation and Burial	1,974,800	1,761,600
Insurance	1,352	1,293
Amounts due to Non-Federal Trust	141	148
Total	$ 1,983,101	$ 1,769,381

* The actuarial estimate for workers' compensation provided by DOL was computed using an interest rate of 3.13 percent for wage benefits and 2.86 percent for medical benefits to discount the projected annual benefit payments as of September 30, 2013 and 3.14 percent for wage and medical benefits to discount the projected annual benefit payments as of September 30, 2012.

Liabilities not covered by budgetary resources are liabilities for which Congressional action is needed before budgetary resources can be provided.

Total Unfunded Liabilities include Workers' Compensation (FECA) which is comprised of the actuarial Workers' Compensation (FECA) Liability, Accrued FECA Liability for DOL funded costs not yet appropriated and Unfunded Employee Liability. The Accrued FECA Liability and Unfunded Employee Liability are Intragovernmental Liabilities totaling $460 million and $449 million at September 30, 2013, and 2012, respectively.

13. Federal Employee and Veterans Benefits Liabilities

Federal Employee Benefits

VA is the employer entity that generates employee costs to be funded, not the administrative entity responsible for managing and accounting for VA employees' retirement, health insurance and life insurance benefit plans. As a result, VA recognizes the benefit costs for the reporting period in its financial statements in an amount equal to the service cost for its employees based on the benefit plan's actuarial cost method and assumptions applied to VA and provided by the administrative entity, OPM. The offset to the expense is an increase to an intragovernmental imputed financing source entitled, Imputed Financing under Other Financing Sources (Nonexchange) in the Consolidated Statement of Changes in Net Position, representing the amount being financed directly through the benefit plan's administrative entity. The table below summarizes the imputed expenses reported by VA for its employees' benefit plans.

Federal Employee Benefits: Imputed Expenses-Employee Benefits		
Years ended September 30,		
	2013	2012
Civil Service Retirement System	$ 527	$ 312
Federal Employees Health Benefits	1,267	1,385
Federal Employees Group Life Insurance	4	3
Total Imputed Expenses-Employee Benefits*	$ 1,798	$ 1,700

*The total imputed expenses in the table above, when combined with the Imputed Financing – Paid by Other Entities reported in the table reconciliation of judgment fund operating expense in Note 18 reconciles to Imputed Financing Costs reported in the Consolidated Statement of Changes in Net Position.

Veterans Benefits

Certain Veterans, who die or are disabled from military service-related causes as well as their dependents, receive compensation benefits. Also, Veterans are provided with burial flags, headstones/markers, and grave liners for burial in a VA national cemetery or are provided a burial flag, headstone/marker and a plot allowance for burial in a private cemetery. These benefits are provided under Title 38, Part 2, Chapter 23 in recognition of a Veteran's military service and are recorded as a liability on the balance sheet in the period the requirements are met.

Federal Employee and Veterans Benefits Liabilities		
as of September 30,		
	2013	2012
Workers' Compensation (FECA)	$ 2,220	$ 2,014
Compensation	1,970,200	1,757,100
Burial	4,600	4,500
Total Federal Employee and Veterans Benefits Liabilities	$ 1,977,020	$ 1,763,614

VA provides certain Veterans and/or their dependents with pension benefits if the Veteran died or was disabled from nonservice-related causes, based on annual eligibility reviews. The actuarial present value of the future liability for pension benefits is a nonexchange transaction and is not required to be recorded on the balance sheet. The projected amount of future payments for pension benefits (presented for informational purposes only) as of September 30, 2013 and 2012 was $97.5 billion and $92.8 billion, respectively.

Assumptions Used to Calculate the Veterans Benefits Liability

Several significant actuarial assumptions were used in the valuation of compensation 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 program; and (3) a proportional share of those in active military service as of the valuation date who will become Veterans in the future. Future benefits payments to survivors of those Veterans in classes (1), (2), and (3) above are also incorporated into the projection. The projected liability does not include any administrative costs. Actual administrative costs incurred annually are included in the Veterans Benefits Administration's Net Program Costs shown in the accompanying Statements of Net Cost.

The liability for future compensation and burial payments is reported on VA's balance sheet at the present value of expected future payments, and is developed on an actuarial basis. Discount rates at September 30, 2013 and 2012 were based on spot rates derived from the 10-year average historical interest rate yield curve on Treasury securities at September 30 of each year for the period 2004 to 2013 and 2003 to 2012 for September 30, 2013 and 2012, respectively. The spot rates derived from the 10-year average historical interest rate yield curve on Treasury securities for each year of expected future payments range from 1.81 percent to 4.35 percent and from 1.92 percent to 4.48 percent as of September 30, 2013 and 2012, respectively. These spot rates produced a single weighted average discount rate of 4.20 percent and 4.31 percent as of September 30, 2013 and 2012, respectively that could be applied to the expected future cash flows to produce a present value that is not materially different than the present value using multiple rates.

All calculations were performed separately by age for the Compensation and Burial programs.

The Veterans benefit liability is impacted by interest on the liability balance, changes in experience, changes in actuarial assumptions, prior service costs and amounts paid for costs included in the liability balance. Interest on the liability balance is based on the prior year liability balance multiplied by the single weighted average discount rate used to compute the Veterans benefit liability balance for the prior year. Changes in experience include the number of Veterans and dependents receiving payments, changes in degree of disability connected with military service, changes in the number of presumptive conditions, the on-going incidence rate and the prevalence of the presumptive conditions in the Veteran population and the impact of those changes on future years. Changes in actuarial assumptions include changes in the spot rates derived from the 10-year average historical interest rate yield curve on Treasury securities, cost of living adjustments, presumptive service conditions resulting in benefits coverage, mortality and disability claims rates and backlog of Veterans' claims to be processed. Prior service costs relate to new benefits due to administrative, judicial or legislative changes.

The total number of Veterans, estimated future military separations and total number of beneficiary participants are determined through actual record level data and projected American Community Survey data. The amount of benefits by beneficiary category and age were based on current amounts being paid, future cost of living adjustments (COLA), change in degree of disability connected with military service and revised factors based on current year actual data related to the incidence and prevalence of presumptive service conditions in existence in the Veteran population at September 30, 2013, and 2012, respectively, resulting in benefits coverage to determine the average benefits per Veteran for each future time period, and changes in other factors that affect benefits. The average COLA rate used for all future years at September 30, 2013 and 2012 was 2.57 percent and 2.61 percent, respectively. COLA rates for future years are modeled to be consistent with the discount rate assumption described above.

Life expectancies of beneficiaries collecting benefits from the Compensation program were based upon studies of mortality experience of those beneficiaries between 2002 and 2008. Life expectancies of Veterans not yet collecting these benefits used in the calculation of the liability for future beneficiaries are based on mortality derived from the 2006 U.S. Life Table. Applying mortality improvements at a rate that varies by age of between 0.85 and 1.00 percent per annum brought both sets of mortality rates forward. In addition, rates of benefit termination of beneficiaries due to reasons other than mortality are also reflected. Expected benefit payments have been explicitly modeled for the next 100 years. The Compensation projection only reflects benefits associated with military service through September 30, 2013.

The calculation and presentation of the components of the Reconciliation of Veterans Compensation and Burial Actuarial Liabilities shown in the table below were modified in 2012 to more closely align VA's presentation of Veterans Benefits Liabilities with other agencies of the Federal Government for improved consistency in government-wide reporting of other post-employment benefits (OPEB). VA has a unique program that is not a defined benefit plan and has no plan assets set aside to fund future costs. VA funds the current year costs of Veterans service related disability compensation and burial costs through its annual appropriations that are recognized in Program Costs under Veterans Benefits Administration in the Statements of Net Cost and in Amounts Paid in the Reconciliation of Veterans Compensation and Burial Actuarial Liabilities table that follows below. The Statements of Net Cost were modified to reflect the revised components, Veterans Benefits Actuarial Cost, Excluding Changes in Actuarial Assumptions and Changes in Actuarial Liability Assumptions; however, the Net Cost of Operations did not change and the change in presentation had no other impact on net position, or budgetary resources in the consolidated or combined financial statements.

The reconciliation table that follows the narrative below shows that total cost for 2013 of $277.9 billion decreased $2.9 billion over 2012 expense of $280.8 billion. The decrease was primarily attributable to: significantly lower increases in disability claim rate assumptions which include expanded presumptive conditions related to Agent Orange for ischemic heart disease, leukemia and Parkinson's disease in 2013 compared to the 2012 forecast model; and a decrease in the single weighted average discount rate to 4.20 percent in 2013 from 4.31 percent in 2012 resulted in a lower increase in costs associated with the reported liability compared to a decrease in the single weighted average discount rate to 4.31 percent in 2012 from 4.53 percent in 2011 which resulted in a larger increase in the 2012 liability.

The decrease in costs above were partially offset by cost increases primarily attributable to: increased change in experience costs related to increased Veterans counts and claims costs compared to the 2012 forecast model projected amounts; and the COLA rate declined to 2.57 percent in 2013 from 2.61 percent in 2012 and 2.78 in 2011, which was consistent with the decline in the discount rate, and resulted in a smaller decline in the liability in 2013 compared to 2012.

In addition, there were: increases in other assumed costs associated with new and updated sources of data for pension claims rates, age distribution of Veterans and beneficiaries and Veteran specific identification data for those that are 62 years old or younger to project the future liability; and increased prior service costs related to the impact of the Supreme Court of the United States' decision on the Defense of Marriage Act (DOMA) in 2013 and Public Law 112-154, Section 506, which provided authority for retroactive effective dates for awards of disability compensation in connection with applications that were fully-developed at submittal date in 2012.

The resulting increase in the Veterans Compensation and Burial Actuarial Liabilities shown in the table which follows was reduced by increased benefit payments made by VA to the Veterans during 2013 compared to 2012.

The lower increase in disability claims rates for 2013 compared to 2012 is based on actual claims experience in 2013 used to update assumptions for processing the current claims backlog on an accelerated basis through 2015. Based on 2013 actual experience, the backlog information included in the 2012 forecast model for expected future cash payments related to processing claims through 2015 was revised upward to meet the 2015 target completion date. Backlog processing of claims includes the expanded presumptive conditions related to Agent Orange for ischemic heart disease, leukemia and Parkinson's disease.

Reconciliation of Veterans Compensation and Burial Actuarial Liabilities
For the Year Ended September 30,

	Compensation	Burial	TOTAL
Liability at October 1, 2011	**$ 1,529,200**	**$ 4,500**	**$ $1,533,700**
Expense:			
Interest on the Liability Balance*	69,300	200	69,500
Actuarial (Gain)/Loss from Current Year Activity			
Changes in Experience (Veterans Counts, Status)*	61,700	(100)	61,600
Changes in Assumptions:			
Changes in Discount Rate Assumption	66,100	200	66,300
Changes in COLA Rate Assumption	(40,300)	(100)	(40,400)
Changes in Disability Claims Rates	123,400	-	123,400
Net (Gain)/Loss from Changes in Assumptions	149,200	100	149,300
Prior Service Costs (Adjustment to Benefits)*	400	-	400
Total Expense	280,600	200	280,800
Less Amounts Paid*	(52,700)	(200)	(52,900)
Net Change in Actuarial Liability	227,900	-	227,900
Liability at September 30, 2012	**1,757,100**	**4,500**	**1,761,600**
Expense:			
Interest on the Liability Balance**	75,700	200	75,900
Actuarial (Gain)/Loss from Current Year Activity			
Changes in Experience (Veterans Counts, Status)**	86,800	(100)	86,700
Changes in Assumptions:			
Changes in Discount Rate Assumption	39,600	100	39,700
Changes in COLA Rate Assumption	(11,800)	-	(11,800)
Changes in Disability Claims Rates	70,400	-	70,400
Changes in Other Assumptions	15,700	100	15,800
Net (Gain)/Loss from Changes in Assumptions	113,900	200	114,100
Prior Service Costs (Adjustment to Benefits)**	1,200	-	1,200
Total Expense	277,600	300	277,900
Less Amounts Paid**	(64,500)	(200)	(64,700)
Net Change in Actuarial Liability	213,100	100	213,200
Liability at September 30, 2013	**$ 1,970,200**	**$ 4,600**	**$ 1,974,800**

* The sum of these changes represents Veterans Benefits Actuarial Cost, Excluding Changes in Actuarial Assumptions on the Statement of Net Cost for 2012.
** The sum of these changes represents Veterans Benefits Actuarial Cost, Excluding Changes in Actuarial Assumptions on the Statement of Net Cost for 2013.

14. Environmental and Disposal Liabilities

VA had unfunded environmental and disposal liabilities in the amount of $823 million and $851 million as of September 30, 2013 and 2012, 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.

It is at least reasonably possible that the estimated liabilities will change, possibly materially, as a result of changes in applicable laws and regulations, technology; future location requirements or plans; budgetary resources; and changes in future economic conditions, including inflation and deflation.

Technical Bulletin (TB) 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, as amended by TB 2011-2, was issued on September 28, 2006, and was adopted for the year ended September 30, 2013. TB 2006-1 requires all Federal entities that own tangible property, plant, and equipment that contain asbestos to disclose liabilities related to friable and nonfriable asbestos cleanup costs deemed probable, but not reasonably estimable consistent with SFFAS 5, SFFAS 6, and Technical Releases No. 2, No. 10 and No. 11. Adoption of the standard had no material impact on VA's consolidated and combined financial statements.

15. Other Liabilities

Other liabilities are liabilities not reported elsewhere in the Consolidated Balance Sheets. 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,

	2013	2012
Deposit and Clearing Account Liabilities	$ 681	$ 315
Accrued Expenses - Federal	16	6
Deferred Revenue	17	15
Resources Payable to Treasury	-	189
Custodial Liabilities	71	69
Credit Reform Act Subsidy Reestimates*	21	192
Accrued VA Contributions for Employee Benefits	148	117
Total Other Intragovernmental Funded Liabilities	$ 954	$ 903

* The subsidy amount for each guaranteed loan is reestimated annually to ensure amounts reflect the actual losses on guaranteed loans. Based on the reestimated amounts, additional subsidy funds are provided for or excess funds are returned to Treasury.

Other Intragovernmental Unfunded Liabilities

as of September 30,

	2013	2012
Accrued FECA Liability	$ 453	$ 441
Unfunded Employee Liability	7	8
Total Other Intragovernmental Unfunded Liabilities	$ 460	$ 449
Total Other Intragovernmental Liabilities	$ 1,414	$ 1,352

Other Public Funded Liabilities

as of September 30,

	2013	2012
Accrued Funded Annual Leave	$ 20	$ 19
Accrued Expenses	68	153
Accrued Salaries and Benefits	609	490
Capital Lease Liability	8	10
Other	109	90
Total Other Public Funded Liabilities	$ 814	$ 762

Other Public Unfunded Liabilities

as of September 30,

	2013	2012
Accrued Unfunded Annual Leave*	$ 1,908	$ 1,848
Amounts due to non-Federal trust	141	148
Judgment Fund-Unfunded**	1,397	1,178
Total Other Public Unfunded Liabilities	$ 3,446	$ 3,174
Total Other Public Liabilities	$ 4,260	$ 3,936

* Annual leave is accrued when earned and is adjusted at the end of each reporting period to reflect current pay rates of cumulative leave earned but not taken. Sick and other types of leave are expensed as taken.

** The Judgment Fund liability amount represents the estimate for future payments on legal cases that will be paid by the Treasury Judgment Fund on behalf of VA (see Note 18, Contingencies).

16. Leases

VA has both capital and operating leases. The net capital lease liability was $8 million and $10 million as of September 30, 2013, and 2012, respectively. Capital leases consist primarily of information and computer technology, medical equipment, office equipment and real property. The capital lease liabilities are classified in Other Public Funded Liabilities in Note 15 since capital leases entered into after 1991 are required to be fully funded by budgetary resources in the first year of the lease.

The following is an analysis of the leased property under capital leases by major classes that is included in G-PP&E as disclosed in Note 9 (in millions of dollars):

Capital Lease Assets as of September 30, 2013	Cost	Accumulated Amortization	Net Book Value
Real Property	$ 17.7	$ (15.4)	$ 2.3
Equipment	40.2	(29.0)	11.2
Leased Property Under Capital Lease	$ 57.9	$ (44.4)	$ 13.5
Amortization Expense		$ 3.8	

Capital Lease Assets as of September 30, 2012	Cost	Accumulated Amortization	Net Book Value
Real Property	$ 17.7	$ (14.8)	$ 2.9
Equipment	44.3	(30.0)	14.3
Leased Property Under Capital Lease	$ 62.0	$ (44.8)	$ 17.2
Amortization Expense		$ 4.4	

Operating leases consist of equipment and real property leases that are funded annually and expensed as incurred. Operating equipment leases generally consist of medical and office equipment with terms of five years or less and level payments over the lease term. Operating real property leases generally consist of Veterans medical facilities and clinics, regional and district benefits offices and administrative facilities that enable VA to fulfill its mission to care for and provide benefits to Veterans.

For the year ended September 30, 2013, VA had 1,876 leases in effect consisting of approximately 21.7 million square feet and base annual minimum rental obligations of approximately $574 million. Of the operating real property leases, VHA accounts for 85.6 percent, VBA accounts for 11.0 percent, Indirect Administrative Program offices account for 3.3 percent and NCA accounts for the balance. These real property leases generally have lease terms ranging from one year to twenty years and all operating leases are funded annually by appropriation of funds by Congress. Approximately 73 percent of the real property leases have an initial lease term of five years or less; approximately 21 percent have initial lease terms of six to ten years; approximately 3 percent have initial lease terms of eleven to fifteen years; and approximately 3 percent have initial lease terms of sixteen to twenty years. Certain leases contain renewal, termination and cancelation options.

Approximately 86 percent of VA leases are executed directly with third party commercial property owners (third party direct leases) with the balance of the leases executed by General Services Administration (GSA) on behalf of VA. GSA charges rental rates for space that approximates commercial rental rates for similar properties. The terms of occupancy agreements (OAs) with GSA will vary according to whether the underlying assets are owned directly by the Federal Government or rented by GSA from third party commercial property owners. VA executes cancelable and non-cancelable OAs with GSA. GSA OAs can be cancelable with varying periods of notice required (generally four to six months) and for OAs executed after October 2011, varying periods of occupancy are also required (generally one year). GSA OAs that are cancelled require a payment of all unamortized tenant improvements and rent concessions not yet earned. GSA OAs may also be non-cancelable, where VA would be financially responsible for rent payments on vacated space until the expiration of the OA, the termination of the OA permitted under the lease terms, or the occupancy by a replacement tenant covers the total rent obligation of VA. However, VA normally occupies the leased properties for an extended period of time without exercising cancelation or termination clauses in the leases.

Annual base rent for operating real property leases is generally flat over the lease term; however, certain GSA OAs and third party direct leases contain rent abatement and rent escalation clauses. For certain GSA OAs, the base rent is set for periods up to but not beyond 5 years. For certain GSA OAs with occupancy terms in excess of 5 years or that incur capitalized building improvement or replacement costs, the base rental rate will be reassessed every 5 years to reflect current market rental rates and additional real property investments. The GSA OAs and third party direct leases also require VA to reimburse increases in common area maintenance costs and operating costs over base year amounts annually based on increases in the Consumer Price Index (CPI), reimburse increases in real estate taxes over a base year amount at least annually and, in certain cases, VA may pay the common area maintenance costs, operating costs and real estate taxes directly.

Future commitments for real property and equipment operating leases are based on leases in effect as of September 30, 2013. VA normally occupies leased real property for the entire initial lease term without exercising cancelation and termination options. As a result, the operating lease commitment table that follows includes real property leases over the noncancelable initial lease term. Real property lease data is maintained in a centralized database and does not capture future fixed rent increases which are considered immaterial to the financial statements taken as a whole and are therefore excluded from the operating lease commitment table that follows.

Due to the number of equipment operating leases and the decentralization of equipment lease records, the future commitments for equipment leases have been estimated using the expense from 2013 in lieu of actual lease terms being reflected for the 5-year period in the disclosure table below. VA does not believe this disclosure method produces information that is materially different than using actual equipment lease terms.

VA's 2013 operating lease rental costs were $634 million for real property rentals and $167 million for equipment rentals. The 2012 operating lease costs were $608 million for real property rentals and $146 million for equipment rentals.

Excluded from the following table are leases of properties that have expired as of September 30, 2013 and prior, but are still occupied by VA. On occasion, VA will retain occupancy of properties once the full term of the lease has expired and continue to remit rent on a monthly basis in accordance with the holdover provisions of the expired lease agreement. These commitments are excluded from the 5-year lease commitment table pending a long-term lease renewal contract or the vacancy of the space by VA. The rent expense associated with holdover leases is reflected in the 2013 expense in the statements of net costs. The following table represents VA's projected future operating lease commitments (in millions of dollars):

Projected Future Operating Lease Commitments

Years Ending September 30,	GSA OAs	Third Party Direct Leases	Total Real Property	Equipment
2014	$ 148	$ 335	$ 483	$ 167
2015	129	268	397	167
2016	115	233	348	167
2017	107	203	310	167
2018	93	178	271	167
2019 and Thereafter (in total)	329	1,114	1,443	-
Total Future Lease Payments	$ 921	$ 2,331	$ 3,252	$ 835

VA is a lessor of certain underutilized real estate properties within the Department under its enhanced-use lease (EUL) program authorized by Congress. Title 38, U.S.C. 8161-8169, Enhanced-Use Leases of Real Property, authorizes VA to lease real property under VA's control or jurisdiction to other public and private entities on a long-term basis (up to 75 years) only for the provision of supportive housing, in return for cash consideration or no consideration. VA's previous EUL authority expired on Dec. 31, 2011 and was reauthorized under Public Law 112-154 Section 211, limited to supportive housing. The previous authority under which all of the currently operational leases were executed allowed VA to enter into EULs for receipt of rental income or in-kind consideration (such as cost avoidance, cost savings, and enhanced services benefitting Veterans) as all or part of the consideration for the lease to further its mission to effectively serve Veterans and was not limited to supportive housing.

The leases related to the EUL and NCA's leasing of excess land and buildings at cemeteries are more fully described in Note 20 under the caption, Public Exchange Transactions. The EUL program consists of 53 operational leases of land and/or buildings to the public and private sector, including the Non-Federal Trusts discussed in Note 1. The rental income recognized from the EUL program and the NCA leasing program for the years ended September 30, 2013 and 2012, respectively, are immaterial to the financial statements. VA believes that the future rental income to be recognized over the next 5 years from the EUL program and NCA leasing program described above will continue to be immaterial; therefore, the table of future minimum rental income commitments is not presented.

17. Insurance Programs

Through VA, the Government administers six life insurance programs: the United States Government Life Insurance (USGLI) program, the National Service Life Insurance (NSLI) program, the Veterans Special Life Insurance (VSLI) program, and the Veterans Reopened Insurance (VRI) program, which cover Veterans who served during World War I, World War II, and the Korean Conflict eras, and also the Service-Disabled Veterans Insurance (S-DVI) program and the Veterans Mortgage Life Insurance (VMLI) program, which cover severely disabled Veterans and are open to new issues. VMLI is part of the Veterans Insurance & Indemnities (VI&I) fund.

In addition, VA supervises the Servicemembers Group Life Insurance (SGLI) and the Veterans Group Life Insurance (VGLI) programs, which provide coverage to members of the uniformed armed services, reservists, and post-Vietnam Veterans and their families. All SGLI insureds are automatically covered under the Traumatic Injury Protection (TSGLI) program, which provides for insurance payments to members who suffer a serious traumatic injury in service. VA has entered into a group policy with the Prudential Insurance Company of America to administer these programs.

Premiums for the SGLI and VGLI programs are set by mutual agreement between VA and Prudential. SGLI premiums for active duty personnel and their spouses are deducted from the Servicemember's pay by the Armed Services components through the DoD. DoD, through the Defense Finance and Accounting Service (DFAS), remits collected premiums to VA, which are then transmitted to Prudential. Prudential records the premiums and maintains investments in their accounting records separate and independent from the VA reporting entity. VA monitors Prudential's insurance reserve balances to determine their adequacy and may increase or decrease the amounts retained by Prudential for contingency purposes. The reserves for the contingent liabilities are recorded in Prudential's accounting records and are not reflected in the VA reporting entity because the risk of loss on these programs is assumed by Prudential and its reinsurers through the terms and conditions of the group policy. Prudential administers the TSGLI program under an Administrative Services Only agreement with VA. Under the law, DoD pays for any claim costs for this program in excess of premiums collected.

The Secretary of VA determines the claim costs that are traceable to the extra hazards of duty in the uniformed services, on the basis of the excess mortality incurred by members and former members of the uniformed armed services insured under SGLI, above what their mortality would have been under peacetime conditions. The costs so identified by the Secretary are paid by the uniformed services, not from the Servicemembers' premiums, as are all other programs costs.

The insurance reserves for the administered programs are reported as liabilities covered by budgetary resources, while part of the S-DVI and VI&I reserves are reported as liabilities not covered by budgetary resources. Reserves for SGLI and VGLI are maintained in Prudential's financial records since the risk of loss is assumed by Prudential and its reinsurers. United States Code, Title 38, requires that the Life Insurance programs invest in Treasury securities.

Actuarial reserve liabilities for the administered life insurance programs are based on the mortality and interest assumptions that vary by fund, type of policy, and type of benefit. The interest assumptions range from 2.25 to 5 percent. The mortality assumptions include the American Experience Table, the

1941 Commissioners Standard Ordinary (CSO) Table, the 1958 CSO Basic Table, the 1980 CSO Basic Table, the 2001 CSO Table and the 2001 Valuation Basic Male (VBM) Table.

Insurance Liability (Reserve) Balances

as of September 30, 2013

Program	Insurance Death Benefits	Death Benefit Annuities	Disability Income & Waiver	Reserve Totals
NSLI	$ 5,050	$ 65	$ 34	$ 5,149
USGLI	3	2	-	5
VSLI	1,452	6	11	1,469
S-DVI	541	6	741	1,288
VRI	179	1	2	182
VI&I	200	-	-	200
Subtotal	$ 7,425	$ 80	$ 788	$ 8,293
Unearned Premiums				54
Insurance Dividends Left on Deposit and Related Interest Payable				1,438
Dividends Payable to Policyholders				68
Unpaid Policy Claims				1
Insurance Liabilities reported on the Consolidated Balance Sheet				9,854
Less Liability not Covered by Budgetary Resources				(1,352)
Liability Covered by Budgetary Resources				$ 8,502

as of September 30, 2012

Program	Insurance Death Benefits	Death Benefit Annuities	Disability Income & Waiver	Reserve Totals
NSLI	$ 5,661	$ 75	$ 41	$ 5,777
USGLI	5	2	-	7
VSLI	1,497	6	13	1,516
S-DVI	510	6	693	1,209
VRI	203	1	2	206
VI&I	201	-	-	201
Subtotal	$ 8,077	$ 90	$ 749	$ 8,916
Unearned Premiums				59
Insurance Dividends Left on Deposit and Related Interest Payable				1,521
Dividends Payable to Policyholders				84
Unpaid Policy Claims				1
Insurance Liabilities reported on the Consolidated Balance Sheet				10,581
Less Liability not Covered by Budgetary Resources				(1,293)
Liability Covered by Budgetary Resources				$ 9,288

Insurance In-Force

The amount of insurance in-force is the total face amount of life insurance coverage provided by each administered and supervised program as of the end of the fiscal year. It includes any paid-up additional coverage provided under these policies. The supervised programs' policies and face value are not reflected in the VA reporting entity because the risk of loss on these programs is assumed by Prudential and its reinsurers through the terms and conditions of the group policy. As a result, the information provided below under the Supervised Programs is for informational purposes only and is unaudited. Prudential and its reinsurers provided coverage to 5,894,490 and 6,009,819 policy holders with a face value of $1.3 trillion and $1.3 trillion for the years ended September 30, 2013, and 2012, respectively. The face value of the insurance provided by Prudential and its reinsurers represents 99 percent and 99 percent of the total insurance in-force as of September 30, 2013, and 2012, respectively. The number of policies represents the number of active policies remaining in the program as of the end of each fiscal year.

	2013 Policies	2012 Policies	2013 Face Value	2012 Face Value
Supervised Programs (UNAUDITED)				
SGLI Active Duty	1,504,000	1,525,000	$ 582,115	$ 588,489
SGLI Ready Reservists	761,500	771,500	261,262	268,153
SGLI Post Separation	100,000	93,000	37,431	34,812
SGLI Family - Spouse	1,055,000	1,095,000	104,071	108,012
SGLI Family - Children	2,048,000	2,098,000	20,480	20,980
TSGLI*	-	-	226,550	229,650
VGLI	425,990	427,319	64,418	62,700
Total Supervised	5,894,490	6,009,819	$ 1,296,327	$ 1,312,796
Administered Programs				
NSLI	509,337	586,450	$ 6,297	$ 7,174
VSLI	140,336	149,947	1,955	2,055
S-DVI	251,497	241,224	2,620	2,499
VRI	20,568	23,983	216	249
USGLI	1,572	2,165	4	6
VMLI	2,419	2,466	295	299
Total Administered	925,729	1,006,235	$ 11,387	$ 12,282
Total Supervised and Administered Programs	6,820,219	7,016,054	$ 1,307,714	$ 1,325,078

*TSGLI coverage is a rider attached to SGLI coverage, so policies under SGLI also have TSGLI.

Policy Dividends

The Secretary of VA determines annually the excess funds available for dividend payment. Policy dividends for 2013 and 2012 were $152 million and $189 million, respectively.

18. Commitments and Contingencies

VA is a party in various administrative proceedings, legal actions, and tort claims arising from various sources including: disputes with contractors, challenges to compensation and education award decisions, loan guaranty indemnity debt cases, and allegations of medical malpractice. Certain legal matters to which VA may be a named party are administered by and, in some instances, litigated by, the Department of Justice. Generally, amounts (more than $2.5 thousand for Federal Tort Claims Act cases) to be paid under any decision, settlement, or award are funded from the Judgment Fund, which is maintained by Treasury. Medical malpractice cases comprised 48 percent and 90 percent of the amounts funded on behalf of VA by the Judgment Fund in 2013 and 2012, respectively. Contract dispute payments for 2013 and 2012 were $0.5 million and $4.3 million, respectively. The discrimination case payments for 2013 and 2012 were $1.4 million and $0.9 million, respectively. VA uses various 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, 2013, and 2012.

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 and the actuarial projection of potential legal claims determined to be probable, whether reimbursement is required or not. This liability was $1.40 billion for 2013 and $1.18 billion for 2012.

There were 28 contract and personnel law cases, where there was at least a reasonable possibility that a loss may occur, with financial exposure ranging from $279 million to $2.8 billion in aggregate for 2013. Within that range, $78 million is considered probable and is recorded as a liability. In 2012, the total quantifiable exposure was $203 million, from 13 cases, of which $28 million was probable and recorded as a liability.

The principal reason for the increase in the estimate of financial exposure during 2013 relates to two claims, for which ranges of liability last year were not subject to disclosure in the first case, and were not able to be estimated at that time in the second case.

- The first claim was previously considered remote and, accordingly, no disclosure of financial exposure was required. The likelihood of an unfavorable outcome is now considered reasonably possible, but the range of potential liability at this stage of the litigation is still broad, as a result, the estimates of any unfavorable outcome cannot rule out the upper range of liability. The litigation in this case is currently being handled by the US Department of Justice.
- The second claim likewise has a wide range of potential liability, the professional estimate of which cannot be narrowed with any degree of confidence at this stage. The litigation in this case is being handled by the Department of Justice.

VA is also required to record an operating expense and imputed financing source for the Judgment Fund's pending claims and settlements. The Judgment Fund accounting is shown below:

Judgment Fund

For the Years Ended September 30,

		2013		2012
Fiscal Year Settlement Payments	$	175	$	100
Less Contract Dispute and “No Fear” Payments		(2)		(5)
Imputed Financing-Paid by Other Entities*		173		95
Increase (Decrease) in Liability for Claims		217		207
Operating Expense	$	390	$	302

*The Imputed Financing-Paid by Other Entities in the table above, when combined with the Total Imputed Expenses – Employee Benefits reported in Note 13 reconciles to total Imputed Financing costs reported in the Consolidated Statement of Changes in Net Position.

It is the opinion of VA's management that resolution of pending legal actions as of September 30, 2013, will not materially affect VA's operations or financial position when consideration is given to the availability of the Judgment Fund appropriation to pay some court-settled legal cases. The 2013 tort payments were $173 million and 2012 tort payments were $95 million.

Any payments due that may arise relating to cancelled appropriations will be paid out of the current year’s appropriations in accordance with the provisions of the Expired Funds Control Act of 1990. The amount of unobligated and obligated authority relating to appropriations cancelled on September 30, 2013 and 2012 was $298.3 million and $329.4 million, respectively.

VA provides medical care to Veterans on an “as available” basis, subject to the limits of the annual appropriations. In accordance with 38 CFR 17.36 (c), VA’s Secretary makes an annual enrollment decision that identifies which Veterans, by priority, will be treated for that fiscal year subject to change based on funds appropriated, estimated collections, usage, the severity index of enrolled Veterans, and changes in cost. While VA expects to continue to provide medical care to Veterans in future years, an estimate of this amount cannot be reasonably made. Accordingly, VA recognizes the medical care expenses in the period the medical care services are provided. For 2009-2013, the average medical care cost per year was $39 billion.

19. Funds from Dedicated Collections

SFFAS 43, *Funds from Dedicated Collections: Amending SFFAS 27, Identifying and Reporting Earmarked Funds*, defines funds from dedicated collections as an individual fund with explicit authority to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and to account for and report on the receipt, use, and retention of the revenues and/or other financing sources that distinguishes the fund from the federal government’s general revenues. The fund’s sources of revenue and other financing sources are non-federal sources that are material to the VA and require disclosure of all funds from dedicated collections for which VA has program management responsibility. The U.S. Treasury does not set aside assets to pay future expenditures associated with funds from dedicated collections. VA’s funds from dedicated collections 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 discussed in Note 1 and presented in Note 5) are assets of funds from dedicated collections that are issued as evidence of specific dedicated receipts from fund activities by the fund and provide the fund the authority to draw upon the Treasury for future authorized expenditures related to the fund's specific purpose. The investments (Treasury Securities) are not general fund assets of the Federal Government, since their use is restricted to the funds' purpose, and are not non-entity assets. When the fund redeems its Treasury Securities to make expenditures, the Treasury will finance those expenditures in the same manner that it finances all other expenditures.

VA's Funds from Dedicated Collections are as follows and the classification of each fund into the grouping of Insurance, Medical Care, Benefits and Burial as shown in the condensed financial statements that follow is designated in the "Purpose of Fund" column below:

Dedicated Collections Fund Name	Treasury Symbol	Authority	Purpose of Fund	Financing Sources
Servicemen's Group Life Insurance	36x4009	38 U.S.C 1965	In surance-Provided insurance to active duty, ready reservists, retired reservists and cadets attending service acedies and ROTC	Public, Veterans
Veterans Reopened Insurance Fund	36x4010	38 U.S.C. 1925	Insurance - Provides insurance to World War II and Korea Veterans.	Public, Veterans.
Service-Disabled Veterans Insurance Fund	36x4012	38 U.S.C. 1922	Insurance - Provides insurance to Veterans with service-connected disabilities.	Public, Veterans.
National Service Life Insurance Fund	36x8132	38 U.S.C. 720	Insurance - Premiums insure WWII Veterans.	Public, Veterans.
U.S. Government Life Insurance	36x8150	38 U.S.C. 755	Insurance - Premiums insure WWI Veterans.	Public, Veterans.
Veterans Special Life Insurance Fund	36x8455	38 U.S.C. 723 101-228	Insurance - Premiums insure Korean conflict Veterans.	Public, Veterans.
Canteen Service Revolving Fund	36x4014	38 U.S.C. 78	Medical Care -Operates the canteen services at hospitals.	Revenue from sales.
Medical Care Collections Fund	36x5287	P.L. 105-33 111 Stat 665	Medical Care - Third-party and patient co-payments for medical services.	Public, primarily insurance carriers.
Enhanced-Use Lease Trusts	N/A	38 U.S.C 8162	Medical Care - Lease underutilized VA property.	Public.
General Post Fund, National Homes	36x8180	38 U.S.C. 101-228	Medical Care - Donations for patient benefits.	Public, mostly Veterans.
Post-Vietnam Era Education Assistance Program	36x8133	38 U.S.C. 1622	Benefits - Subsidizes the cost of education to Veterans.	Veterans, DoD.
Cemetery Gift Fund	36x8129	38 U.S.C. 1007	Burial - Donations for Veterans cemeteries.	Public donors.
National Cemetery Administration Facilities Operation Fund	36x5392	P.L. 108-454	Burial - Proceeds benefit land and buildings.	Proceeds from leases.

The following tables provide consolidated condensed information on assets, liabilities, fund balances, net costs, and changes in fund balances related to Cumulative Results of Operations – Funds from Dedicated Collections in the Consolidated Statements of Changes in Net Position:

Balance Sheet – Funds from Dedicated Collections as of September 30, 2013	**Insurance**	**Medical Care**	**Benefits**	**Burial**	**Funds from Dedicated Collections**
Assets:					
Fund Balance with Treasury	$ 85	$ 298	$ 64	$ 1	$ 448
Investments with Treasury (Note 5)	8,476	88	-	-	8,564
Other Assets	425	1,486	-	4	1,915
Total Assets	$ 8,986	$ 1,872	$ 64	$ 5	$ 10,927
Liabilities and Net Position:					
Payables to Beneficiaries	$ 211	$ 63	$ 1	$ -	$ 275
Other Liabilities	9,652	157	-	-	9,809
Total Liabilities	9,863	220	1	-	10,084
Unexpended Appropriations	-	-	-	-	-
Cumulative Results of Operations	(877)	1,652	63	5	843
Total Liabilities and Net Position	$ 8,986	$ 1,872	$ 64	$ 5	$ 10,927

Statement of Net Cost – Funds from Dedicated Collections for the Year Ended September 30, 2013					
Gross Program Costs	$ 862	$ 479	$ 1	$ -	$ 1,342
Less Earned Revenues	732	3,487	-	-	4,219
Net Program Costs	130	(3,008)	1	-	(2,877)
Costs Not Attributable to Program Costs	-	-	-	-	-
Net Cost/(Benefit) of Operations	$ 130	$ (3,008)	$ 1	$ -	$ (2,877)

Statement of Changes in Net Position – Funds from Dedicated Collections for the Year Ended September 30, 2013					
Net Position Beginning of Period	$ (826)	$ 1,502	$ 64	$ 5	$ 745
Budgetary and Other Financing Sources	79	(2,858)	-	-	(2,779)
Net Cost/(Benefit) of Operations	130	(3,008)	1	-	(2,877)
Change in Net Position	(51)	150	(1)	-	98
Net Position End of Period	$ (877)	$ 1,652	$ 63	$ 5	$ 843

Balance Sheet – Funds from Dedicated Collections					
as of September 30, 2012					
	Insurance	Medical Care	Benefits	Burial	Funds from Dedicated Collections
Assets:					
Fund Balance with Treasury	$ 62	$ 265	$ 65	$ 1	$ 393
Investments with Treasury (Note 5)	9,244	65	-	-	9,309
Other Assets	437	1,368	-	4	1,809
Total Assets	$ 9,743	$ 1,698	$ 65	$ 5	$ 11,511
Liabilities and Net Position:					
Payables to Beneficiaries	$ 187	$ 27	$ 1	$ -	$ 215
Other Liabilities	10,382	169	-	-	10,551
Total Liabilities	10,569	196	1	-	10,766
Unexpended Appropriations	-	-	-	-	-
Cumulative Results of Operations	(826)	1,502	64	5	745
Total Liabilities and Net Position	$ 9,743	$ 1,698	$ 65	$ 5	$ 11,511

Statement of Net Cost – Funds from Dedicated Collections					
for the Year Ended September 30, 2012					
Gross Program Costs	$ 1,057	$ 449	$ 1	$ -	$ 1,507
Less Earned Revenues	951	3,186	1	-	4,138
Net Program Costs	106	(2,737)	-	-	(2,631)
Costs Not Attributable to Program Costs	-	-	-	-	-
Net Cost/(Benefit) of Operations	$ 106	$ (2,737)	$ -	$ -	$ (2,631)

Statement of Changes in Net Position – Funds from Dedicated Collections					
for the Year Ended September 30, 2012					
Net Position Beginning of Period	$ (720)	$ 1,552	$ 64	$ 3	$ 899
Budgetary and Other Financing Sources	-	(2,787)	-	2	(2,785)
Net Cost/(Benefit) of Operations	106	(2,737)	-	-	(2,631)
Change in Net Position	(106)	(50)	-	2	(154)
Net Position End of Period	$ (826)	$ 1,502	$ 64	$ 5	$ 745

20. Exchange Transactions

Exchange Revenues

Exchange revenue is an inflow of resources to VA that is recognized when earned from exchange transactions with other federal agencies or the public where each party to the transaction sacrifices value and receives value in return. Exchange revenue consists primarily of: medical revenue recognized when earned from other federal agencies or the public as a result of costs incurred or services performed on their behalf; benefits revenue from reimbursement of education benefit programs from service member contributions that are transferred to the general fund account with the Department of the Treasury (Treasury); insurance revenue from insurance policy premiums paid by policyholders; and housing revenue from interest earned on direct loans. Exchange revenues are discussed further in Note 1 under Revenues and Other Financing Sources.

Exchange revenue is to be based on the full cost associated with the goods exchanged or services performed. Although VA recognizes full cost per SFFAS 4, *Managerial Cost Accounting Standards and Concepts*, VHA has legislated exceptions to the requirement to recover the full cost to the Federal Government of providing services, resources, or goods for sale. Under "enhanced sharing authority," VHA facilities may enter into arrangements that are in the best interest of the Federal Government.

The Office of Financial Policy within VA's Office of Finance established policy requiring a four-part biennial self certification program to be implemented by VHA. The first part of the certification program requires each medical facility to certify whether charges established by VHA are sufficient to recover the full cost of providing services. The second part requires each medical facility to certify that its cost accounting procedures comply with SFFAS 4. Any medical facility with a fully functional Decision Support System (DSS) that produces timely (i.e. current year) data will be able to certify compliance with this requirement. The third part requires each medical facility to certify its compliance with Federal pricing policies and that it has fully disclosed situations where it does not comply with those policies as required by SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. The fourth part requires each medical facility to certify whether its enhanced health care sharing contracts recover full cost or market price as defined in OMB Circular No. A-25, *User Charges*.

The Management Quality Assurance Service (MQAS) within VA's Office of Business Oversight (OBO) is responsible for reviewing the implementation and execution of the self certification program. Each year MQAS reviews half of the Veterans Integrated Service Networks (VISNs); even VISNs one year and odd VISNs the second year. Generally, one station is selected for review per VISN. MQAS review efforts culminate in a summary report issued to the VHA Chief Financial Officer (CFO) and is distributed to VA senior management including the VA Chief Financial Officer.

Public Exchange Transactions

VA's Loan Guaranty Program collects certain fees that are set by law. The loan guarantee funding fees collected for 2013 and 2012 were $1.43 billion and $1.18 billion, respectively. The loan guarantee lender participation fees collected for 2013 and 2012 were $2.1 million and $1.8 million, respectively.

VA's Loan Guaranty Program collects rental fees on a small number of properties during the period when the property is titled to VA.
NCA leases lodges at eight cemeteries to not-for-profit groups at no cost. These not-for-profit groups are required to provide the upkeep on the lodges and pay the costs for utilities, insurance, minor repairs, maintenance and any other costs associated with the lodges. NCA has agricultural licenses at eleven cemeteries with private sector entities, for which it receives rental payments; one agricultural license to the state of Colorado at no cost, and one permit to the Federal Aviation Administration (FAA) at no cost. NCA also leases buildings at two cemeteries, one to a private sector entity for which it receives rental payments, and one to a not-for-profit group that is responsible for the historic preservation of the building at no cost to NCA. Total rental revenues earned under the contracts above were $93 thousand and $109 thousand for the years ended September 30, 2013 and 2012, respectively.

VA's Medical Care Collections Fund, "Conforming Amendments," changed the language of specific sections of 38 USC Chapter 17 to substitute "reasonable charges" for "reasonable cost." The VHA Chief Business Office (CBO) is responsible for implementing and maintaining these reasonable charges for billing third-party payers for services provided to insured Veterans for treatment of nonservice-connected conditions.

Reasonable charges are used to bill for reimbursable health care services, non-federal workers' compensation, 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 VA:

(a) in error or on tentative eligibility;
(b) in a medical workers' compensation (other than federal), humanitarian emergency;
(c) to pensioners of allied nations;
(d) for research purposes in circumstances under which VA medical care appropriation is to be reimbursed by VA research appropriation; and
(e) to beneficiaries of the Department of Defense or other federal agencies, when the care or service provided is not covered by an applicable sharing agreement.

These per diem costs are derived primarily from cost and workload data from a national cost allocation report.

Intragovernmental Exchange Transactions
Intragovernmental costs relate to the source of goods and services purchased by VA and not to the classification of related intragovernmental revenue. Classification of revenue and/or costs as

“Intragovernmental” or “With the Public” is determined on a transaction by transaction basis for disclosure purposes. Classification of preceding transactions in a product’s life cycle will not have an impact on classification of subsequent transactions. The purpose of this classification is to enable the Federal Government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs that are incurred to produce public and intragovernmental revenue.

VA and DoD have authority to enter into agreements and contracts for the mutual use or exchange of use of hospital and domiciliary facilities and other resources. The providing agency shall be reimbursed for the cost of the health care resources based on the methodology agreed to by VA and DoD. Facility directors have the flexibility to consider local conditions and needs and the actual costs of providing the services. VA’s General Counsel has determined that full cost recovery is not mandated. VHA captures the total amount of reimbursements received under DoD sharing agreements, but the total amount billed below full cost is not readily available. VHA is in the process of developing mechanisms to report this information in the future. VBA collects funding from DoD in order to administer certain education programs. DoD transferred $369 million and $364.4 million during 2013 and 2012, respectively, for the Post-Vietnam Era Education Assistance Program, Reinstated Entitlements Program for Survivors and the New GI Bill for Veterans.

When VA furnishes medical care or services for beneficiaries of other federal agencies, and that care or service is not covered by an applicable local sharing agreement, the billing rates used are determined and published annually by the VHA CFO. Similar to the tort rates, interagency billing rates are determined from cost and workload data in the Cost Distribution Report.

21. Net Program Costs by Administration

Schedule of Net Program Costs by Administration					
For the Period Ending September 30, 2013 (Dollars in Millions)	**Veterans Health Administration**	**Veterans Benefits Administration**	**National Cemetery Administration**	**Indirect Administrative Program Costs**	**Total**
Program Costs					
Intragovernmental Costs	$ 8,589	$ 645	$ 40	$ 444	$ 9,718
Less Earned Revenues	(134)	(947)	-	(246)	(1,327)
Net Intragovernmental Program Costs	8,455	(302)	40	198	8,391
Public Costs	51,728	83,274	265	1,643	136,910
Veterans Benefits Actuarial Costs, Excluding Changes in Actuarial Assumptions (Note 13)	-	99,200	(100)	-	99,100
Less Earned Revenues	(3,633)	(602)	-	(261)	(4,496)
Net Public Program Costs	48,095	181,872	165	1,382	231,514
Net Program Cost by Administration Before Changes in Veterans Benefits Actuarial Liability Assumptions	56,550	181,570	205	1,580	239,905
Net (Gain)/Loss from Actuarial Liability Assumptions (Note 13)	-	113,900	200	-	114,100
Net Cost of Operations	$ 56,550	$ 295,470	$ 405	$ 1,580	$ 354,005

Schedule of Net Program Costs by Administration					
For the Period Ending September 30, 2012 (Dollars in Millions)	**Veterans Health Administration**	**Veterans Benefits Administration**	**National Cemetery Administration**	**Indirect Administrative Program Costs**	**Total**
Program Costs					
Intragovernmental Costs	$ 8,329	$ 318	$ 49	$ 547	$ 9,243
Less Earned Revenues	(106)	(1,141)	-	(402)	(1,649)
Net Intragovernmental Program Costs	8,223	(823)	49	145	7,594
Public Costs	48,559	74,206	245	1,425	124,435
Veterans Benefits Actuarial Cost, Excluding Changes in Actuarial Assumptions (Note 13)	-	78,700	(100)	-	78,600
Less Earned Revenues	(3,354)	(525)	-	(193)	(4,072)
Net Public Program Costs	45,205	152,381	145	1,232	198,963
Net Program Cost by Administration Before Changes in Veterans Benefits Actuarial Liability Assumptions	53,428	151,558	194	1,377	206,557
Net (Gain)/Loss from Actuarial Liability Assumptions (Note 13)	-	149,200	100	-	149,300
Net Cost of Operations	$ 53,428	$ 300,758	$ 294	$ 1,377	$ 355,857

22. Disclosures Related to the Statements of Budgetary Resources

OMB Required Changes to the Statement of Budgetary Resources

Effective for 2013, the SBR presentation has changed to better align with the new format of the report on Budget Execution and Budgetary Resources (SF 133) as required by OMB. In the new SBR format, significant balances and underlying detail lines from the SF 133 are aggregated to the major categories deemed most significant for broad government-wide display purposes. The new format also has additional reconciliation requirements with budget execution information reported in the Budget of the United States to ensure the integrity of the numbers presented. As a result of the format changes, the 2012 data has been reclassified to conform to the 2013 presentation. There are no other effects on the consolidated or combined financial statements.

Budgetary Accounting

Budgetary resources, which include new budget authority, unobligated balances, direct spending authority, and obligation limitations, are forms of authority given to VA allowing it to incur obligations. Budget authority is provided by Federal law to enter into financial obligations that will result in immediate or future outlays involving Federal Government funds. Budget authority may be classified by the period of availability (1-year, multiple-year, no-year or available until expended), by the timing of congressional action (current or permanent), or by the manner of determining the amount available (definite or indefinite).

Budget authority from appropriations is the most common form of providing for the specific amount of money authorized by Congress for approved work, programs, or individual projects. Appropriations do not represent cash actually set aside in the Treasury for purposes specified in the appropriation act; they represent amounts that VA may obligate during the period of time specified in the respective appropriation acts. An appropriation may make funds available from the general fund, special funds, or trust funds.

Borrowing authority is budget authority enacted to permit VA to borrow money and then to obligate against amounts borrowed. It may be definite or indefinite in nature. The funds are borrowed from the Treasury and Federal Financing Bank.

Spending authority from offsetting receipts and collections is budget authority that permits VA to obligate and expend funds from sources that are not appropriated. Offsetting collections are authorized by law to be credited to appropriation or fund expenditure accounts. They result from (1) business-like transactions or market-oriented activities with the public, (2) intragovernmental transfers, and (3) collections from the public that are governmental in nature but required by law to be classified as offsetting. Collections resulting from business-like transactions with the public and other government accounts are also known as reimbursements. Laws authorizing offsetting collections make them available for obligation to meet the account’s purpose without further legislative action.

Offsetting collections include reimbursements, transfers between federal and trust fund accounts, offsetting governmental collections, and refunds. For accounting purposes, earned reimbursements are also known as revenues. These offsetting collections are netted against gross outlays in determining net outlays from such appropriations.

Offsetting receipts are collections that are offset against gross outlays but are not authorized to be credited to expenditure accounts. Offsetting receipts are deposited in receipt accounts. Like offsetting collections, they result from (1) businesslike transactions or market oriented activities with the public, (2) intragovernmental transfers, and (3) collections from the public that are governmental in nature but required by law to be classified as offsetting receipts.

The Status of Budgetary Resources reflects the obligations incurred, the unobligated balances at the end of the period that remain available, and unobligated balances at the end of the period that are unavailable except to adjust or liquidate prior year obligations. Unobligated balances currently unavailable may become available subject to apportionment by OMB and allotment by VA.

Apportionments are distributions made by OMB of amounts available for obligation in an appropriation or fund account. Apportionments divide amounts available for obligation by specific time periods (usually quarters), activities, projects, objects, or a combination thereof. The amounts so apportioned limit the amount of obligations that may be incurred.

Upon apportionment and allotment, obligations can be incurred. Obligations represent a commitment that creates a legal liability for VA to pay for goods and services ordered or received, or a legal duty on the part of VA that could mature into a legal liability by virtue of actions on the part of the other party beyond the control of VA. An obligation is the amount of orders placed, contracts awarded, services received, and other transactions occurring during a given period that would require payments during the same or future period.

Obligational authority is an amount carried over from one year to the next if the budget authority is available for obligation in the next fiscal year. Not all obligational authority that becomes available in a fiscal year is obligated and paid out in that same year. Balances are described as (1) obligated, (2) unobligated, or (3) unexpended.

An obligated balance is the amount of obligations already incurred for which payment has not yet been made, including undelivered orders and other unliquidated obligations. Budget authority that is available for a fixed period expires at the end of its period of availability, but the obligated balance of the budget authority remains available to liquidate obligations for 5 additional fiscal years. At the end of the fifth fiscal year, the account is closed and any remaining balance is canceled.

An unobligated balance is the portion of obligational authority that has not yet been obligated. For an appropriation account that is available for a fixed period, the budget authority expires after the period of availability ends but its unobligated balance remains available for 5 additional fiscal years for recording and adjusting obligations properly chargeable to the appropriations period of availability such as to record previously unrecorded obligations or to make upward or downward adjustments in previously recorded obligations, such as contract modifications properly within scope of the original contract. At the end of the fifth fiscal year, the account is closed and any remaining balance is canceled.

Unexpended balance represents the sum of the obligated and unobligated balances.

Outlay is the amount of checks, disbursement of cash, or electronic transfer of funds to liquidate a Federal obligation. Under the Credit Reform Act, the credit subsidy cost is recorded as an outlay when a direct or guaranteed loan is disbursed. Outlays during a fiscal year may be for payment of obligations incurred in prior years (prior-year obligations) or in the same year.

The caption, Appropriations under Budgetary Resources, in the Combined Statements of Budgetary Resources, does not agree to the caption Budgetary Financing Sources – Appropriations Received in the Consolidated Statements of Changes in Net Position. The amount in the Combined Statement of Budgetary Resources includes appropriations from the General Fund and Special Receipt Funds, while the Consolidated Statements of Changes in Net Position includes appropriations from the General Fund only.

The caption, Spending Authority from Offsetting Collections under Budgetary Resources in the Combined Statement of Budgetary Resources, does not agree to the caption Earned Revenue in the Consolidated Statements of Net Cost. The amount in the Combined Statement of Budgetary Resources includes Credit Reform subsidies for interest, fees and principal as required by Treasury reporting requirements, while the Consolidated Statements of Net Cost includes interest only.

Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations
Years Ended September 30,

Category A, Direct, consists of amounts requested to be apportioned by each calendar quarter in the fiscal year. Category B, Direct, consists of amounts requested to be apportioned on a basis other than calendar quarters, such as activities, projects, objects, or a combination of these categories. The amounts by year and category reconcile to the SF 132, Apportionment and Reapportionment Schedule, SF 133, Report on Budget Execution and Budgetary Resources, and FACTS II as required by OMB Circular No. A-11, Section 120. The increase in Category A and decrease in Category B is primarily due to a change in the classification of the Compensation and Pensions fund to conform to the category definitions in A-11, Section 120.

	2013	**2012**
Category A, Direct	$ 142,590	$ 70,821
Category B, Direct	7,456	66,829
Reimbursable	5,544	5,014
Total Obligations	$ 155,590	$ 142,664

Adjustments to Budgetary Resources and Prior Year Recoveries
Recoveries of prior year unpaid obligations consist of cancellations or downward adjustments of obligations incurred in prior fiscal years and recoveries of prior year paid obligations (i.e., cash refunds). Anticipated resources, required for all open phase funds, are required to be apportioned by OMB before they can be used. Once apportioned by OMB, these apportioned anticipated resources cannot be used until funds are deobligated or refunded and the recovered budget authority is realized. At that point, the budget authority is allotted back down to the appropriate facilities or specific program offices. These adjustments relate to the open phase only of multi-year and no-year appropriations beyond the first year of availability of budgetary authority and the expired phase of annual and multi-year

appropriations. No-year appropriations have no expiration of budgetary authority unless cancelled by Congress.

VA's systems require modification to properly account for the prior year recoveries as provided by Treasury and the guidance in the Treasury Financial Manual. VA has completed the technical assessment process and detailed design requirements to modify its core accounting system and has begun the programming phase of development. When an automated systems solution is implemented, VA will be enabled to properly identify prior year recoveries, systematically monitor reapportioned budget authority and track both for internal and external financial reporting.

In the interim, VA has implemented a manual review process to identify prior year recoveries and quantify an estimated range of transactions that would be accounted for as and meet the definition of a prior year recovery. Based on the review process, estimated recoveries of prior year unpaid obligations range from $1.6 billion-$2.7 billion (recorded) for 2013 and range from $1.2 billion-$2.3 billion (not recorded) for 2012. The effect of recording the $2.7 billion estimate of recoveries of prior year unpaid obligations in 2013 was to increase "Recoveries of Prior Year Unpaid Obligations" and increase "Obligations Incurred" in the Combined Statement of Budgetary Resources. The estimated range of recoveries of prior year unpaid obligations was disclosed but not recorded in 2012. It was the first year VA implemented a manual review process, under agreement with and guidance from OMB, to identify and quantify transactions that would be accounted for as and meet the definition of a prior year recovery. Testing and verification of the identified transactions as prior year unpaid obligations was still being formulated. As a result, no probable amount could be quantified; however, the range of prior year unpaid obligations could be reasonably estimated and disclosed. As a result, there was no effect on "Recoveries of Prior Year Unpaid Obligations" and "Obligations Incurred" in the Combined Statement of Budgetary Resources in 2012.

For 2013 and 2012, VA appropriations were subjected to a rescission of $2.0 billion and $1.8 billion, respectively, under the provisions of P.L. 113-6, *Consolidated and Further Continuing Appropriations Act, 2013* and P.L. 112-10, *The Department of Defense and Full-Year Continuing Appropriations Act, 2012*, respectively.

Borrowing Authority

The Loan Guaranty Program had borrowing authority of $249 million and $1.32 billion as of September 30, 2013 and 2012, respectively. The interest rates on the borrowing authority range from 2.64 to 3.49 percent for 2013 and 2012. Principal repayment is expected over a 30-year period from the date of issuance of debt. Direct Loans under the Vocational Rehabilitation Program had borrowing authority of $2.8 million and $3.13 million as of September 30, 2013 and 2012, respectively. The interest rate on the borrowing authority was 1.00 percent for 2013 and 2012. Principal repayment is expected over a 2-year period from the date of issuance of debt. The Loan Guaranty Program borrowing is repaid to Treasury through the proceeds of portfolio loan collections, funding fees, and the sale of loans to housing trusts. The Vocational Rehabilitation Program loans generally had a duration of one year, and repayment was made from offsetting collections.

Permanent Indefinite Appropriations
VA has four housing benefit programs that have permanent and indefinite appropriations to cover unexpected losses.

Use of Unobligated Balances of Budget Authority
Available unobligated balances on the Statement of Budgetary Resources (SBR) are comprised of current fiscal year apportioned funds for annual, multi-year, and no-year appropriations from Congress as well as revolving and trust funds. Other balances not available are comprised of unobligated funds that were not apportioned by OMB for 2013 use and appropriated unobligated amounts that have expired, which generally are not available for new obligations, but can be used to increase existing obligations under certain circumstances.

Unobligated VA funds are available for uses defined in VA's 2013 Appropriation Law (P.L. 113-6). These purposes include: Veteran's medical care, research, education, construction and maintenance of VA buildings, Veterans and dependents benefits, Veterans life insurance, loan guaranty programs, Veterans burial benefits, and administrative functions. Various obligation limitations are imposed on individual VA appropriations.

Explanation of Differences between the Statement of Budgetary Resources and the Budget of the US Government
Estimated recoveries of prior year unpaid obligations totaling $2.7 billion were recorded as an increase in "Recoveries of Prior Year Unpaid Obligations" and an increase in "Obligations Incurred" in the Combined Statement of Budgetary Resources for the year ended September 30, 2013. VA's systems require extensive modification to properly account for the prior year recoveries in the base level of fund account and USSGL detail to conform with OMB and Treasury guidelines. VA has completed the technical assessment and detailed design requirements to modify its core accounting system and has begun the programming phase of the development. When an automated systems solution is implemented, VA will be enabled to properly identify prior year recoveries, systematically monitor reapportioned budget authority and track both for internal and external financial reporting. Until that time, VA has implemented a manual review process to identify prior year recoveries and quantify an estimate to be recorded at the VA combined level, not at the detailed fund account level. Therefore, the adjustments have not been reflected in the FACTS II data used to prepare the President's Budget.

Undelivered Orders at the End of a Period
The amount of budgetary resources obligated for undelivered orders at the end of 2013 and 2012 was $16.8 billion and $12.7 billion, respectively.

Contributed Capital
The amount of contributed capital received during 2013 consisted of donations in the amount of $50.4 million to the General Post Fund, $0.2 million to the National Cemetery Gift Fund and $1.1 million to the Supply Fund. The amount of contributed capital received during 2012 consisted of donations in the amount of $43.7 million to the General Post Fund, $1.4 million to the National Cemetery Gift Fund and $1.3 million to the Supply Fund.

23. Reconciliation of Net Cost of Operations to Budget

The objective of the information shown below is to provide an explanation of the differences between budgetary and financial (proprietary) accounting. This is accomplished by means of a reconciliation of budgetary obligations and non-budgetary resources available to VA with its net cost of operations.

DEPARTMENT OF VETERANS AFFAIRS		
RECONCILIATION OF NET COSTS OF OPERATIONS TO BUDGET		
For the Years Ended September 30,	**2013**	**2012**
Resources Used to Finance Activities		
Obligations Incurred	$ 155,590	$ 142,664
Less Spending Authority from Offsetting Collections and Adjustments	(12,710)	(9,697)
Obligations Net of Offsetting Collections and Adjustments	142,880	132,967
Less Offsetting Receipts	(3,431)	(3,465)
Net Obligations	139,449	129,502
Donations of Property	22	23
Imputed Financing	1,971	1,795
Other Financing Sources	(125)	(367)
Total Resources Used to Finance Activities	**141,317**	**130,953**
Resources That Do Not Fund Net Cost of Operations		
Change in Amount of Goods, Services and Benefits Ordered But Not Yet Provided	(725)	(1,942)
Resources that Finance the Acquisition of Assets	(6,684)	(6,921)
Resources that Fund Expenses Recognized in Prior Periods	(1,598)	(2,332)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	4,665	4,892
Total Resources that Do Not Fund Net Cost of Operations	(4,342)	(6,303)
Total Resources Used to Finance the Net Cost of Operations	**136,975**	**124,650**
Costs That Do Not Require Resources in the Current Period		
Increase in Annual Leave Liability	60	51
Increase (Decrease) in Environmental and Disposal Liability	(28)	(33)
Reestimates of Credit Subsidy Expense	1,406	563
Increase in Exchange Revenue Receivable from the Public	(318)	39
Increase (Decrease) in Veterans Benefits and Other Noncurrent Liabilities	213,666	228,418
Depreciation and Amortization	2,103	1,895
Bad Debts Related to Uncollectible Non-Credit Reform Receivables	188	284
Loss on Disposition of Assets	100	101
Other	(147)	(111)
Total Costs That Do Not Require Resources in the Current Period	**217,030**	**231,207**
Net Cost (Benefit) of Operations	**$ 354,005**	**$ 355,857**

VA Office of Inspector General

OFFICE OF AUDITS & EVALUATIONS

Department of Veterans Affairs

Audit of VA's Consolidated Financial Statements for Fiscal Years 2013 and 2012

November 27, 2013
13-01316-22

Department of Veterans Affairs

Memorandum

Date: November 27, 2013

From: Assistant Inspector General for Audits and Evaluations (52)

Subj: Audit of VA's Consolidated Financial Statements for Fiscal Years 2013 and 2012

To: Secretary of Veterans Affairs (00)

1. We contracted with the independent public accounting firm, CliftonLarsonAllen LLP, to audit VA's consolidated financial statements as of September 30, 2013 and 2012, and for the years then ended. This audit is an annual requirement of the Chief Financial Officers Act of 1990. The results of CliftonLarsonAllen LLP's audit are presented in the attached report.

2. CliftonLarsonAllen LLP provided an unqualified opinion on VA's fiscal year (FY) 2013 and 2012 consolidated financial statements. With respect to internal control, CliftonLarsonAllen LLP identified one material weakness, information technology security controls, which is a repeated condition. The Department has taken corrective actions sufficient to eliminate the significant deficiency, undelivered orders, previously cited last year.

3. CliftonLarsonAllen LLP reported that VA did not substantially comply with the Federal financial management systems requirements of the Federal Financial Management Improvement Act (FFMIA) of 1996. They also cited instances of non-compliance with the Debt Collection Improvement Act of 1996. They noted that VA is engaged in one active investigation of a possible violation of the Antideficiency Act. They also referenced an Office of Inspector General report issued in FY 2013 that cited less than full compliance with the Improper Payments Elimination and Recovery Act in FY 2012.

4. CliftonLarsonAllen LLP is responsible for the attached audit report dated November 26, 2013, and the conclusions expressed in the report. We do not express opinions on VA's financial statements, internal control, or compliance with FFMIA. We also do not express conclusions on VA's compliance with laws and regulations. The independent auditors will follow up on these internal control and compliance findings and evaluate the adequacy of corrective actions taken during the fiscal year 2014 audit of VA's consolidated financial statements.

Linda A. Halliday

Linda A. Halliday

Attachment

Automated VA FORM 2105

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

To the Secretary
and Inspector General
Department of Veterans Affairs

In our audits of the fiscal years (FY) 2013 and 2012 financial statements of the Department of Veterans Affairs (VA), we found:

- The financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S.);
- One material weakness in internal control over financial reporting as of September 30, 2013; and
- Two instances of reportable noncompliance with certain provisions of laws and regulations tested, including the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA), as of September 30, 2013.

The following sections and exhibits discuss in more detail: (1) these conclusions, (2) Management's Discussion and Analysis (MD&A), other required supplementary information (RSI), and other information included with the financial statements, (3) management's responsibilities, (4) our responsibilities, (5) the current status of prior year findings, and (6) management's response to FY 2013 findings.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of VA, which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources, for the years then ended, and the related notes to the financial statements. The objective of our audits was to express an opinion on the fairness of these financial statements.

Management's Responsibility for the Financial Statements

VA management is responsible for the (1) preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the U.S., (2) preparation, measurement, and presentation of the RSI in accordance with the prescribed accounting principles generally accepted in the U.S., (3) preparation and presentation of other information in documents containing the audited financial statements and auditors' report, and consistency of that information with the audited financial statements and the RSI; (4) design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT (Continued)

Auditors' Responsibility

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 U.S. and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. We also conducted our audits in accordance with Office of Management and Budget (OMB) Bulletin No. 14-02*, Audit Requirements for Federal Financial Statements,* (OMB Bulletin 14-02).

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of Veterans Affairs as of September 30, 2013 and 2012, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the U.S.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the U.S. require that VA's MD&A and other RSI (including stewardship information) be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB), who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and other RSI in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

All other sections exclusive of the consolidated financial statements, MD&A and other RSI as listed in the table of contents contain a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or RSI. The information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered VA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VA's internal control or on management's assertion on internal control included in the MD&A. Accordingly, we do not express an opinion on the effectiveness of VA's internal control or on management's assertion on internal control included in the MD&A.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the VA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control described below and in Exhibit A that we consider to be a material weakness.

Information Technology Security Controls (Repeat Condition)

> VA continues to have control weaknesses in Configuration Management, Access Controls, Security Management, and Contingency Planning.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether VA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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, exclusive of those required by FFMIA as discussed below, disclosed instances of noncompliance and other matters, described below and in Exhibit B, that are required to be reported in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

Noncompliance with the Debt Collection Act of 1996

> VBA did not charge interest or administrative costs on delinquent payments from veterans related to certain receivables for Compensation, Pension, and Education.

Systems Compliance with FFMIA Requirements
Under FFMIA, we are required to report whether the financial management systems used by VA substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Standard General Ledger (USSGL) at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements. However, providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. Except for matters described in Exhibit B, where VA did not substantially comply with applicable Federal financial management systems requirements, the results of our tests of FFMIA disclosed no instances in which VA's financial management systems did not substantially comply with applicable Federal accounting standards, or the USSGL at the transaction level.

Management's Responsibility for Internal Control and Compliance

VA management is responsible for (1) evaluating the effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness of internal control over financial reporting, (3) ensuring VA's financial management systems are in substantial compliance with FFMIA requirements, and (4) ensuring compliance with other applicable laws and regulations.

Auditors' Responsibilities

We are responsible for: (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit, (2) testing whether VA's financial management systems substantially comply with the FFMIA requirements referred to above, (3) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin 14-02 requires testing, and (4) applying certain limited procedures with respect to the MD&A and other RSI.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

INDEPENDENT AUDITORS' REPORT (Continued)

We did not test compliance with all laws and regulations applicable to VA. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin 14-02 that we deemed applicable to VA's financial statements for the fiscal year ended September 30, 2013. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes. Also, our work on FFMIA would not necessarily disclose all instances of noncompliance with FFMIA requirements.

Management's Response to Findings

Management has presented a response to the findings identified in our report. We did not audit VA's response and, accordingly, we express no opinion on it.

Status of Prior Year's Control Deficiencies and Noncompliance Issues

We have reviewed the status of VA's corrective actions with respect to the findings included in the prior year's Independent Auditors' Report, dated November 8, 2012. The status of prior year findings is presented in Exhibit C.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of VA's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VA's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

CliftonLarsonAllen LLP

Calverton, Maryland
November 26, 2013

EXHIBIT A
Material Weakness

Information Technology Security Controls (Repeat Condition)

The VA relies extensively on Information Technology (IT) system controls to initiate, authorize, record, process, summarize, and report financial transactions in the preparation of its financial statements. Internal controls over these operations are essential to ensure the integrity, confidentiality, and reliability of critical data while reducing the risk of errors, fraud, and other illegal acts. Our review of IT controls covered general and selected business process application controls across 22 selected VA medical centers, regional offices and data centers. As noted in prior years' audits, VA continues to have control weaknesses in Security Management, Access Controls, Configuration Management, and Contingency Planning. These controls are designed to protect mission-critical systems from unauthorized access, alteration, or destruction.

Our current year audit identified security weaknesses that were corrected in some locations and for certain control activities. Examples of VA's improvements in its IT control environment include continued implementation of a Continuous Readiness in Information Security Program (CRISP), designed to ensure continuous monitoring year-round. As part of the CRISP initiative, we noted continued improvements related to role-based and security awareness training, contingency plan testing, reducing the number of individuals with outdated background investigations, and improving data center web application security. In addition, VA implemented predictive scanning in February 2013 allowing for the identification of vulnerabilities across field offices. In August 2013, VA also implemented an IT Governance, Risk and Compliance (GRC) Tool to improve the process for assessing, authorizing, and monitoring the security posture of the agency. However, these controls require time to mature and show evidence of their effectiveness. Accordingly, we continue to see information system security deficiencies similar in type and risk level to our findings in prior years and an overall inconsistent implementation of the security program. Moving forward, VA needs to ensure a proven process is in place across the agency. VA also needs to continue to address control deficiencies that exist in other areas across all VA locations.

We continue to find control deficiencies in Security Management, Access Controls, Configuration Management, and Contingency Planning. Most importantly, we continue to identify significant technical weaknesses in databases, servers, and network devices that support transmitting financial and sensitive information between VA's medical centers, regional offices and data centers. This is the result of an inconsistent application of vendor patches that could jeopardize the data integrity and confidentiality of VA's financial and sensitive information. VA has made progress in deploying current patches; however, older patches and previously identified vulnerabilities continue to persist on networks. Even though VA has made some progress in these areas, more progress must be made to improve deployment of patches that will mitigate security vulnerabilities and to implement a centralized process that is consistent across all field offices.

Many of these weaknesses can be attributed to an inconsistent enforcement of an agency-wide information security program across the enterprise and ineffective communication between VA management and the individual field offices. Therefore, VA needs to improve its performance monitoring to ensure controls are operating as intended at all facilities and communicate security deficiencies to the appropriate personnel, who will implement corrective actions.

Our assessment of the general and application controls of VA's key IT infrastructure and financial systems identified the following conditions:

EXHIBIT A
Material Weakness

Conditions:

Configuration Management

- Systems including key databases supporting financial applications were not timely patched or securely configured to mitigate known and unknown information security vulnerabilities. The deployment of vendor patches to mitigate the vulnerabilities was decentralized, inconsistent, and not effective across all VA facilities. For example, we noted large variances in the number of critical and high level vulnerabilities across all sites.
- Baseline configurations, including implementation of the U.S. Government Configuration Baseline standards, were not consistently implemented to mitigate significant system security risks and vulnerabilities across all facilities.
- Several VA organizations shared the same local network at some medical centers and data centers; however, systems were not under the common control of the local site. These organizations, or guest networks, had significant critical or high level vulnerabilities that weaken the overall security posture of the local sites.
- Change management policies and procedures for authorizing, testing, and approving system changes were not consistently implemented for networks and mission critical systems.
- No formal processes for monitoring, preventing installation of, and removing unauthorized application software on agency systems.

Access Controls

- Password standards were not consistently implemented and enforced across multiple VA systems, including the network domain, databases, and key financial applications. In addition, multi-factor authentication for remote access had not been implemented across the agency.
- Inconsistent reviews of networks and financial application user access resulted in numerous generic, system, terminated, and inactive user accounts that were not removed from the system.
- Proper completion of user access requests was not consistently performed to eliminate conflicting roles and enforce principles of least system privilege.
- We noted a lack of monitoring of access for individuals with elevated application privileges within a major application’s production environment. In addition, some users had access to development environments that did not require this access to perform their respective job duties.
- There are no policy and procedures restricting privileged remote access from foreign countries that pose a significant risk to VA systems and networks.
- The identification, notification, and remediation of security incidents was not consistently implemented to ensure incidents were resolved timely. In addition, network security event logs were not consistently maintained or reviewed across all facilities.

EXHIBIT A
Material Weakness

Security Management

- Security management documentation, including the risk assessments and system security plans, were not completed properly and did not accurately reflect the current system environment.
- A contractor application and general support system did not have a completed assessment and authorization package consisting of a system security plan, risk assessment, or authorization letter to operate. In addition, VA did not manage and monitor its systems hosted at a cloud service provider.
- Background reinvestigations were not performed timely and tracked effectively. In addition, personnel were not receiving the proper level of investigation for their position sensitivity level.
- Plan of Action and Milestones (POA&Ms) were not completed by their milestone dates and not updated to reflect changes to milestones. POA&M closures were not supported with adequate documentation. Additionally, prior year audit findings and risk assessment results were not included within the POA&M tracking system.

Contingency Planning

- Backup tapes were not encrypted prior to being sent to offsite storage at selected facilities and data centers.
- A significant loss of records occurred due to inadequate backup and change management procedures.

Criteria:

OMB Circular A-130, Appendix III, *Security of Federal Automated Information Resources*, states that “Agencies shall implement and maintain a program to assure that adequate security is provided for all agency information collected, processed, transmitted, stored, or disseminated in general support systems and major applications.”

The Federal Information Security Management Act of 2002 (FISMA) requires that each agency develop an agency-wide information security program that includes:

- Periodic assessments of risk, including the magnitude of harm that could result from the unauthorized access, use, disclosure, disruption, modification, or destruction of information and information systems that support the operations and assets of the organization;
- Policies and procedures that are based on risk assessments, cost-effectively reduce information security risks to an acceptable level and address information security throughout the life cycle of each organizational information system;
- Plans for providing adequate information security for networks, facilities, information systems, or groups of information systems, as appropriate;
- Security awareness training to inform personnel of the information security risks associated with their activities and their responsibilities in complying with organizational policies and procedures designed to reduce these risks;
- Periodic testing and evaluation of the effectiveness of information security policies, procedures, practices, and security controls to be performed with a frequency depending on risk, but no less than annually;

- A process of planning, implementing, evaluating, and documenting remedial actions to address any deficiencies in the information security policies, procedures, and practices of the organization;
- Procedures for detecting, reporting, and responding to security incidents; and
- Plans and procedures for continuity of operations for information systems that support the operations and assets of the organization.

Cause:

Dispersed locations, continued reorganization, and diversity of applications have impacted facilities' and management's ability to consistently remediate IT security deficiencies across the enterprise. For example, VA's complex and disjointed financial system architecture has resulted in a lack of common system security controls and inconsistent maintenance of IT mission critical systems. Consequently, VA continues to be challenged with consistent and proactive enforcement of established policies and procedures throughout its geographically dispersed portfolio of legacy applications and newly implemented systems. The continued reorganization of components within VA, such as centralization of the data centers and shift of control from the medical centers to regional levels, has caused delays in communicating established policies with personnel throughout VA. In addition, VA lacks an effective and consistent corrective action process for addressing known internal security vulnerabilities on databases and networks infrastructures.

Effect:

By not effectively implementing and enforcing IT policies and procedures, there is an increased risk that financial and personally identifiable information may be inadvertently or deliberately misused and may result in improper disclosure or theft. Additionally, inappropriate or unnecessary changes may be made to key financial information systems, which could result in materially misstated financial information.

Recommendations:

The Assistant Secretary for Information and Technology should continue to analyze and prioritize remediation efforts to accomplish security and control objectives. Key tasks should include, but are not limited to:

- Implement a process to ensure all VA organizations are included in the vulnerability management program and implement improved mechanisms to continuously identify and remediate security deficiencies on VA's network infrastructure, database platforms, and Web application servers.
- Implement an improved patch and vulnerability management program to address security deficiencies identified during our assessments of VA's database platforms and network infrastructure.
- Implement improved processes to ensure that workstations are consistently patched, updated and configured to minimize security risks and are in compliance with U.S. Government Configuration Baseline standards.
- Consolidate the security responsibilities for guest networks under a common control for each site.

EXHIBIT A
Material Weakness

- Implement improved change control procedures to ensure the consistent approval and testing during development of system changes for VA financial applications and networks.
- Develop a comprehensive list of approved and unapproved software and implement a process for monitoring, preventing installation, and removing unauthorized application software on agency devices.
- Implement improved processes to ensure compliance with VA policy for password and security configuration baselines on domain controls, operating systems, databases, applications, and network devices.
- Implement two-factor authentication for remote access throughout the agency.
- Implement improved processes for the periodic review of network and financial applications to identify and remove generic and inactive accounts on systems and networks. Recertify that access remains appropriate and is restricted to necessary personnel.
- Implement improved processes to ensure the proper completion and retention of the user access request forms that enforce principles of least system privilege, prior to system access being granted.
- Implement access monitoring within production environments for individuals with elevated system privileges.
- Implement policies and procedures to restrict privileged remote access from foreign countries that pose a significant risk to VA systems and networks.
- Implement more effective agency-wide incident response procedures to ensure timely notification and resolution of computer security incidents in accordance with VA set standards. In addition, develop a system of metrics that can objectively measure organizational incident response capabilities; such as timeframes for remediation and closure of security events, with an emphasis on higher risk security related incidents.
- Implement a process for monitoring network logs and ensuring audit logs are maintained in accordance with VA policy.
- Implement improved processes for reviewing and updating key security documentation, including risk assessments and system security plans on an annual basis. Such updates will ensure all required information is included and accurately reflects the current environment, new security risks, and applicable federal standards.
- Implement processes to ensure contractors develop and complete Security Authorization Packages for VA systems including a System Security Plan, Risk Assessment, Security Assessment Report, POA&Ms, and Authorization Decision Document.
- Implement improved processes for monitoring systems hosted at contractor sites, including cloud service providers.
- Implement improved processes to ensure appropriate levels of background investigations are completed for all applicable VA employees and contractors in a timely manner.
- Implement improved processes to ensure local facilities track reinvestigations for employees and contractors in high risk positions and the Security Investigation Center initiates all reinvestigations in a timely manner. Additionally, implement processes for local facilities to accurately and timely report any changes in position sensitivity levels. Furthermore, local facilities should ensure position descriptions are appropriately marked for position risk and sensitivity levels in accordance with the Office of Personnel Management Position Designation Automation Tool.
- Implement improved processes to ensure closed POA&Ms are adequately supported with appropriate documentation. In addition, implement improved processes to ensure

security weaknesses and corrective action plans identified during system reviews are included in POA&M reports.

- Implement processes to ensure the encryption of backup data prior to transferring storage media offsite. Additionally, implement improved change control processes to ensure changes to backup policies are appropriately tested, documented, and approved. These processes should ensure that backup reports include all critical data and that data are effectively captured during system backups.

EXHIBIT B
Compliance Findings

1. Noncompliance with FFMIA

Financial Management Systems

We have concluded that VA's financial management systems do not substantially comply with the Federal financial management systems requirements as required by FFMIA Section 803(a) for the following reasons:

- As reported in our report on internal control over financial reporting, VA has a material weakness over "Information Technology Security Controls." This is a repeat finding.

- VA's complex and disjointed financial system architecture has resulted in a lack of common system security controls and inconsistent maintenance of IT mission critical systems. Consequently, VA continues to be challenged with consistent and proactive enforcement of established policies and procedures throughout its geographically dispersed portfolio of legacy applications and newly implemented systems. As a result, certain financial statement line items may not be readily re-created and supported by audit trails of detailed financial transactions. Not all current systems can be readily accessed and used without extensive manipulation, and manual processing and reconciliation. Some examples of issues we found include:

  - The Financial Management System (FMS) is not properly recording recoveries or downward adjustments in the proper SGL accounts. In addition, it is not recording the apportionment, allotment, suballotment and distribution of recovered funds as required by OMB Circular A-11.

  - The Benefits Delivery Network (BDN) system is not designed to keep a complete history of education benefit related transactions. Detailed transaction data on Chapter 34 and 35 education benefit expense could not be retrieved.

  - The Fixed Asset System (FAS) cannot readily provide reports on additions, deletions or current depreciation to support effective and efficient reconciliation of account balances and the investigation of discrepancies.

  - The Veterans Health Information Systems and Technology Architecture (VistA) does not provide VA management with the ability to effectively and efficiently monitor Medical Care Collection Fund (MCCF) activities at the transaction level. Although billing and collection functions have been centralized at the Consolidated Patient Accounting Centers (CPACs) to achieve better revenue cycle management and improve VA's internal controls and quality assurance over its revenue processes, CPAC personnel cannot generate combined reports for all the facilities under their purview. Reports must be separately generated for individual medical facilities, which lead to inefficiencies in operations and financial management. Further, a nationwide report at a sufficient level of detail cannot be generated to aggregate the MCCF transactions residing in the multiple instances of VistA used throughout VA.

EXHIBIT B
Compliance Findings

2. Noncompliance with the Debt Collection Improvement Act

Condition:

We tested various sample transactions for compliance with the Debt Collection Improvement Act of 1996 (DCIA), and noted the following exceptions:

- Interest and administrative costs are required to be charged to VA's delinquent debtors. The rates are determined by the Treasury on a yearly basis. However, for 88 sample items out of a total of 90 sample selections tested, VBA did not charge interest or administrative costs on delinquent payments from veterans related to certain receivables for Compensation, Pension, and Education.

Criteria:

Public Law 96-466 and Title 38 U.S.C §501(a) and §5315, and 38 CFR 1.919 require VA to charge interest and administrative costs on any amount owed to the United States.

Cause:

This has been a long standing issue and is based on a former VA Deputy Secretary's instruction in July 1992 that VA not charge interest or administrative costs on veteran debts.

Effect:

VA is noncompliant with the Debt Collection Improvement Act of 1996.

Recommendation:

We recommend that VA:

- Implement policies and procedures to assess applicable interest and administrative costs or propose a legislative remedy to request a waiver of these requirements.

Other Matters

- VA is engaged in one active investigation of a possible violation of the Antideficiency Act, 31 U.S.C. 1341(a), involving the obligation of funds from the Joint Department of Defense/VA Medical Facility Demonstration Fund in excess of an apportionment in FY 2012.

- The VA Office of Inspector General, in a report dated March 15, 2013, reported that VA did not fully comply in FY 2012 with the Improper Payments Elimination and Recovery Act, (IPERA), 31 U.S.C. 3321.

EXHIBIT C
Status of Prior Year Findings

Our assessment of the current status of the recommendations related to findings identified in the prior year audit is presented below:

Type of Finding	***FY 2012 Finding***	***Fiscal Year 2013 Status***
Material Weakness	Information Technology Security Controls	Repeat; see FY 2013 Material Weakness
Significant Deficiency	Undelivered Orders	Resolved in FY 2013
Compliance Finding	Noncompliance with FFMIA	Repeat – See Compliance Finding #1
Compliance Finding	Noncompliance with Debt Collection Improvement Act	Repeat – See Compliance Finding #2

Department of Veterans Affairs

Memorandum

Date: DEC 0 2 2013

From: Executive in Charge, Office of Management, and Chief Financial Officer (004)

Subj: Report of the Audit of the Department of Veterans Affairs Consolidated Financial Statements for Fiscal Years 2013 and 2012

To: Assistant Inspector General for Auditing (52)

1. The Office of Management has reviewed the Report of the Audit of the Department of Veterans Affairs (VA) Consolidated Financial Statements for Fiscal Years 2013 and 2012, and we are pleased with the receipt of an unqualified opinion. We are also pleased that we met the 2013 reporting timeline established by the Office of Management and Budget. Please extend to your staff and the staff of CliftonLarsonAllen, LLP our appreciation for their detailed planning, hard work, and cooperation during this year's audit.

2. VA senior officials, as well as program managers in the Administrations and affected Staff Offices, are aware of the unqualified audit opinion. As a result of the dedicated efforts of staff throughout the Department, only one material weakness remains. We will continue to focus on completing corrective actions, as detailed in the remediation plans, for the one remaining material weakness, Information Technology (IT) Security Controls. For this repeat material weakness, the existing remediation plan will be revised and expanded, as needed, to address the findings and recommendations in your audit report.

3. The annual financial audit serves as an on-going catalyst to improving our processes and always helps us improve our internal controls. Thank you again for your efforts in another successful conclusion of the audit cycle.

Helen Tierney

Required Supplementary Stewardship Information (Unaudited)

(dollars in millions, unless otherwise noted)

1. Non-Federal Physical Property

Annually, VA provides funding to state governments for the purchase, construction, or major renovation of physical property owned by the state. In most cases these grant programs involve matching funds from the states.

Grant Program Costs					
Years Ended September 30,	**2013**	**2012**	**2011**	**2010**	**2009**
State Extended Care Facilities	$ 180	$ 66	$ 54	$ 242	$ 163
Veterans Cemeteries (NCA)	36	47	44	49	40
Total Grant Program Costs	$ 216	$ 113	$ 98	$ 291	$ 203

The Extended Care Facilities Grant Program assists states in acquiring facilities to provide domiciliary, nursing home, and other day health care for Veterans, and to expand, remodel, or alter existing buildings to provide domiciliary, nursing home, hospital, and day health care for Veterans in state homes. VA participates in two grant-in-aid programs for states. VA may participate in up to 65 percent of the cost of construction or acquisition of state nursing homes or domiciliaries or in renovations of existing state homes. Over the last five fiscal years, the State Home Construction Grant Program has awarded grants in excess of $569 million. VA also provides per diem payment for the care of eligible Veterans in state homes.

Since, the cemetery program was established in 1980, the VA program has helped establish, expand, improve, operate and maintain 89 Veterans cemeteries in 44 states and territories including tribal trust lands, Northern Mariana Islands, and Guam, which provided more than 32,000 burials in 2013. VA has awarded grants totaling more than $566 million. State or tribal organizations provide the land and agree to operate the cemeteries.

2. Human Capital

Investment in human capital is comprised of expenses for education and training programs for the general public that are intended to increase or maintain national economic productive capacity. It does not include expenses for internal Federal education and training of civilian employees.

Veterans and Dependents Education		
Years Ended September 30,		
	2013	2012
Program Expenses		
Education and Training-Dependents of Veterans	$ 487	$ 444
Vocational Rehabilitation and Education Assistance	12,693	11,727
Administrative Program Costs	372	389
Total Program Expenses	$ 13,552	$ 12,560
Program Outputs (Participants)		
Dependent Education	89,618	94,618
Veterans Rehabilitation	89,708	85,436
Veterans Education	971,597	871,188

Veterans and Dependents Education		
Years Ended September 30,		
	2011	2010
Program Expenses		
Education and Training-Dependents of Veterans	$ 567	$ 477
Vocational Rehabilitation and Education Assistance	11,259	9,031
Administrative Program Costs	370	348
Total Program Expenses	$ 12,196	$ 9,856
Program Outputs (Participants)		
Dependent Education	96,078	81,974
Veterans Rehabilitation	81,097	77,176
Veterans Education	822,808	634,038

Veterans and Dependents Education

Years Ended September 30,

		2009
Program Expenses		
Education and Training-Dependents of Veterans	$	464
Vocational Rehabilitation and Education Assistance		4,393
Administrative Program Costs		304
Total Program Expenses	$	5,161
Program Outputs (Participants)		
Dependent Education		82,345
Veterans Rehabilitation		72,803
Veterans Education*		822,738

*Due to the implementation of the new Post 9/11 GI Bill during 2009, total participants in the Veterans Education Program for 2009 may include two records for a single participant who switches from the Montgomery GI Bill (MGIB) to the Post-9/11 GI Bill mid-year.

Program Outcomes

VA's education and training programs are intended to provide higher education to dependents that might not be able to participate otherwise. Veterans' rehabilitation and employment programs are provided to service-disabled Veterans; they are designed to improve employability and promote independence for the disabled. Educational programs for active duty personnel, reservists, and Veterans provide higher education assistance to those who are eligible under the new Post-9/11 GI Bill, MGIB and the Veterans Educational Assistance Program. Education and training assistance is provided to dependents of Veterans who died of service-connected disability or whose service-connected disability was rated permanent and total. The Vocational Rehabilitation and Employment program provides evaluation services, counseling, and training necessary to assist Veterans in becoming employable and maintaining employment to the extent possible. The program is open to Veterans who have a 10 percent or greater service-connected disability rating and are found to have a serious employment handicap. The Veterans Education program provides educational assistance to eligible Servicemembers and Veterans, and eligible family members.

3. Health Professions Education

Health Professions Education					
Years Ended September 30,					
	2013	**2012**	**2011**	**2010**	**2009**
Program Expenses					
Physician Residents and Fellows	$ 692	$ 663	$ 637	$ 584	$ 547
Associated Health Residents and Students	164	153	114	113	99
Instructional and Administrative Support	856	851	819	794	707
Total Program Expenses	$ 1,712	$ 1,667	$ 1,570	$ 1,491	$ 1,353
Program Outputs					
Health Professions Rotating Through VA:					
Physician Residents and Fellows	38,106	37,104	36,984	36,600	35,099
Medical Students	20,128	21,502	20,516	21,267	20,567
Nursing Students	25,948	32,349	25,931	33,580	31,380
Associated Health Residents and Students	33,228	25,839	31,869	23,416	22,916
Total Program Outcomes	117,500	116,794	115,300	114,863	109,962

Program Outcomes

Title 38 U.S.C. mandates that VA assist in the training of health professionals for its own needs and those of the Nation. The VHA conducts education and training programs to enhance the quality of care provided to Veterans within the VA health care system. Building on the long-standing partnerships between VA and the Nation's academic institutions, VA plays a leadership role in defining the education of future health care professionals to meet the changing needs of the Nation's health care delivery system.

VA's education mission contributes to high quality health care of Veterans by providing a climate of scientific inquiry and evidence-based practice; rapid application of medical advances; supervised trainees who provide clinical care; and the recruitment of highly qualified health care professionals.

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, 2013

	Basic	Applied	Development	Total
Medical Research Service	$ 192.0	$ 90.0	$ -	$ 282.0
Rehabilitative Research and Development	7.0	52.0	36.3	95.3
Health Services Research and Development	-	90.0	-	90.0
Cooperative Studies Research Service	40.6	75.0	-	115.6
Medical Research Support	-	581.9	-	581.9
Total Program Expenses	$ 239.6	$ 888.9	$ 36.3	$ 1,164.8

Program Expense
Year Ended September 30, 2012

	Basic	Applied	Development	Total
Medical Research Service	$ 191.0	$ 92.0	$ -	$ 283.0
Rehabilitative Research and Development	6.7	52.0	36.6	95.3
Health Services Research and Development	-	88.6	-	88.6
Cooperative Studies Research Service	40.4	75.2	-	115.6
Medical Research Support	-	581.0	-	581.0
Total Program Expenses	$ 238.1	$ 888.8	$ 36.6	$ 1,163.5

Program Expense
Year Ended September 30, 2011

	Basic	Applied	Development	Total
Medical Research Service	$ 166.1	$ 80.0	$ -	$ 246.1
Rehabilitative Research and Development	8.7	68.6	47.4	124.7
Health Services Research and Development	-	85.3	-	85.3
Cooperative Studies Research Service	43.2	80.3	-	123.5
Medical Research Support	-	579.8	-	579.8
Total Program Expenses	$ 218.0	$ 894.0	$ 47.4	$ 1,159.4

Program Expense
Year Ended September 30, 2010

	Basic	Applied	Development	Total
Medical Research Service	$ 202.9	$ 97.5	$ -	$ 300.4
Rehabilitative Research and Development	6.4	50.6	35.0	92.0
Health Services Research and Development	-	91.0	-	91.0
Cooperative Studies Research Service	34.0	63.6	-	97.6
Medical Research Support	-	581.0	-	581.0
Total Program Expenses	$ 243.3	$ 883.7	$ 35.0	$ 1,162.0

Program Expense
Year Ended September 30, 2009

	Basic	Applied	Development	Total
Medical Research Service	$ 164.4	$ 89.6	$ -	$ 254.0
Rehabilitative Research and Development	5.6	42.7	32.7	81.0
Health Services Research and Development	-	80.0	-	80.0
Cooperative Studies Research Service	33.3	61.7	-	95.0
Medical Research Support	-	510.0	-	510.0
Total Program Expenses	$ 203.3	$ 784.0	$ 32.7	$ 1020.0

In addition, VHA researchers received grants from the National Institutes of Health in the amount of $414 million and $251 million in other grants during 2013. 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 2013, VA’s R&D general goal related to stewardship was to ensure that VA’s Pre-clinical Research and Clinical Research Program (excluding CSP) met the needs of the Veteran population and contributed to the Nation’s knowledge about disease and disability. Target levels were established for the: (1) percent of funded research projects relevant to VA’s health-care mission in designated research areas and (2) number of research and development projects. Strategies were developed in order to ensure that performance targets would be achieved.

Research and Development Measures-Actual					
Years Ended September 30,					
	2013	**2012**	**2011**	**2010**	**2009**
Percent of Funded Research Projects Relevant to VA's Health-Care Mission	100.0%	100.0%	100.0%	100.0%	100.0%
Number of Research and Development Projects	2,241	2,249	2,200	2,350	2,193

VA’s Pre-clinical Research and Clinical Research Program’s (excluding CSP) goal is to be the premier research organization, leading our Nation’s efforts to discover knowledge and create innovations that promote and advance the health and care of Veterans and the Nation. To achieve this goal, VA targets research projects that address special needs of Veteran patients and balance research resources among basic and applied research to ensure a complementary role between the discovery of new knowledge and the application of these discoveries to medical practice.

Required Supplementary Information (Unaudited)

(dollars in millions, unless otherwise noted)

1. Deferred Maintenance and Repairs

FASAB issued SFFAS No. 40, *Definitional Changes to Deferred Maintenance; Amending Statement of Federal Financial Accounting Standards 6, Accounting for Property, Plant, and Equipment*, which was adopted by VA in 2012. This standard clarifies that repair activities should be included to better reflect asset management practices, and improve reporting on deferred maintenance and repairs. Deferred maintenance and repairs are maintenance and repair activities not performed when they should have been or were scheduled to be, therefore, are put off or delayed for a future period. Activities include preventive maintenance; replacement of parts, systems or components; and other activities needed to preserve or maintain an asset. Maintenance and repairs, as distinguished from capital improvements, exclude activities that expand the capacity of an asset or otherwise upgrade it to serve needs different from, or significantly greater than, its current use.

FASAB issued SFFAS No. 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standard 6, 14, 29 and 32,* which is effective for periods beginning after September 30, 2014. This standard requires expanded qualitative and quantitative disclosure of deferred maintenance and repairs. Management does not believe that implementation will have a material effect on financial statement disclosures.

Management determines the level of service and condition that is acceptable to carry out VA's mission, which may vary by VA components which include VHA, VBA, NCA, and Indirect Administrative Program Costs. It is VA policy to ensure that medical equipment and critical facility equipment systems are maintained, repaired and managed in a safe and effective manner; therefore, deferred maintenance and repairs are not applicable to them.

VA facilities reported their cost estimates for deferred maintenance and repairs by performing periodic Facility Condition Assessment Surveys, which are inspections of property, plant and equipment based on generally accepted methods and standards consistently applied, to assign condition ratings and estimate costs for each fixed asset to correct deficiencies. The costs assigned "D" (poor) and "F" (critical) ratings, qualify for reporting as deferred maintenance and repairs, except where deficiencies are to be replaced by capital expenditures. See Notes 1, 9 and 10 to the consolidated financial statements for additional information on general PP&E and heritage assets.

Deferred Maintenance and Repairs			
as of September 30,	**2013**	**2012**	**2011**
General PP&E	$ 6,709	$ 5,911	$ 5,719
Heritage Assets	622	740	698
Total Deferred Maintenance and Repairs	$ 7,331	$ 6,651	$ 6,417

2. Schedule of Budgetary Activity Year Ended September 30, 2013

	Total Budgetary Resources	Obligations Incurred	Spending Authority from Offsetting Collections and Adjustments	Obligated Balance Net, Oct. 1	Obligated Balance Net, Sept. 30	Total Outlays
Veterans Health Administration						
Medical Admin 0152	$ 5,980	$ 5,604	$ 20	$ 894	$ 1,046	$ 5,432
Medical Care 0160	45,157	43,727	189	7,477	8,633	42,382
Medical Facilities 0162	5,533	5,429	19	3,185	3,120	5,475
Information Technology 0167	3,700	3,375	78	1,634	1,713	3,218
All Other	6,353	3,069	496	3,029	3,411	2,191
Total	$ 66,723	$ 61,204	$ 802	$ 16,219	$ 17,923	$ 58,698
Veterans Benefits Administration						
Compensation, Pension, & Burial Benefits 0102	$ 66,426	$ 65,204	$ -	$ 4,691	$ 5,136	$ 64,759
Readjustment Benefits 0137	14,123	13,277	369	545	646	12,807
Direct Loan Financing 4127	146	56	147	-	-	(91)
Guaranteed Loan Financing 4129	7,981	3,028	4,196	306	345	(1,207)
National Service Life Insurance Fund 8132	1,043	1,043	(1)	1,089	1,107	1,026
All Other	7,929	5,465	1,717	907	836	3,819
Total	$ 97,648	$ 88,073	$ 6,428	$ 7,538	$ 8,070	$ 81,113
National Cemetery Administration						
Total	$ 321	$ 287	$ -	$ 194	$ 167	$ 314
Indirect Administrative Program Costs						
General Operating Expenses 0151	$ 2,605	$ 2,448	$ 378	$ 403	$ 343	$ 2,130
Supply Fund 4537	2,771	1,984	1,949	(513)	(562)	84
All Other	(1,110)	(1,106)	453	(216)	(45)	(1,730)
Total	$ 4,266	$ 3,326	$ 2,780	$ (326)	$ (264)	$ 484
Reconciling Adjustments for Prior Year Recoveries	$ 2,700	$ 2,700	$ 2,700	$ -	$ -	$ -
Total of all Administrations	$ 171,658	$ 155,590	$ 12,710	$ 23,625	$ 25,896	$ 140,609

Schedule of Spending (Unaudited)

The Schedule of Spending (SOS) presents an overview of how and where VA is obligating and spending money. The data used to populate this schedule is the same underlying data used to populate the SBR. The SOS presents total budgetary resources and fiscal year to date total obligations incurred for the reporting entity.

The budgetary information in this schedule is presented on a combined basis consistent with the account-level information presented on the Report on Budget Execution and Budgetary Resources (SF-133) and the SBR. Consolidation, which involves line by line elimination of inter-entity balances is not permitted for this schedule.

Credit reform financing accounts are material to VA's financial statements; therefore, the budgetary accounts and non-budgetary credit reform accounts are presented separately similar to the presentation in the SBR.

As some of the implementation and reporting details of the SOS are still being developed, OMB has directed the schedule be included in Other Information to permit VA to explore the optimal means of implementation and reporting. VA is interested in public feedback from the users of the financial statements regarding the presentation and classification of the data in the schedule of spending to evaluate the usefulness of the information as presented and possible alternatives to the current presentation, if necessary, to meet VA users' needs. Comparative schedules are not required until 2014.

The SOS is presented in three sections as required for CFO Act agencies in 2013. The first section is entitled "What Money is Available to Spend?". This section of the SOS presents total budgetary resources that were available to spend reconciled to obligations incurred as shown in the Status of Budgetary Resources section of the SBR.

The second section is entitled "How was the Money Spent/Issued?". This section of the SOS presents services or items that were purchased and how obligations are incurred or the payment type within each VA administration consistent with the SBR and classified by the OMB Budget Object Class (BOC) as defined in Circular No. A-11. The most significant BOCs and payment types are presented separately within each VA administration with the remaining BOCs presented in aggregate as "Other" within each administration. The line items in the second section of the SOS will reconcile to obligations incurred in the SBR.

The third section is entitled "Who did the Money go to?" and reconciles to obligations incurred in the SBR. This section of the SOS presents obligations incurred as either Federal or Non-Federal obligations within each VA Administration. VA does not have any special lines of business or special trading partners beyond the existing presentation that requires separate disclosure to accurately reflect its business activities.

VA is in the process of integrating the current financial reporting and management assurance frameworks with publicly reported prime award Federal spending on USAspending.gov. VA is comparing and validating the accuracy and completeness of prime award financial data reported to

USAspending.gov with the SOS as integration proceeds.   Discrepancies between USAspending.gov and the SOS and related internal controls required to meet the reporting requirements are being addressed by VA as the integration process continues.

USAspending.gov prime award financial data for VA contracts, grants and insurance is a subset of the obligations incurred and reported in the SBR and the SOS financial systems but is based on and reported when amounts are paid not when obligations are incurred which creates timing and reconciliation requirements between the two sets of data. Additionally, the current USAspending.gov data is not integrated with or maintained in the same financial management and reporting system as the SBR and the SOS and does not track or report data by an obligations incurred number as reported in the SBR and SOS financial management system. VA is currently working on a system solution to cost effectively address timing differences and reconcile the data in both systems to enable it to integrate the current financial reporting and management assurance frameworks, validate the accuracy and completeness of the prime award financial data and provide assurance that internal controls are operating effectively when these new reporting requirements become effective. This process is not meant to supplant existing VA processes currently established that reconcile USAspending.gov prime award data with the SBR or the SF-133.

The following table summarizes the Schedule of Spending for the year ended September 30, 2013. At the bottom of the second section entitled “How was the Money Spent/Issued?” and the third section entitled “Who did the Money go to?”, a separate line entitled, “Reconciling Adjustment for Prior Year Recoveries” reflects VA’s estimate of recoveries of prior year unpaid obligations for 2013 totaling $2.7 billion. This adjustment was recorded as an increase in “Recoveries of Prior Year Unpaid Obligations” and an increase in “Obligations Incurred” in the Combined Statement of Budgetary Resources for the year ended September 30, 2013. The Schedule of Spending reports Obligations Incurred as reported in the Statement of Budgetary Resources in accordance with OMB guidelines. However, VA’s systems require extensive modification to properly account for the prior year recoveries in the base level of fund account and USSGL detail to conform with OMB and Treasury guidelines. VA has completed the technical assessment and detailed design requirements to modify its core accounting system and has begun the programming phase of the development. When an automated systems solution is implemented, VA will be enabled to properly identify prior year recoveries, systematically monitor reapportioned budget authority and track both for internal and external financial reporting. Until that time, VA has implemented a manual review process to identify prior year recoveries and quantify an estimate to be recorded at the VA combined level, not at the detailed fund account level. Therefore, the adjustments have not been reflected in the BOCs by Administration, but set out separately to reconcile the information with Obligations Incurred.

DEPARTMENT OF VETERANS AFFAIRS

SCHEDULE OF SPENDING – UNAUDITED (dollars in millions)

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgetary	Non-Budgetary Credit Program
What Money is Available to Spend?		
Total Resources	$ 163,344	$ 8,314
Less Amount Available but Not Agreed to be Spent	(6,984)	-
Less Amount Not Available to be Spent	(3,917)	(5,167)
Total Amounts Agreed to be Spent	**$ 152,443**	**$ 3,147**
How was the Money Spent/Issued?		
Veterans Health Administration		
Personnel Compensation and Benefits	$ 28,924	$ -
Other Contractual Services	13,468	-
Supplies and Materials	8,686	-
Land and Structures	2,956	-
Equipment	2,426	-
Rent, Communications and Utilities	2,026	-
Grants, Subsidies and Contributions	1,626	-
Travel and Transportation of Persons	963	-
Other	129	-
Veterans Benefits Administration (Including Veterans Benefits, Life Insurance, Housing Credit and Administration)		
Insurance Claims and Indemnities*	67,371	1,120
Grants, Subsidies and Contributions**	14,767	227
Personnel Compensation and Benefits	1,905	-
Other Contractual Services	503	221
Rent, Communications and Utilities	136	-
Interest and Dividends	133	40
Land and Structures	3	1,513
Other	108	26
National Cemetery Administration		
Personnel Compensation and Benefits	133	-
Other Contractual Services	88	-
Grants, Subsidies and Contributions	35	-
Supplies and Materials	10	-
Rent, Communications and Utilities	9	-
Other	12	-
Indirect Program Administration		
Other Contractual Services	1,532	-
Personnel Compensation and Benefits	725	-
Equipment	500	-
Supplies and Materials	415	-
Rent, Communications and Utilities	111	-
Other	43	-
Reconciling Adjustment for Prior Year Recoveries	2,700	-
Total Amounts Agreed to be Spent	**$ 152,443**	**$ 3,147**

DEPARTMENT OF VETERANS AFFAIRS

SCHEDULE OF SPENDING – UNAUDITED (dollars in millions)

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgetary	Non-Budgetary Credit Program
Where did the Money go to?		
Veterans Health Administration		
Federal	8,506	-
Non-Federal	52,698	-
Veterans Benefits Administration (Including Veterans Benefits, Life Insurance, Housing Credit and Administration)		
Federal	2,170	54
Non-Federal	82,756	3,093
National Cemetery Administration		
Federal	39	-
Non-Federal	248	-
Indirect Program Administration		
Federal	538	-
Non-Federal	2,788	-
Reconciling Adjustment for Prior Year Recoveries	2,700	-
Total Amounts Agreed to be Spent	**$ 152,443**	**$ 3,147**

*Primarily Veterans' pension and disability compensation costs, insurance program costs and loan guaranty program losses.
**Primarily Veterans' educational readjustment benefit programs, special adaptive housing costs and loan subsidy and reestimate costs.

Summary of Financial Statement Audit and Management Assurances

The following tables provide a summary of audit-related or management-identified material weaknesses and the non-compliance with FFMIA and Federal financial management system requirements outlined in the 2013 Performance and Accountability Report. The title of each material weakness is consistent throughout this section and in the entire document. The material weakness and the associated remediation plan is the same as the audit-related material weakness.

During 2013, VA continued its remediation plans to correct the one material weakness identified in prior years for "Information Technology (IT) Security Controls." As of September 30, 2013, VA continues to report one material weakness related to "Information Technology (IT) Security Controls."

No new material weaknesses were found in the design or operation of internal controls during 2013 as a result of VA's annual assessment of internal control over financial reporting, operations, laws and regulations, and financial management systems requirements in accordance with FMFIA sections 2 and 4. Under FFMIA Section 803(a) for 2013, VA reported non-compliance with Federal financial management system requirements related to the material weakness for "Information Technology (IT) Security Controls." VA also reported non-compliance with Federal accounting standards related to the Debt Collection Improvement Act.

Table 1 - Summary of Financial Statement Audit

Audit Opinion	**Unmodified**				
Restatement	**No**				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
IT Security Controls	✓				✓
Total Material Weaknesses	**1**	**0**	**0**	**0**	**1**

Table 2 - Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA – § 2)						
Statement of Assurance	**Unqualified**					
Material Weaknesses	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	**Unqualified**					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**	**0**
Conformance with Financial Management System Requirements (FMFIA – § 4)						
Statement of Assurance	**Conform except for the non-conformance findings below**					
Material Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
IT Security Controls *	✓					✓
Total Non-Conformances	**1**	**0**	**0**	**0**	**0**	**1**

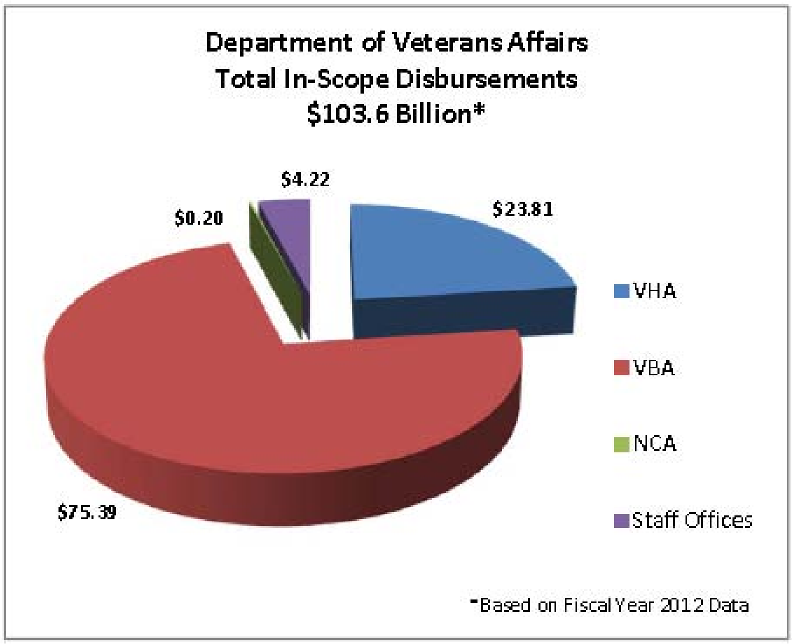
Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	**Auditor**
1. System Requirements	**Noncompliance noted**	**Noncompliance noted**
2. Accounting Standards**	**No Noncompliance noted**	**No Noncompliance noted**
3. USSGL at Transaction Level	**No noncompliance noted**	**No noncompliance noted**

*Note: Material weaknesses and their associated remediation plans are the same as audit-related material weaknesses.
**Note: As a result of a Secretarial decision not to charge Veterans interest and administrative costs on benefit related debts, VA is not fully compliant with all provisions of the DCIA.

Improper Payments Elimination and Recovery Act of 2010 (IPERA) Report

VA entered 2013 with the reduction of improper payments as its top financial management priority. To accomplish this goal, VA concentrated efforts on achieving two main objectives: (1) to improve statistical estimation and sampling methodologies and (2) to better understand the causes of improper payments.

In working towards these objectives, VA established new OMB- approved statistical sampling techniques; began systematically reviewing program payments; and participated in innovative projects, such as the OMB/Treasury Do Not Pay Solution pilot, to better identify potential improper payments. VA also has many programs and activities in place to prevent, detect, and reduce improper payments (e.g., prepayment and analytical reviews).



In 2012, VA issued $132.6 billion in diverse payments of which $103.6 billion were subject to IPERA processes and reviews. The remaining $29.0 billion in payments relate to out-of-scope activities, such as payroll and intra-governmental transactions. As a result of a multi-year effort made throughout VA and the use of proper statistical sampling methodologies, significant reductions in reported improper payments were achieved; specifically, VA's improper payments decreased by 50 percent from $2.2 billion in 2011 to $1.1 billion in 2012.

VA is comprised of three Administrations and a central office function. A brief description of the four VA components follows:

VHA

VHA manages 21 VISNs with over 150 VAMCs nationwide to provide efficient, accessible health care to Veterans in their areas.

VBA

VBA manages four area offices and 56 ROs world-wide to ensure necessary benefits and services are administered to Servicemembers, Veterans, and their families.

NCA
NCA manages 5 MSNs and 131 national cemeteries in 39 states and Puerto Rico, as well as 33 soldiers' lots and monuments. NCA provides Veterans and their families with final resting places in national shrines and with lasting tributes that commemorate their service and sacrifice to our Nation.

Staff Offices
The VA Central Office is comprised of eight entities that serve as the managerial, policy, and administrative hub for Departmental activities.

Section I. This section describes the risk assessments performed for VA programs.

During this reporting period, VA standardized the risk assessment process by providing VA with a systematic method for reviewing all programs and outlays, and identifying those susceptible to significant improper payments. Moreover, in order to better align with OMB guidance, VA reevaluated its definition of a program resulting in previously identified programs being evaluated and reported as multiple programs.

VHA
VHA conducted risk assessments on 30 programs and activities and determined 5 programs were susceptible to significant improper payments. These programs include: Beneficiary Travel, Civilian Health and Medical Program of the VA (CHAMPVA), Non-VA Care Fee, State Home Per Diem Grants, and Supplies and Materials.

VBA
VBA conducted risk assessments on 25 programs and activities and determined 3 programs were susceptible to significant improper payments. These programs include: Disability Compensation, Pension, and Vocational Rehabilitation and Employment Beneficiary Payments (VR&E). VBA also had three education programs (previously reported as a single program) included for testing even though they were assessed as low risk. This was due to the fact that they have not yet reported 2 consecutive years of improper payment amounts below reporting thresholds. The three education programs are Post-9/11 GI Bill (Chapter 33); Montgomery GI Bill – Selected Reserve (Chapter 1606), and Reserve Educational Assistance Program (Chapter 1607). For 2013, OMB granted a waiver of annual improper payment reporting for the insurance program.

NCA
NCA conducted a risk assessment of the burial program; it was assessed as low risk.

Staff Offices
Staff Offices conducted risk assessments on eight programs; all were assessed as low risk.

Section II. This section describes the statistical sampling process performed for VA programs.

VA's sampling methodology significantly changed from prior years to ensure compliance with IPERA requirements. Specifically, VA utilized stratified sampling designs to separate the program universe into homogenous groups, or strata. The program strata were constructed based on the dollar amount paid using specialized statistical software. The software constructs the strata in such a way that the invoices within a stratum are similar in payment size, but dissimilar between the strata. The payments were ordered by amount within each strata and a systematic random sample was selected to ensure a consistent representation of the payment universe. The sample size for each stratum was calculated using a proportional allocation method. By this technique, stratum representing 50 percent of the payments for a program had 50 percent of samples, and stratum representing 20 percent of the payments had 20 percent of the samples. Sample sizes varied by program and were determined using historical error rates and power estimates that would meet precision requirements. OMB approved VA's new sampling methodology and praised it as a Federal best practice.

Section III. This section describes corrective actions planned and error types for VA programs.

In 2012, only 6 of the 9 tested programs had estimated improper payments greater than $10 million. Corrective action plans for each of those programs follow.

1. Beneficiary Travel

Due to Congressionally mandated increases in mileage reimbursement rates in late 2008 and increased utilization of VA health care, VA has experienced a dramatic growth in the BTP that has strained current processes and controls. Improper payments totaled $69.7 million with documentation and administrative errors accounting for 75 percent of the improper payments and verification errors accounting for 25 percent of the improper payments. Improper payments identified through testing totaled $14,401, which will be recaptured through normal collection activities available to VA.

Corrective Action Plan

CBO will implement, or has implemented[1], the following corrective actions to ensure greater compliance. With the implementation of the below actions, VA expects to reduce improper payments by 0.02 percentage points in 2014.

Program Compliance

- In February 2013, the Beneficiary Travel Eligibility Review was implemented to further review Veterans converted through the IVM process with those who have received mileage reimbursement travel benefits, allowing for scrutiny of payments based on income.
- In March 2013, data mining analytic tools based on six potentially problematic beneficiary behaviors were released for use in the field. Reporting of facility utilization and results began in July 2013.
- In January 2014, CBO will implement an on-site assistance program to work with facilities in identifying opportunities to strengthen beneficiary travel process improvements, program integrity, and internal controls.

Training Process Improvements

- In November 2013, CBO implemented clinical documentation tools in the form of CPRS templates for providers to capture Veteran's clinical need for special mode transportation, nearest treating facility determination, and aid and attendance eligibility.
- In November 2013, the CBO deployed an application process including a new beneficiary travel claims form with implementation instructions for use when the Veteran is not requesting beneficiary travel benefits in person.

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1 The actions already implemented were completed during or after the sampling period for 2013, so impact was limited; however, internal controls were significantly improved.

System Changes

- In December 2012, a supplemental tool to the VistA beneficiary travel application was created, implementing a standardized online mileage mechanism to help ensure more accurate claims processing.
- In April 2013, software enhancing the Electronic Travel Claims Processing System was developed to address identified system limitations. Changes included improving processing and reporting capabilities, supporting enhanced benefits administration, and decreasing risk for improper payments.

2. CHAMPVA

CHAMPVA is a comprehensive health care program in which VA shares the cost of covered health care service and supplies with eligible beneficiaries. Improper payments totaled $20.9 million with documentation and administrative errors accounting for 60 percent of the improper payments and verification errors accounting for 40 percent of the improper payments. Improper payments identified through our testing totaled $114,277, which will be recaptured through normal collection activities available to VA.

Corrective Action Plan

CBO will implement, or has implemented, the following corrective actions to ensure greater compliance. With the implementation of these actions, VA expects to reduce improper payments by 0.01 percentage points in 2014.

Program Compliance

- In January 2012, VA started conducting proper payment and eligibility audits on a quarterly basis to identify improper payments associated with incorrect amount paid, ineligible recipient, duplicate payments, and data entry errors.

Training Process Improvements

- In July 2013, CBO began quality assurance reviews for all voucher examiners to ensure the correct amount is paid and eligibility is accurate. Two percent of the processed claims are reviewed daily for each voucher examiner.

System Changes

- In June 2012, CBO began automatically generating prepayment queries for 15 percent of claims that meet criteria for possible duplicate payment, other health insurance coverage, and high dollar claims greater than $10,000. CBO staff research claims on a daily basis to reduce payment errors associated with these issues.
- In June 2013, data matches were conducted with CMS and DoD on a monthly basis to improve timely verification of eligibility and other health insurance.
- In December 2013, VHA and VBA will conduct data matches to verify changes in eligibility.

3. Non-VA Care Fee

Many of the improper payments can be attributed to the manual nature of claims processing and the decentralized claims processing system with over 2,000 claims processors, multiple software products, and the current technology. Improper payments totaled $429.1 million with documentation and administrative errors accounting for 100 percent of the improper payments. Improper payments identified through testing totaled $501,100, which will be recaptured through normal collection activities available to VA.

Corrective Action Plan

CBO will implement, or has implemented, the following corrective actions to ensure greater compliance. With the implementation of these actions, VA expects to reduce improper payments by 0.04 percentage points in 2014.

Program Compliance

- In December 2012, VHA developed *SnapWeb,* a tool designed to identify potential duplicate payments in a pre-payment status.
- In January 2013, the CBO established a Virtual Audit Team that is structured to perform the annual IPERA audit and quarterly proper payment audits for the Non-VA Care Fee program.
- In December 2013, VHA will implement a comprehensive set of Program Integrity Tools to reduce fraud, waste, and abuse and improve payment accuracy in a pre-payment status.
- In December 2013, VHA will deploy the Non-VA Care Quality Inspector Tool which provides push-button inspection of all outpatient claims processed through the Fee Basis Claims System (FBCS) to ensure proper payment in a pre-payment status.

System Changes

- FBCS is an interim solution layered on top of the VistA Fee system. This initiative allows for more timely claims processing, elimination of duplicate payments, and reduction of manual entry and data entry errors. Implementation began in 2010 and will conclude in 2014.
- In July 2012, FBCS Patch 12 reduced the error rate for the 3 major error categories, including improper schedule/method paid, rate discrepancy, and data entry from 31.8 percent to 3.8 percent.
- In July 2013, FBCS Patch 39 proactively reduced improper payments by identifying potential duplicate claims, addressing emergency claim timely filing requirements under 38 U.S.C. 1725 (Mill Bill), and reviewing high dollar claims over $25,000.
- The Healthcare Claims Processing System project is a technology solution that will substantially automate business processes for the payment of Non-VA health care claims, strengthen internal controls, and significantly reduce improper payments. Enterprise deployment is scheduled for April 2015 through May 2016.

Program Support

- In December 2012, VHA's Field Assistance Program expanded to provide enhanced site visits designed to improve local operations by assessing facilities' Non-VA Care claims processes and assisting with the development of effective internal controls.

4. State Home Per Diem Grants

Many of the improper payments can be attributed to the use of a paper based manual decentralized claims processing system and the lack of compliance with internal policies. Improper payments totaled $135.2 million with documentation and administrative errors accounting for 100 percent of the improper payments. Improper payments identified through testing totaled $3.1 million, which will be recaptured through normal collection activities available to VA.

Corrective Action Plan

CBO will implement, or has implemented, the following corrective actions to ensure greater compliance. With the implementation of these actions, VA expects to reduce improper payments by 6.0 percentage points in 2014.

Program Changes

- By December 2013, CBO will submit an executive decision memorandum to dramatically change the structure and evaluate best practices of the State Home Per Diem program.

Program Compliance

- In September 2013, CBO completed a comprehensive (i.e., 100 percent) review and collection of documentation supporting 2012 payments. Admission information supplied by the State Veterans Home was reviewed for completeness and to ensure that VHA authorized the care. Where applicable, VHA staff updated the authorizations. A new database was established to capture and retain admission and payment documentation.
- Beginning in September 2013, CBO worked with VAMC staff to mitigate application (10-10SH) and other documentation errors to ensure compliance with State Home Per Diem program requirements.
- By December 2013, CBO will increase audit staff to conduct the annual IPERA audit and quarterly proper payment audits.

Policy Changes

- By September 2014, the State Home Per Diem Handbook will be revised to facilitate standardization of program requirements.

System Changes

- By February 2014, CBO will implement a system-wide electronic tracking tool, which will calculate the daily cost of care and validate payment accuracy.
- By March 2014, automation of the 10-10SH application is scheduled for deployment, ensuring completion of required fields, enhancement of transmission, and electronic availability of the form.
- By May 2016, the State Home Per Diem program will be included in the health claims processing initiative solution.

5. Supplies and Materials

VHA has made great strides in improving payment accuracy in this area. For 2013, improper payments totaled $2.53 million with documentation and administrative errors accounting for 100 percent of the improper payments. Because the Supplies and Materials program has estimated improper payments of less than $10 million, detailed corrective action plans and recoverable improper payments are not reported.

6. Compensation Service

VA provides compensation to Veterans who are at least 10 percent disabled because of injuries or diseases that occurred or were aggravated during active military service. Many of the improper payments were the result of incorrect input classification or processing of payments. Improper payments totaled $321.1 million with documentation and administrative errors accounting for 100 percent of the improper payments. Improper payments identified through testing totaled $5,710, which will be recaptured through normal collection activities available to VA.

Corrective Action Plan

VBA will implement, or has implemented, the following corrective actions to ensure greater compliance. With the implementation of these actions, VA expects to reduce improper payments by 16 percent in this program over the next 2 years.

Program Compliance

VBA continues to improve training programs to reduce documentation and administrative errors by updating centralized training material. Additionally, VBA implemented the following actions to strengthen efficiency at ROs:

- Improvements to and Expansion of Skills Certification – In 2013, VBA implemented the Skills Certification program to improve organizational performance and professionalism of claims personnel. Managers continue to implement improvements to better track individual tasks of each VBA employee involved in processing of Veterans claims.
- QRT – In 2012, VBA fully implemented the QRT program to conduct local quality reviews within all ROs. The QRTs perform quality reviews prior to authorization to ensure correct benefits are being paid. QRT members provide feedback and training on error trends, Central Office quality review findings, and any other training that local management deems appropriate. Local analysis and feedback are required so that appropriate metrics can be reported and tracked to strengthen accuracy at ROs.
- Trend Analysis – VBA analyzes the results of quality assurance reviews and provides detailed feedback to ROs through a variety of methods including monthly Systematic Technical Accuracy Review (STAR) error reporting, which requires follow up and corrective action. VBA uses error-trend analysis to develop the annual mandatory training contained in the National Training Curriculum for claims processors. Training curriculum and materials are amended regularly based on information in the quality assurance reports.

7. Pension

VA helps Veterans and their families cope with financial challenges by providing supplemental income through Veterans Pension and Survivors Pension benefit programs. Many of the improper payments resulted from the absence of supporting documentation necessary to verify the accuracy of a payment or inability to verify recipient information, to include income, assets, and/or work status. Improper payments totaled $92.43 million with documentation and administrative errors accounting for 71 percent and verification errors accounting for 29 percent of the improper payments. Improper payments identified through our testing totaled $23,379, which will be recaptured through normal collection activities available to VA.

Corrective Action Plan

VBA will implement, or has implemented, the following corrective actions to ensure greater compliance. With the implementation of these actions in this program, VA expects to reduce verification errors by 16 percent over the next 2 years and documentation and administrative errors by 25 percent over the next 2 years.

Program Compliance

- Establish Deadlines – Existing procedures require that applicants submit claims using specific forms and provide supporting documents before VA makes a determination of eligibility for benefit payments. VBA currently has procedures which prescribe how documentation supporting an award is to be maintained in a claims folder. However, there may be times when documents are not added to the files in a timely manner. To mitigate these errors, VBA will introduce standards establishing deadlines as to when documents should be added to the paper and electronic claims folders. VBA will add these standards to its Quality Assurance programs (i.e., STAR) that review the accuracy of completed claims and its QRTs that assess in-process quality of claims. Through the implementation of this corrective action, documentation and administrative errors should be reduced by 25 percent over the next 2 years.
- Trend Analysis – VBA procedures provide detailed guidance for calculating benefit amounts and inputting data into various systems. VBA will analyze the errors discovered for trends and will emphasize the importance of accurate calculations in its STAR and QRT programs. When appropriate, Quality Assurance staff will provide additional training to remedy errors.

8. Vocational Rehabilitation and Employment (VR&E)

VBA made significant improvements in identifying and eliminating improper payments in this program. For 2013, improper payments totaled $2.15 million with documentation and administrative errors accounting for 100 percent of the improper payments. Because the VR&E program had estimated improper payments of less than $10 million, detailed corrective action plans and recoverable improper payments are not reported.

9. Education – Chapter 33, Chapter 1606, and Chapter 1607

For the second consecutive year, Education program related improper payments remained extremely low. In combination, Education's Chapter 33, Chapter 1606, and Chapter 1607 had improper payments of $870 thousand with documentation and administrative errors accounting for 100 percent of the improper payments. Because the Education programs had estimated improper payments of less than $10 million, detailed corrective action plans and recoverable improper payments are not reported.

Section IV. The table below lists VA's reportable programs.

Table 1
Improper Payment (IP) Reduction Outlook 2012–2016(Based on 2011 –2015 data)
($ in millions)

Program	2012 (based on 2011 actual data)			2013 (based on 2012 actual data)			2014 (based on 2013 estimated data)			2015 (based on 2014 estimated data)			2016 (based on 2015 estimated data)		
	OUTLAYS ($)	IP %	IP $	OUTLAYS ($)	IP %	IP$	OUTLAYS($)	IP %	IP $	OUTLAYS ($)	IP %	IP$	OUTLAYS ($)	IP %	IP $
Beneficiary Travel[1]	828	8.56	70.90	749	9.04	67.67	771	9.30	71.70	794	9.20	73.05	818	9.10	74.44
		0.16	1.30		0.28	2.07		0.00	0.00		0.00	0.00		0.00	0.00
Gross Amount		8.72	72.20		9.32	69.74		9.30	71.70		9.20	73.05		9.10	74.44
CHAMPVA	849	0.35	3.00	924	1.82	16.84	952	1.85	17.61	981	1.20	11.77	1,010	1.20	12.12
		3.07	26.10		0.44	4.08		0.40	3.81		0.29	2.85		0.28	2.83
Gross Amount		3.42	29.10		2.26	20.92		2.25	21.42		1.49	14.62		1.48	14.95
Non-VA Care Fee[2]	4,290	5.48	235.00	4,447	7.26	323.07	3,403	7.20	245.02	3,505	7.20	252.36	3,610	7.20	259.92
		6.55	281.00		2.38	106.00		2.40	81.67		2.30	80.62		2.20	79.42
Gross Amount		12.03	516.00		9.64	429.07		9.60	326.69		9.50	332.98		9.40	339.34
State Home Per Diem Grants	787	3.62	28.50	848	15.76	133.68	873	9.90	86.43	899	9.80	88.10	926	9.70	89.82
		1.13	8.90		0.18	1.55		0.00	0.00		0.00	0.00		0.00	0.00
Gross Amount		4.75	37.40		15.94	135.23		9.90	86.43		9.80	88.10		9.70	89.82
Supplies and Materials	2,052	5.30	108.90	2,230	0.11	2.51	2,295	1.49	34.20	2,364	1.48	34.99	2,435	1.47	35.79
		0.19	3.80		0.00	0.02		0.00	0.00		0.00	0.00		0.00	0.00
Gross Amount		5.49	112.70		0.11	2.53		1.49	34.20		1.48	34.99		1.47	35.79
Compensation [3]	N/A	N/A	N/A	48,181	0.64	307.99	60,937	0.64	390.00	65,433	0.64	418.77	69,730	0.54	376.54
		N/A	N/A		0.03	13.11		0.03	18.28		0.03	19.63		0.03	20.92
Gross Amount		N/A	N/A		0.67	321.10		0.67	408.28		0.67	438.40		0.57	397.46
Pension [3]	N/A	N/A	N/A	5,268	1.66	87.70	5,228	1.66	86.79	5,575	1.66	92.54	5,942	1.34	80.28
		N/A	N/A		0.09	4.73		0.09	4.71		0.09	5.02		0.09	5.35
Gross Amount		N/A	N/A		1.75	92.43		1.75	91.50		1.75	97.56		1.43	85.63
VR&E	768	1.61	12.35	786	0.26	2.04	933	0.26	2.43	1,018	0.26	2.65	1,109	0.26	2.88
		1.61	12.39		0.01	0.11		0.01	0.09		0.01	0.10		0.01	0.11
Gross Amount		3.22	24.74		0.27	2.15		0.27	2.52		0.27	2.75		0.27	2.99
Education - [4] Chapter 33	N/A	N/A	N/A	8,769	0.00	0.00	9,689	0.00	0.00	10,890	0.00	0.00	11,835	0.00	0.00
		N/A	N/A		0.00	0.00		0.00	0.00		0.00	0.00		0.00	0.00
Gross Amount		N/A	N/A		0.00	0.00		0.00	0.00		0.00	0.00		0.00	0.00
Education – Chapter 1606[4]	N/A	N/A	N/A	146	0.33	0.48	159	0.33	0.53	155	0.33	0.51	155	0.33	0.51
		N/A	N/A		0.00	0.00		0.00	0.00		0.00	0.00		0.00	0.00
Gross Amount		N/A	N/A		0.33	0.48		0.33	0.53		0.33	0.51		0.33	0.51
Education – Chapter 1607[4]	N/A	N/A	N/A	88	0.44	0.39	54	0.44	0.24	40	0.44	0.17	31	0.44	0.14
		N/A	N/A		0.00	0.00		0.00	0.00		0.00	0.00		0.00	0.00
Gross Amount		N/A	N/A		0.44	0.39		0.44	0.24		0.44	0.17		0.44	0.14

Overpayments are reported in the shaded cells and under payments are reported in the non-shaded cells adjacent to the program name.

Notes to Table 1:

(1) Due to changes in VHA's sampling methodology for 2013, a larger portion of the BTP's special mode transportation claims were selected for review compared to the previous year.
(2) The Non-VA Care Fee program includes a significant number of payments for Non-Institutional Care that for increased visibility and accountability will be separated in 2014.
(3) In 2012, VBA reported Compensation and Pension together which resulted in an estimated improper payment rate of 2.58 percent and $1,385 billion improper payments. It would not be cost effective for VBA to recalculate information for prior year activity.
(4) In 2012, VBA reported all education programs together which resulted in an estimated improper payment rate of zero percent and zero improper payments. It would not be cost effective for VBA to recalculate information for prior year activity.

Section V. This section describes VA's Improper Payment Recapture and Recovery Audit efforts.

VHA

VHA performed and reported on recapture audits for all programs with outlays of $1 million or more. VHA utilized both internal and external payment recapture activities to prevent, detect, and recover improper payments.

Internal Audit and Recovery Efforts

- Program Integrity Tool - CBO is implementing a comprehensive set of Program Integrity Tools to reduce fraud, waste, and abuse and improve payment accuracy in a pre-payment status.
- SnapWeb Duplicate Payment Program - Designed to identify potential duplicate payments in a pre-payment state.
- Quality Inspector Tool - Provides push-button inspection of all outpatient claims processed through FBCS to ensure proper payment in a pre-payment status.
- Dependent Benefit Audit Team - The audit team identifies overpayments through: a monthly proper payment audit; a biannual eligibility determination audit; an annual possible duplicate payment audit; and special audits identified from other audit findings or requested by management.
- High-Dollar Reviews - Voucher examiners conduct prepayment reviews on 15 percent of all claims over $10,000.
- Claim Check/Claim Scrubber Tool - Performs a validation check prior to releasing payments.

External Audit and Recovery Efforts

- CBO retains outpatient recovery contracts for Non-VA Care Fee, CHAMPVA, and Spina Bifida.

Root Cause of Improper Payments

VHA identified that a majority of payment errors were due to the following: 1) paper-based manual processing systems; 2) decentralized processing; and 3) the absence of supporting documentation.

Collection Process

Overpayments are collected through VA's debt management process.

VBA

VBA performed and reported on recapture audits for all programs with outlays of $1 million or more by using a combination of full case quality reviews and, where feasible, payment reviews for possible duplicates and overpayments. Reviews were conducted by government personnel after a contracted review concluded that outsourcing recapture audits for the Compensation and Pension programs was not feasible due to: 1) recapture challenges caused by the Veteran beneficiary population; 2) operational and legislative issues; and 3) data quality.

The majority of VBA programs perform quality reviews and have established unique criteria for selecting cases to review. VBA diligently worked to track, monitor, and recover overpayments eligible for recovery through combined efforts of the Debt Management Center (DMC), the Administrative and Loan Accounting Center (ALAC), and ROs.

Root Cause of Improper Payments
VBA identified that a majority of payment errors were due to the following: 1) absence of supporting documentation; 2) incorrect input classification or processing of payments; 3) incorrect payment rates or effective dates; and 4) inability to verify recipient information, to include income, assets, and/or work status. In 2012, VBA began implementation of its comprehensive Transformation Plan, a series of tightly integrated people, process, and technology initiatives designed to eliminate the backlog and achieve the goal of processing all claims within 125 days and with 98 percent accuracy by 2015. The sweeping multi-faceted changes will inherently improve internal process controls and significantly reduce improper payments as a result of improved accuracy.

Collection Process
DMC, a franchise fund (fee for service) organization, is responsible for collecting debts resulting from an individual's participation in VA's Disability Compensation, Pension, or Education programs. Once a debt has been established, it is referred to the DMC, which aggressively pursues the collection of all debts through lump-sum payments to the maximum extent possible. If a debtor is financially unable to pay the debt in one lump sum, payment may be accepted in regular installments or through collection by offset from benefit payments. In situations where a debt cannot be collected by DMC, it is referred to the Treasury Offset Program (TOP). The DMC will only forward legally enforceable debts to TOP, provided a final determination has been made that a debt is due and there are no legal barriers to collection action.

VBA local offices are responsible for collecting debts resulting from automobile grants, loan sales, property management, loan portfolio, loan production, loan administration, SAH, reporting fees, state approving agencies, VR&E contract counseling, and general operating expense payments. Improper payment error rates in these areas are low as VBA processes have systemic controls or pre-payment audits in place to prevent improper or duplicate payments. For duplicate or improper payments identified, VBA determines collectability, and, if needed, establishes a debt in the core FMS.

In accordance with 38 U.S.C. 5302, VBA may waive benefit debts arising as a result of participation in a benefits program when collection would be against equity and good conscience and no evidence exists of fraud, misrepresentation, or bad faith. When VBA has determined a debt exists, it will promptly demand payment of the debt in writing. VBA will notify the debtor of his or her rights and remedies and the consequences of failure to cooperate with collection efforts. The debtor has the right to dispute the existence or amount of the debt or to request a waiver from collection of the debt. VBA may waive benefit debts when the facts and circumstances of the particular case indicate a need for reasonableness and moderation in the exercise of the government's rights and if the waiver request was made within the specified timeframes.

NCA and Staff Offices
NCA and the Staff Offices rely upon the Financial Services Center (FSC) to perform recapture recovery activities for their payments.

FSC
Most VA vendor payment activities are centralized at the FSC, a franchise fund (fee for service) organization, which services VHA, VBA, NCA, and the Staff Offices. FSC performs both pre- and post-payment recapture and recovery audit activities for the payments it disburses.

Pre-Payment Review
Three times a day, FSC matches scheduled commercial vendor payments against other payments and against the previous 90 days of disbursed payments to identify and prevent duplicate payments before their submission to the Department of the Treasury for disbursement. Duplicate payments identified through this process are cancelled before the payments are made.

Post-Payment Review
FSC also performs several post-payment reviews to detect improper payments:
- Payment files in excess of $2,500 are matched against disbursed payments over the previous 2 fiscal years to identify duplicate payments.
- Various performance measure reviews of payments are conducted using statistical sampling to verify their accuracy and timeliness.
- Reviews are conducted on FSC-issued interest penalty payments over $50 to determine if interest was actually due to the vendor.
- Vendor statements are reviewed to recover any outstanding prior year vendor credits not previously collected.
- VA-wide employee performance/incentive award payments are reviewed to identify duplicate award payments.

In addition, FSC periodically reviews audit reports prepared by VA's OIG and the GAO to identify additional potential areas of interest.

Root Cause of Improper Payments
FSC has identified several root causes for improper payments including erroneous input of invoice numbers, dates, or vendor identification numbers, and vendor invoicing inconsistencies such as resubmitted invoices using different invoice numbers, dates, or purchase order numbers. FSC has implemented corrective actions to include increased use of electronic invoicing and optical character recognition technology to minimize improper payments. This process extracts key payment data from paper invoices to reduce input errors along with a business rules engine ensuring consistency in payment processing and streamlined procedures.

Collection Process
For improper payments detected in post-payment reviews, the following recovery actions are used by FSC, as appropriate, to recover the funds from the vendor/employee.
- On payments paid via EFT, where the improper payment amount was the full amount of the EFT payment, FSC processes a Letter of Reversal/Letter of Indemnity in an attempt to recover the funds by having the bank reverse the erroneous transaction back to Department of Treasury as a returned EFT.
- In cases where the improper payment is paid via check or where the improper amount was less than the full amount of the EFT, FSC/VA facilities process a bill of collection requesting the vendor return the funds for the improper amount.

- After a minimum of 45 days, if the bill of collection has not been repaid and no correspondence has been received from the vendor disputing the bill or requesting additional information, FSC sets up an internal offset to collect the funds from the next FSC-issued payment(s) to the vendor until the bill is satisfied.
- If all attempts to collect the debt are unsuccessful, FSC sends the debt to TOP to collect the funds from the next government-issued payment(s) to the vendor or employee until the bill is satisfied.

Table 2
Payment Recapture Audit Reporting
($ in millions)[1]

Program or Activity	Type of Payment (contract, grant, benefit, loan or other)	Amount Subject to Review for 2012 Reporting	Actual Amount Reviewed and Reported (2012)	Amount Identified for Recovery (2012) (	Amount Recovered (2012)	% of Amount Recovered out of Amount Identified (2012)	Amount Outstanding (2012)	% of Amount Outstanding out of Amount Identified (2012)	Amount Determined Not to be Collectable (2012)	% of Amount Determined Not to be Collectable out of Amount Identified (2012)	Amounts Identified for Recovery (2004-2011) [2]	Amounts Recovered (2004-2011) (2)	Cumulative Amounts Identified for Recovery (2004-2012)	Cumulative Amounts Recovered (2004-2012)	Cumulative Amounts Outstanding (2004-2012)	Cumulative Amounts Determined Not to be Collectable (2004-2012)
Beneficiary Travel	Benefit	$742	$684	$0.139	$0.072	52%	$0.067	48%	$0	0%	n/a	n/a	$0.139	$0.072	$0.067	$0
CHAMPVA[3]	Benefit	$25	$25	$11.679	$16.598	142%	$1.162	10%	$0.326	3%	$79	$207.8	$90.7	$224.4	$7.0	$0.326
Non-VA Care Fee[4]	Benefit	$186	$186	$0.071	$0.071	100%	$0	0%	$0	0%	$56.37	$44.7	$56.37	$44.77	$11.6	$0
State Home Per Diem Grants[4]	Grant	$873	$873	$0.011	$0.011	100%	$0	0%	$0	0%	n/a	n/a	$0.011	$0.011	$0	$0
Supplies and Materials	Other	$896	$895	$0.160	$0.122	77%	$0.038	23%	$0	0%	n/a	n/a	$0.160	$0.122	$0.038	$0
Other VHA Programs 1[5]	Other	$7,369	$7,367	$1.612	$1.409	87%	$0.203	13%	$0	0%	n/a	n/a	$1.612	$1.409	$0.203	$0
Other VHA Programs 2[6]	Other	$451	$450	$0.114	$0.109	96%	$0.005	4%	$0	0%	n/a	n/a	$0.114	$0.109	$0.005	$0
FSC – VHA Other Activities	Contract	$126	$126	$0.010	$0.010	100%	$0	0%	$0	0%	n/a	n/a	$0.010	$0.010	$0	$0
Compensation	Benefit	$48,181	$28	$0.202	$0.126	62%	$0.076	38%	$0	0.12%	n/a	n/a	$0.202	$0.126	$0.076	$0
Pension	Benefit	$5,268	$0.712	$0.005	$0.001	25%	$0.004	75%	$0	0%	n/a	n/a	$0.005	$0.001	$0.004	$0
VR&E	Benefit	$73.13	$2.4	$0.106	$0.095	89%	$0.006	6%	$0.005	5%	n/a	n/a	$0.106	$0.095	$0.006	$0.005
Education	Benefit	$6,585	$4.159	$0.014	$0.009	62%	$0.005	38%	$0	0%	n/a	n/a	$0.014	$0.009	$0.005	$0
Insurance	Benefit	$1,386	$17.11	$0.054	$0.032	59%	$0.022	41%	$0	0%	n/a	n/a	$0.054	$0.032	$0.022	$0
Loan Guaranty	Benefit	$4,373	$2,247	$5.196	$2.173	42%	$3.023	58%	$0	0%	n/a	n/a	$5.196	$2.173	$3.023	$0
Other Direct Benefits	Benefit	$5,993	$4.38	$0.182	$0.126	69%	$0.055	31%	$0.001	0.05%	n/a	n/a	$0.182	$0.126	$0.055	$0.001
VBA – GOE Fund	Other	$21.46	$17.26	$0.006	$0.006	100%	$0	0%	$0	0.2%	n/a	n/a	$0.006	$0.006	$0	$0
FSC - VBA Other	Other	$412.79	$416.83	$0.164	$0.081	49%	$0.083	51%	$0	0%	n/a	n/a	$0.164	$0.081	$0.083	$0
NCA Burial Programs	Other	$183	$182.9	$0.019	$0.019	100%	$0	0%	$0	0%	n/a	n/a	$0.019	$0.019	$0	$0
FSC - Staff Offices	Contract	$4,141	$4,114	$0.627	$0.515	82%	$0.112	18%	$0	0%	n/a	n/a	$0.627	$0.515	$0.112	$0

Notes to Table 2:

(1) VA is reporting improper payments identified, recovered, and outstanding for the period of October 1, 2011, to September 30, 2012. Therefore, in some cases the amount recovered is greater than the established amount.

(2) VA re-engineered its IPERA program and this is the first year some programs are reporting recovery data.

(3) CHAMPVA data is combined with CBO programs: Foreign Medical, Spina Bifida, and Caregiver Stipend. Amounts recovered for 2004-2011 includes unsolicited funds collected back from CBO.

(4) 2012 identified recovered amounts for Non-VA Care Fee and State Home Per Diem Grants is incomplete due to CBO's audit contingency contracts not in effect for 2012.

(5) Other VHA programs 1, using Medical Care Funds, includes the following programs for reporting purposes: Activities with Other Federal Agencies; VHA - Communications, Utilities, and Other Rent; Compensated Work Therapy/Incentive Therapy; VHA - Equipment; Grants - Homeless Per Diem Program; VHA - Land and Structures; VHA - Other Services; VHA - Personal Services and Benefits; Consolidated Mail Outpatient Pharmacy; Pharmacy Medical Facilities; VHA - Printing and Reproduction; Prosthetics, and VHA - Transportation.

(6) Other VHA programs 2, using Non-Medical Funds includes the following programs for reporting purposes: Medical Facilities; Recovery Act; Medical and Prosthetic Research; DoD-VA Health Care Sharing Incentive Funds; DoD-VA Medical Facility Demonstration Fund; Canteen Service, and General Post Fund.

Table 3
Payment Recapture Audit Targets[1]
($ in millions)

Program or Activity	Type of Payment	2012 Amount Identified	2012 Amount Recovered	2012 Recovery Rate	2013 Recovery Rate Target	2014 Recovery Rate Target	2015 Recovery Rate Target
Beneficiary Travel	Benefit	$0.139	$0.072	52%	55%	60%	65%
CHAMPVA	Benefit	$11.679	$16.598	142%	85%	90%	95%
Non-VA Care Fee	Benefit	$0.071	$0.071	100%	85%	90%	95%
State Home Per Diem Grants	Grant	$0.011	$0.011	100%	85%	90%	95%
Supplies and Materials	Other	$0.160	$0.122	77%	80%	85%	90%
Other VHA Programs 1	Other	$1.612	$1.409	87%	85%	90%	95%
Other VHA Programs 2	Other	$0.114	$0.109	96%	85%	90%	95%
FSC – Other VHA Activities	Contract	$0.010	$0.010	100%	85%	85%	85%
Compensation[2]	Benefit	$0.202	$0.126	62%	62%	62%	62%
Pension [2]	Benefit	$0.005	$0.001	25%	25%	25%	25%
VR&E	Benefit	$0.106	$0.095	89%	85%	85%	85%
Education[2]	Benefit	$0.014	$0.009	62%	62%	62%	62%
Insurance[2]	Benefit	$0.054	$0.032	59%	59%	59%	59%
Loan Guaranty	Benefit	$5.196	$2.173	42%	42%	42%	42%
Other Direct Benefits [2]	Benefit	$0.182	$0.126	69%	69%	69%	69%
VBA – GOE Fund	Other	$0.006	$0.006	100%	85%	85%	85%
FSC - VBA Other	Other	$0.164	$0.081	49%	85%	85%	85%
NCA Burial Programs	Other	$0.019	$0.019	100%	85%	85%	85%
FSC - Staff Offices	Contract	$0.627	$0.515	82%	85%	85%	85%

Notes to Table 3:

(1) VA is reporting improper payments identified, recovered, and outstanding for the period of October 1, 2011, to September 30, 2012. Therefore, in some cases the amount recovered is greater than the established amount.

(2) Based upon historical debt collection rates as well as, due process afforded to each Veteran, it is not reasonable to recover 85 percent during a fiscal year. VA is currently seeking OMB Director approval of a lower recovery target more appropriate for benefit type debts.

Table 4
Aging of Outstanding Overpayments
($ in millions)

Program or Activity	Type of Payment (contract, grant, benefit, loan or other)	2012 Amount Outstanding (0- 18 months)	2012 Amount Outstanding (18 months to 2 years)	2012 Amount Outstanding (over 2 years)
Beneficiary Travel	Benefit	$0.064	$0.003	$0
CHAMPVA	Benefit	$0.950	$0.212	$0
Non-VA Care Fee	Benefit	$0	$0	$0
State Home Per Diem Grants	Grant	$0	$0	$0
Supplies and Materials	Other	$0.038	$0	$0
Other VHA Programs 1	Other	$0.152	$0.051	$0
Other VHA Programs 2	Other	$0.005	$0	$0
FSC – Other VHA Activities	Contract	$0	$0	$0
Compensation	Benefit	$0.076	$0	$0
Pension	Benefit	$0.004	$0	$0
VR&E	Benefit	$0.006	$0	$0
Education	Benefit	$0.005	$0	$0
Insurance	Benefit	$0.022	$0	$0
Loan Guaranty	Benefit	$3.023	$0	$0
Other Direct Benefits	Benefit	$0.055	$0	$0
VBA – GOE Fund	Other	$0	$0	$0
FSC - VBA Other	Other	$0.083	$0	$0
NCA Burial Programs	Other	$0	$0	$0
FSC - Staff Offices	Contract	$0.112	$0	$0

Table 5
Disposition of Recaptured Funds
($ in millions)

Program or Activity	Type of Payment (contract, grant, benefit, loan or other)	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury
All VHA Programs(1)	All	$0	$0	$0	$18.404	$0	$0
Compensation(2)	Benefit	$0	$0	$0	$0.126	$0	$0
Pension(2)	Benefit	$0	$0	$0	$0.001	$0	$0
VR&E(2)	Benefit	$0	$0	$0	$0.095	$0	$0
Education(2)	Benefit	$0	$0	$0	$0.009	$0	$0
Insurance(2)	Benefit	$0	$0	$0	$0.032	$0	$0
Loan Guaranty(2)	Benefit	$0	$0	$0	$2.173	$0	$0

Program or Activity	Type of Payment (contract, grant, benefit, loan or other)	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury
Other Direct Benefits(2)	Benefit	$0	$0	$0	$0.126	$0	$0
VBA – GOE Fund(3)	Other	$0	$0	$0	$0.006	$0	$0
FSC - VBA Other(3)	Other	$0	$0	$0	$0.081	$0	$0
NCA Burial Programs(3)	Other	$0	$0	$0	$0.019	$0	$0
FSC - Staff Offices(3)	Contract	$0	$0	$0	$0.515	$0	$0

Notes to Table 5:

(1) Title 38 of the U.S.C. allows VHA to retain and use the recovery funds as no-year funding. This significant benefit to VA assures that lengthy collection activities, typically required to conduct these recovery actions, do not negatively impact the ability to use these funds. In addition, this benefit guarantees strong participation by assuring full recovery for medical facilities.

(2) VBA programs receive mandatory funding and are not subject to IPERA allocations. All recoveries are returned to the fund for its original purpose.

(3) Improper payments identified and recovered were from programs where the funds had not expired. All recoveries were returned to the fund for original purpose.

Table 6
Overpayments Recaptured Outside of Payment Recapture Audits
($ in millions)

Source of Recovery	Amount Identified (2012)	Amount Recovered (2012)	Amount Identified (2004-2011)	Amount Recovered (2004-2011)	Cumulative Amount Identified (2004-2012)	Cumulative Amount Recovered (2004-2012)
VHA CBO Activities(1)	$0	$11.5	$0	$0	$0	$11.5
VBA IPIA High – Risk Program Testing	$0.048	$0	$0	$0	$0.048	$0
Supply Fund(2)	$14.16(3)	$4.02(3)	$201.59	$178.70	$215.75	$182.72

Notes to Table 6:

(1) CBO overpayments recaptured outside of payment recapture audits for 2012 consists of unsolicited funds received. 2011 efforts are reported under Table 2.

(2) OALC works with the OIG Office of Contract Review (OCR) to recover funds owed VA due to defective pricing and price reduction violations. 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 OCR include health care resource proposals, claims, and special purpose reviews.

(3) VA is reporting amounts identified and recovered for the period of October 1, 2011, to September 30, 2012.

Section VI. This section describes how VA's leadership is held accountable for reducing and recovering improper payments.

The Departments Improper Payments Governance Board, led by VA's Chief Financial Officer and other key senior accountable officials and program managers within the Administrations, is focused on achieving IPERA compliance, identifying root causes of improper payments, establishing reduction goals and implementing corrective actions to reduce/prevent improper payments.

VHA

Annually, VHA publishes a Director Executive Career Field performance plan to communicate to senior executives the expectations of VA. The plan includes the goal of financial stewardship, which is to support the overall Departmental goal of best practices in financial and business processes. Each VISN ensures continual monitoring of facility performances on key financial and business compliance indicators. In 2013, reduction targets were incorporated, where applicable, into VISN Directors Performance Plans for IPERA 2012 high-risk programs.

VBA

The Under Secretary for Benefits (USB) continues to emphasize accountability and integrity at every level; underscoring the commitment to achieving the goals set forth in IPERA, the USB appointed its Chief Financial Officer and Deputy Chief Financial Officer as senior accountable officials for achieving IPERA compliance. Furthermore, VBA created a committee of program managers, program officials and key accountable officers from all business lines specifically for the purpose of establishing and implementing guidelines and policies to meet improper payment reporting requirements.

Additionally, VBA is currently in the implementation phase of launching the VBA Transformation Plan. VBA's leadership has developed goals and initiatives to transform VBA into a streamlined, high-tech 21st century organization, which will enable VBA to process Compensation, Pension and DIC claims within 125 days of receipt with a 98 percent accuracy rate by 2015. With Veterans and their families always at the forefront of all VBA strategic goals, the Transformation Plan is designed to transform three major areas: people, processes, and technology. The sweeping multi-faceted changes will inherently improve internal process controls and significantly reduce improper payments as a result of increased automation and improved accuracy.

Regional Office Directors, Veterans Service Center Managers, Pension Management Center Managers, and all management personnel share the same performance standards with respect to the delivery of Compensation and Pension benefits. Non-supervisory field employees have performance standards that measure quality and production. Within both the Compensation and Pension programs, management and staff are responsible for the measurement of quality, development of counter measures and training, and development of legislative and technological changes, where possible, to avoid, reduce, and recover overpayments.

Section VII. This section describes VA's information systems and infrastructure to reduce improper payments.

VA has the internal controls, human capital, information systems, and other infrastructure to reduce improper payments to the level the agency has targeted. While VA has the necessary information infrastructure to meet current improper payment levels, system enhancements as described in Section III of this report and additional information technology funds would allow further reduction in improper payments.

Section VIII. This section describes VA's statutory and regulatory barriers.

For certain benefits, Veterans and/or their beneficiaries are entitled to notice of any decision made by VA affecting the payment of benefits (per 38 CFR 3.103). This results in continued payment at improper rates for a minimum of 60 days following discovery. Since the principles of due process are mandated by the Constitution, continued payments during the notification of indebtedness period are a necessary cost of administering VBA programs.

Although program design is not one of the three error categories for reporting improper payments in Appendix C to OMB Circular A-123, it is a major cause of improper payments. Veterans and/or beneficiaries are responsible for notifying VBA of any event that may affect benefit payments, such as death or dependency change. Late notifications of these events will subsequently cause improper payments until adequate notification is received. Though there are currently data matching systems in place, these systems rely on outside parties for notification, which again, result in improper payments until proper notice is provided.

Section IX. This section describes additional comments, if any, on overall agency efforts, specific programs' best practices, or common challenges identified, as a result of IPERA implementation.

It is a balancing act for the Department to ensure Veterans and their families continue to receive needed benefits in the right amount, at the right time, while making progress towards reducing and preventing improper payments.

Definitions

Definitions of Supporting Measures

Please note: Key Measures are defined in the Key Measures Data Table (see page II-48). The below measures are Supporting Measures..

Accuracy rate of Vocational Rehabilitation program completion decisions
This measure is designed to monitor the accuracy of decisions made to declare a Veteran rehabilitated or discontinued from a program of services. (VR&E)

Appeals resolution time (From NOD to final decision) (Average number of days)
This measure represents the average length of time it takes the Department to process an appeal from the date a claimant files a Notice of Disagreement (NOD) at the local regional office until a case is finally resolved, including resolution at a regional office or by a final decision by the Board. (BVA/Compensation and Pension)

Average days to complete original survivors pension claims
This measure represents the average length of time (in days) it takes to process Survivors claims from the date the claim is received by VA to the date the claim is completed. (End Product 190) (Pension)

Average processing time for VA regulations requiring advance notice and public comment (2-stages) (number of months)
This performance measure records the average time it takes VA program offices to publish their regulations. The time starts when the Office of Regulation Policy and Management in the Office of General Counsel issues a public Regulation Identification Number (RIN) and ends when a final rule is published in the *Federal Register*. It does not include time spent in planning or research prior to issuance of a RIN.

The Administrative Procedure Act (APA) requires Federal agencies to provide advance notice of their intended regulations by publishing proposed rules in the *Federal Register* and affording members of the public an opportunity to provide written comments on the agency's proposals. Agencies must then consider the public's comments and respond to them in a second publication, which constitutes the final rule that will become the agency's regulation. This 2-stage process also includes 2 90-day reviews by OMB pursuant to Executive Order 12866, Regulatory Planning and Review. (Departmental Management)

Average processing time for VA regulations without advance notice and public comment (1-stage) (number of months)
This performance measure records the average time it takes VA program offices to publish their regulations. The time starts when the Office of Regulation Policy and Management in the Office of General Counsel issues a public RIN and ends when a final rule is published in the *Federal Register*. It does not include time spent in planning or research prior to issuance of a RIN. The APA exempts certain kinds of Federal regulations from the requirements to provide advance notice and an opportunity for the public to comment. These regulations can be published in the *Federal Register* as final rules and become effective without being preceded by proposed rules. This 1-stage process includes only 1 90-day review by OMB and can be accomplished more quickly than the 2-stage process. Accordingly, the average processing times for these kinds of regulations are measured separately. (Departmental Management)

The average proportion of patients responding "Always" to receiving timely appointments, care and information
This measure represents the percent of survey respondents who responded favorably regarding access to care and personal health care information.
(VHA)

Average days to complete burial claims 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. (End Product 160 series except 165)(Pension)

BVA cycle time (Average number of days)
BVA cycle time measures the time a case spends at the Board, other than the time the case file is in the possession of a Veterans Service Organization. (BVA)

Clinical Practice Guidelines Index IV
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. (VHA)

Commercial small business payment timeliness
The percent of small businesses paid within 15 days of receipt of proper documentation.

National accuracy rate – Fiduciary work
This measure represents a percentage of field examinations and account audits completed nationally and determined to be technically accurate. The accuracy rate for the Nation is a compilation of the Pension and Fiduciary Service's review of a sampling of field examinations and account audits completed by the six fiduciary hubs and the Manila fiduciary activity. Accuracy rate is determined by dividing the total number of cases with no errors by the number of cases reviewed. (Fiduciary)

Compensation maintenance claims – average days to complete
The average length of time (in days) it takes to complete claims for compensation that do not require a rating determination. It is measured from the date the claim is received by VA to the date the decision is completed. The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of cases completed. (Compensation)

Customer satisfaction survey scores
Customer satisfaction scores (measured on a scale of 1 through 5, with 5 being the highest possible score) are based on surveys returned to OIG by the principals impacted by investigations, audits and evaluations, health care inspections, and contract reviews. In instances where customer surveys are returned with lower than anticipated ratings, management may follow up with survey participants to identify any issues that caused low ratings and possible solutions. (OIG)

Education call center client satisfaction index score
The index score is a calculation of education call center customer rated performance scores, weighted relative to the importance the customer gives each factor to overall satisfaction with the education call center. This measures the overall customer experience and determines which areas of service need improvement. The customers are respondents who have recently contacted the education call center regarding education benefits. (Education)

Education claims completed per FTE
This measure represents the number of original and supplemental education claims completed divided by the number of direct FTE in the Presidential Budget. (Education)

Employment rehabilitation rate
The employment rehabilitation rate is calculated as follows: (1) the number of disabled Veterans who successfully complete VA's vocational rehabilitation program and acquire and maintain suitable employment divided by (2) the total number leaving the program from the following two case statuses 5: rehab to employability or 6: employment services—both those rehabilitated plus discontinued cases with a plan developed in one of two case statuses (Rehabilitation to Employability, or Employment Services) minus those individuals who benefited from but left the program under one of two conditions: (a) the Veteran accepted an employment position incompatible with disability limitations, (b) the Veteran is employable but has informed VA that he/she is not interested in seeking employment, or is not employed and not employable for medical or psychological reasons. (VR&E)

The enterprise VA American Customer Service Index for internal customer satisfaction with VA IT services
This index (not percentage) is calculated annually using survey data. In FY 2013, a survey was conducted in October 2012 and the data from all 44,000 respondents to this survey was used to calculate customer satisfaction with various IT products and services using the American Customer Satisfaction Index, which is a widely used measurement method that allows an organization to compare its customer service delivery to similar organizations. (OIT)

Independent living rehabilitation rate
The independent living rehabilitation rate is calculated as follows: (1) the number of disabled Veterans who successfully complete VA's vocational rehabilitation program with disabilities for whom employment is infeasible but who obtain independence in their daily living with assistance from the program divided by (2) the total number leaving the program from case status 4 (independent living)—both those rehabilitated plus discontinued cases with a plan developed in independent living. (VR&E)

Monetary benefits (dollars in millions) from audits, investigations, contract reviews, inspections, and other evaluations
Monetary benefits represent the actual and potential monetary benefits identified during the conduct of OIG investigations, audits, inspections, contract reviews, and other evaluations. (OIG)

National accuracy rate – Burial claims
This measure represents the percentage of burial claims (EP 160 series except EP 165) 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. (Pension)

National accuracy rate (Compensation maintenance claims)
This measure represents claims processing accuracy for compensation claims that do not require a rating decision. Review criteria include: addressing all issues, VCAA-compliant development, correct decision, correct effective rate , 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 – Original and reopened pension claims
This measure represents claims processing accuracy for pension claims that normally require a disability or death rating determination. Review criteria include: addressing all issues, VCAA-compliant development, correct rating decision, correct effective date, and correct payment rate 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 - Pension maintenance claims
This measure represents claims processing accuracy for pension claims that normally require a disability or death rating determination. Review criteria include: addressing all issues, VCAA-compliant development, correct decision, correct effective date, and correct payment rate if applicable. Accuracy rate is determined by dividing the total number of cases with no errors in any of these categories by the number of cases reviewed. (Pension)

National call center client satisfaction overall score
This measure represents the overall customer's experience and enables VA to assess key attributes such as courtesy of the representative; knowledge of the representative; overall concern of the customer's needs; usefulness of the information provided to address the problem, question, or request; timeliness of resolving the problem, question, or request; and promptness in speaking with customers. These key attributes will help to identify process improvements throughout the national call centers. In addition, this measure represents the overall customer's experience with VBA's VRM technology transformation efforts (e.g., Virtual Hold, Customer Relationship Management/Unified Desktop, etc.) and will further enable VA to identify processes and industry best practices for implementation. (Compensation)

Number of arrests, indictments, convictions, criminal complaints, pretrial diversions, and administrative sanctions
This number represents the output resulting from the conduct of an OIG investigation into allegations of criminal activities related to programs and operations of VA or into allegations against senior VA officials and other high profile matters of interest to Congress and the Department. (OIG)

Number of audit qualifications identified in the auditor's opinion on the VA Supply Fund
This measure reports how many audit qualifications are identified each year in in Supply Fund'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 the OMB Bulletin No. 07-04, *"Audit Requirements for Federal Financial Statements,"* as amended. Audit qualifications are either significant deficiencies or material weaknesses. A "significant deficiency" is defined as a control deficiency, or combination of deficiencies, that adversely affects VA's ability to initiate, authorize, record, process or report external financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of VA's annual or interim financial statements that is more than inconsequential will not be prevented or detected. 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 annual or interim financial statements will not be prevented or detected.

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 homeless Veterans on any given night
Homelessness is very difficult to quantify given the inherent transient nature of this problem. The "number of homeless on any given night" is an estimate of the number of homeless Veterans based on three Department of Housing and Urban Development's point-in-time count estimates of homelessness. (VHA-OPIA)

Number of material weaknesses
Audits are performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and the requirements of the OMB Bulletin No. 07-04, *"Audit Requirements for Federal Financial Statements,"* as amended. This measure reports how many material weaknesses are identified each year in VA's consolidated financial statements. (Departmental Management)

Number of registered eBenefits users
The number of individuals who have obtained a Department of Defense Self-Service Logon, which is the secure credential for accessing the eBenefits Web Portal. (Compensation)

Number of reports (audit, inspection, evaluation, contract review, and CAP reports) issued that identify opportunities for improvement and provide recommendations for corrective action
This measure shows the number of reports issued by the OIG in which substantive corrective actions, in the form of audit, inspection, evaluation, contract review and CAP report recommendations are documented and which require remedial action by the Department. (OIG)

Overall commercial vendor payment timeliness
The percent of commercial vendors paid within 15 days of receipt of proper documentation. (Departmental Management)

Overall satisfaction rate (Compensation)
This measure represents the percentage of respondents to the Compensation and Pension customer satisfaction survey who were "very satisfied" or "somewhat satisfied" with the way VA handled/is handling their compensation claim. (Compensation)

Overall satisfaction rate (Pension)
This measure represents the percentage of respondents to the Compensation and Pension customer satisfaction survey who were "very satisfied" or "somewhat satisfied" with the way VA handled/is handling their pension claim. (Pension)

Payment accuracy rate
This measure assesses how well decisions reflect payment at the proper rate for the correct period of time. (Education)

Percent of annual major construction operating plan executed
This measure represents planned major construction awards compared to actual awards for the given fiscal year. (Departmental Management)

Percent of beneficiaries that believe their VA educational assistance has been either very helpful or helpful in the attainment of their educational or vocational goal
This measure will determine the proportion of beneficiaries who report their VA educational benefits helped them accomplish their educational or vocational goal. (Education)

Percent of beneficiaries very satisfied or somewhat satisfied with the way VA handled their education claim
This measure represents the national percentage of respondents to the education customer satisfaction survey who were "very satisfied" or "somewhat satisfied" with the way VA handled their education benefits claim. (Education)

Percent of contracts competitively awarded
This measure compares the dollar value of contracts awarded competitively versus the total dollar value of contracts awarded.

Percent of contracts that are awarded within required procurement action timeframes (number of weeks between technical clearance of the final construction documents and award of contracts)
This measure captures the percentage of total construction contracts the Office of Acquisition, Logistics, and Construction awarded within 17 weeks of the technical clearance based upon the number of actual contracts awarded versus planned awards.

Percent of contracts that meet the established procurement action lead times/milestone dates
This measure analyzes the percentage of contract awards made on time in accordance with the acquisition plan established for the contract in VA's Electronic Contract Management System.

Percent of current year electricity consumption generated with renewable energy sources
This measure is calculated by summing all qualifying renewable electricity consumption, dividing by the sum of all electricity consumption, and expressing the result as a percentage. (Departmental Management)

Percent of employees in mission critical and key occupations who participated in a competency based training program within the last 12 months
Mission critical/key occupations are those occupations that have been identified from the workforce that are critical to support the mission and the accomplishment of VA's agency goals, objectives, and initiatives.

Competency Based Training Program is a program that contains competencies pertaining to the knowledge, skills, and abilities needed to build a highly competent organization capable of meeting current and future challenges. (Departmental Management)

Percent of established mental health appointments completed within 14 days of the desired date for the appointment
This measure represents the percentage of Veterans who have been previously seen in designated mental health clinics with a scheduled appointment within 14 day of their desired date. (VHA)

Percent of established primary care appointments completed within 14 days of the desired date for the appointment
This measure represents the percentage of Veterans who have been previously seen in designated primary care clinics with a scheduled appointment within 14 day of their desired date. (VHA)

Percent of established specialty care appointments completed within 14 days of the desired date for the appointment
This measure represents the percentage of Veterans who have been previously seen in designated specialty care clinics with a scheduled appointment within 14 day of their desired date. (VHA)

Percent of facilities customers that are satisfied with services being provided
This measure provides a customer satisfaction score (measured on a scale of one through 10 with 10 being the highest possible score) based on surveys from VA facility directors.

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 that are delivered undamaged and correctly inscribed
This percentage represents the number of headstones and markers that are undamaged and correctly inscribed when received, divided by the number of headstones and markers ordered. (Burial)

Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment
This percentage represents the number of headstones and markers in national cemeteries that are at the proper height and alignment divided by the total number assessed. (Burial)

Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations
This percentage represents the number of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations divided by the total number assessed. (Burial)

Percent of IDES participants who will be awarded benefits within 30 days of discharge
This measure represents participants in the IDES program awarded VA compensation benefits within 30 days after their date of discharge. (VBA)

Percent of major lease acquisitions that meet final direct lease acquisition target date
This measure represents planned major lease acquisitions awards compared to actual awards for the given year.

Percent of milestones achieved in deploying and implementing the VRM
This percentage represents the number of VRMS milestones delivered during the fiscal year divided by the number of CRMS milestones planned to be delivered during the fiscal year. (Departmental Management)

Percent of milestones achieved in deploying and implementing the Veterans Relationship Management System (VRMS)
This percentage represents the number of VRMS milestones delivered during the fiscal year divided by the number of CRMS milestones planned to be delivered during the fiscal year. (Departmental Management)

Percent of milestones achieved in deploying and implementing the Virtual Lifetime Electronic Record (VLER)
This percentage represents the number of VLER (non-health) milestones delivered during the fiscal year divided by the number of VLER (non-health) milestones planned to be delivered during the fiscal year. (Departmental Management)

Percent of milestones achieved towards deployment and implementation of a paperless disability claims processing system
This percentage represents the number of Veteran Benefits Management System (VBMS) milestones delivered during the fiscal year divided by the number of VBMS milestones planned to be delivered during the fiscal year. (Departmental Management)

Percent of Montgomery GI Bill or Post-9/11 GI Bill participants who successfully completed an education or training program
This measure represents the percentage of Service members and Veterans who received Post-9/11 GI Bill or Montgomery GI Bill education benefits and obtained a degree or certificate. (VBA)

Percent of new primary care appointments completed within 14 days of the create date for the appointment
This measure represents the percentage of Veterans who are new to primary care who have a completed appointment within 14 days of the appointment create date. (VHA)

Percent of new specialty care appointments completed within 14 days of the create date for the appointment
This measure represents the percentage of Veterans who are new to specialty care who have a completed appointment within 14 days of the appointment create date. (VHA)

Percent of new mental health appointments completed within 14 days of the create date for the appointment
This measure represents the percentage of Veterans who are new to mental health who have a completed appointment within 14 days of the appointment create date. (VHA)

Percent of Non-VA claims paid in 30 days
The percentage of Non-VA claims which were processed within 30 days, this percentage includes the processing time for paid, denied and rejected claims. (Medical Care)

Percent of patients rating VA health care as 9 or 10 (on a scale from 0 to 10)
This measure represents the percent of survey respondents who rated their health care 9 or 10 (on a scale of 0-10). The measure is reported for outpatient care and inpatient hospital stays. (VHA)

Percent of pension maintenance claims pending inventory that is more than 90 days old.
The percentage of pension maintenance claims pending inventory that is more than 90 days old is measured by the number of days pending for each pension claim not requiring a rating decision. This measure includes EPs: Hospital Adjustment (EP135); Dependency (EP137); Income Adjustment (EP150); Eligibility Verification Report Referrals (EP155); Income Verification Match (EP154); Eligibility Determinations (EP297); and Pre-determination claims (EP607). The measure is calculated by dividing the total number of such claims pending 90 days or greater by the total number of claims pending. (VBA)

Percent of respondents who agree or strongly agree that the quality of the headstone or marker received from VA was excellent
This measure represents the number of survey respondents who agree or strongly agree that the quality of the headstone or marker received from VA is excellent divided by the total number of survey respondents, expressed as a percentage. (Burial)

Percent of respondents who agree or strongly agree that the quality of the Presidential Memorial Certificate received from VA was excellent
This measure represents the number of survey respondents who agree or strongly agree that the quality of the PMC received from VA is excellent divided by the total number of survey respondents, expressed as a percentage. (Burial)

Percent of respondents who would recommend the national cemetery to Veteran families during their time of need
This measure represents the percent of survey respondents who agree or strongly agree that they would recommend the national cemetery to Veteran families during their time of need. (Burial)

Percent of targeted population of OEF/OIF/OND Veterans with a primary diagnosis of PTSD who receive a minimum of 8 psychotherapy sessions within a 14-week period
This measure represents the percent of OEF/OIF/OND Veterans seeking care in VA with a primary diagnosis of PTSD who have received at least 8 individual evidence-based psychotherapy sessions over the span of a 14-week period. (Medical Care)

Percent of Title 5 employees hired through competitive examining process within 80 days
Based upon the OPM Time to Hire Initiative for hires where an announcement was posted on USA Jobs, this measure is calculated by dividing the number of Title 5 employees hired through the competitive examining process within 80 days by the total number of Title 5 employees hired through the competitive examining process. (Departmental Management)

Percent of total hearings that are conducted via video teleconference (VTC)
This measure is calculated by dividing the number of hearings conducted by video conference by the total number of hearings held. Hearings are held either by video teleconference, in person in the field, or in person at BVA's Washington, DC office. (BVA)

Percent of total HUD-VASH vouchers that resulted in a Veteran achieving resident status (Supports Agency Priority Goal)
This is a measure of the percentage of allocated vouchers that resulted in a Veteran achieving resident status and therefore are no longer counted as homeless.

Percent of total procurement dollars awarded to businesses located in historically underutilized business zones
This is a measure of the total contract dollars awarded to qualified HUBZone (historically underutilized business zones) firms, divided into total procurement. Qualified HUBZone small businesses are those certified by the Small Business Administration as eligible based on their location in, and hiring from, economically distressed areas. These HUBZone areas are designated based on disproportionately high unemployment or disproportionately low household income.

Percent of total procurement dollars awarded to Service-Disabled Veteran-Owned Small Businesses
This number represents the percentage of total dollars spent with Service-Disabled Veteran-Owned Small Businesses based on total small business eligible dollars reported. Data are obtained from the Federal Procurement Data System-Next Generation (FPDS-NG), provided by the Federal Procurement Data Center at https://www.fpds.gov. Final data are based on the Small Business Administration (SBA) Goaling Report. "Service-Disabled Veteran-Owned Small Business concern means a small business concern"—(1) Means a small business concern (i) Not less than 51 percent of which is owned by one or more service-disabled Veterans or, in the case of any publicly owned business, not less than 51 percent of the stock of which is owned by one or more service-

disabled Veterans; and (ii) The management and daily business operations of which are controlled by one or more service-disabled Veterans or, in the case of a service-disabled Veteran with permanent and severe disability, the spouse or permanent caregiver of such Veteran. In addition, some businesses may be owned and operated by an eligible surviving spouse. (2) Service-disabled Veteran means a Veteran, as defined in 38 U.S.C. 101(2), with a disability that is service-connected, as defined in 38 U.S.C. 101(16). In addition, Service-Disabled Veteran-Owned Small Businesses participating in set-asides or subcontracts authorized by VAAR 819.7001 must be listed on the VetBiz.gov Vendor Information Pages (VIP) Database. (Departmental Management)

Percent of total procurement dollars awarded to Veteran-Owned Small Businesses
This number represents the percentage of total dollars spent with Veteran-Owned Small Businesses based on total small business eligible dollars reported. Data are obtained from the FPDS-NG, provided by the Federal Procurement Data Center at https://www.fpds.gov. Final data are based on the SBA Goaling Report. "Veteran-Owned Small Business concern means a small business concern—(1) Not less than 51 percent of which is owned by one or more Veterans (as defined at 38 U.S.C. 101(2)) or, in the case of any publicly owned business, not less than 51 percent of the stock of which is owned by one or more Veterans; and (2) The management and daily business operations of which are controlled by one or more Veterans. In addition, Veteran-Owned Small Businesses participating in set-asides or subcontracts authorized by VAAR 819.7001 must be listed on the VIP Database. (Departmental Management)

Percent of VA IT projects delivering functionality on 6-month or less intervals
This percentage represents the overall on-time milestones delivered during the fiscal year divided by the number of all milestones planned to be delivered during the fiscal year. (Departmental Management)

Percent of Veterans being discharged from an inpatient Mental Health unit who receive outpatient mental health follow-up care within 7 days of discharge
This measure represents the percentage of Veterans discharged from an inpatient mental health unit who receive outpatient mental health follow-up care within 7 days of discharge including use of telephone and telemental health care delivery. (VHA)

Percent of Veterans or beneficiaries who contacted VA Debt Management Center's toll-free phone line without a busy signal
Percentage of Veterans and beneficiaries who reached the Debt Management Center to talk with a financial administrative specialist regarding their debt. A busy signal would be received if all of the open lines are being used or a power or system outage occurs.

Percent of Veterans participating in telehealth
This measure represents the percentage of eligible Veterans who have received telehealth services during the fiscal year. This is a composite of the eligible Veterans who have received home telehealth, clinical video telehealth, and store and forward telehealth services during the fiscal year. (VHA)

Percent of Veterans who report "yes" to the shared decision-making questions in the Inpatient Surveys of the Health Experiences of Patients (SHEP)
This measure represents the percent of survey respondents who responded favorably regarding their satisfaction with their level of involvement in their own care.

Percent of visitors to VA's website that indicated that they are satisfied/highly satisfied with information presented
This measure represents those website visitors who respond to questions present in a random sample online customer service survey that they are either “satisfied” or “highly satisfied” with the information presented.

Percentage of prosecutions successfully completed
This measure represents those cases referred for prosecution for which a conviction, pretrial diversion, or a deferred prosecution was obtained. (OIG)

Percentage of recommendations implemented within 1 year to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural changes in VA
This measure represents the percentage of recommendations made in OIG reports that are implemented by the Department within 1 year in order to improve operations. (OIG)

Percentage of recommended recoveries achieved from post-award contract reviews
This measure represents the percentage of recommended recoveries from post-award contract reviews that are actually billed and collected by the Department. (OIG)

Percentage of VA employees who are Veterans
This is the percentage of employees who are identified as Veterans in the Personnel Accountability and Integrated Data Systems. (Departmental Management)

Program Review Accuracy Rate (Housing)
This measure represents the overall accuracy rate of Loan Guaranty operations across Loan Production, Construction & Valuation, Loan Administration, and Specially Adapted Housing. For the number of oversight items reviewed across these areas, it represents the percentage of which were found to have no errors. (Loan Guaranty)

Rate of homeownership for Veterans compared to that of the general population
This measure represents the percentage of Veterans who own their homes compared to the percentage of the general non-Veteran population who own their homes. (Loan Guaranty)

Return on investment (monetary benefits divided by cost of operations in dollars)
This measure represents the monetary benefits derived from inspections, reports, investigations, evaluations and other oversight performed by OIG divided by the cost of doing those activities. (OIG)

SAH grantees who believe adaptations obtained under the program have helped them live more independently
A periodic survey is sent to SAH program grantees. This measure represents the percentage of SAH grant recipients who indicated via survey that adaptations made to their homes increased their independence of living. The output of this measure is the percentage of respondents who replied with a "yes" to the question of "Do your housing adaptations help you live more independently?" (Housing)

Veterans' satisfaction level with the VA Loan Guaranty Program
This measure represents the percentage of Veterans answering the Loan Guaranty customer satisfaction survey who were "very satisfied" or "somewhat satisfied" with the process of obtaining a VA home loan. (Loan Guaranty)

Veterans' satisfaction with the VR&E program
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)

Weighted Satisfaction Index related to: (1) timeliness of legal services (VA client-organization-centered); (2) responsiveness of legal services (VA client-organization-centered); (3) tort processing times (Veteran-centered); and (4) OGC employee satisfaction

The index is calculated as follows: OGC internal case tracking of average days to process ethics, research, and personnel law types of cases weighted at 10%, administrative tort claims adjudicated within 180 days weighted at 10%; all employee survey measurement of employee satisfaction with a combined weight of 20% for (1) employee perception of customer satisfaction, (2) quality of work, and (3) employee perception of customer service; and OGC Client Satisfaction Survey measures with Timeliness weighted at 20% and Responsiveness weighted at 20%.

Definitions of Financial and Other Terms

Accounts payable
This term is defined as the money VA owes to vendors and other Federal entities for products and services purchased. This is treated as a liability on the balance sheet. (Financial)

Accounts receivable
This term is defined as the amount of money that is owed to VA by a customer (including other Federal entities) for products and services provided on credit. This is treated as a current asset on the balance sheet and includes such items as amounts due from third-party insurers for Veterans' health care and from individuals for compensation, pension, and readjustment benefit overpayments. (Financial)

Acquired loans
This term is defined as VA-guaranteed loans in default that VA purchases from the private sector mortgage lender and services the loan with the Veteran directly after VA determines the Veteran can service the debt service payments. This type of loan is part of the VA loan guaranty program. (Financial)

Allowance
This term is defined as the amounts included in the President's budget request or projections to cover possible additional proposals, such as statutory pay increases and contingencies for relatively uncontrollable programs and other requirements. As used by Congress in the concurrent resolutions on the budget, allowances represent a special functional classification designed to include amounts to cover possible requirements, such as civilian pay raises and contingencies. Allowances remain undistributed until they occur or become firm, then they are distributed to the appropriate functional classification(s). (Financial)

Apportionment
This term is defined as a distribution made by OMB of amounts available for obligation in an appropriation or fund account. Apportionments divide amounts available for obligation by specific time periods (usually quarters), activities, projects, objects, or a combination thereof. The amounts so apportioned limit the amount of obligations that may be incurred. (Financial)

Appropriated funds
This term is defined as general fund expenditure accounts established to record amounts appropriated by law for the general support of Federal Government activities and the subsequent expenditure of these funds. It includes spending from both annual and permanent appropriations. (Financial)

Appropriation
This term is defined as the specific amount of money authorized by Congress for approved work, programs, or individual projects. (Financial)

Appropriation Authority
This term is defined as the authority granted by Congress for the agency to spend Government funds. (Financial)

Average daily census
The number is the average number of patients enrolled in the specified programs over the course of the year. Specified programs include Home and Community-Based Care programs (e.g., Home-Based Primary Care, Purchased Skilled Home Health Care, Spinal Cord Injury Home Health Care, Adult Day Health Care (VA and Contract), Home Hospice, Outpatient Respite, Community Residential Care, and Homemaker/Home Health Aide Services). (Medical Care)

Balance sheet
This term is defined as a summary of all the assets the agency owns and the liabilities owed against those assets as of a point in time (the end of the fiscal year for VA is September 30). This statement always shows two

consecutive fiscal year snapshots so the reader can compare the information. There is no "owners' equity" in a Federal agency as there is in a non-government company. However, we instead report our "net position," which is the amount of unexpended appropriation authority. (Financial)

Baseline (Performance)
The process of establishing through statistical analysis, research, or other empirical evidence, the basis for a performance target. The baselining process most often occurs when a new measure is being developed.

Budget Authority
This term is defined as the authority provided by law to enter into obligations that will result in immediate or future outlays involving Federal Government funds, except that budget authority does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government. The basic forms of budget authority are appropriations, authority to borrow, and contract authority. Budget authority may be classified by the period of availability (1-year, multiple-year, no-year), by the timing of congressional action (current or permanent), or by the manner of determining the amount available (definite or indefinite). (Financial)

Budgetary resources
Budgetary resources are forms of authority given to an agency allowing it to incur obligations. Budgetary resources include new budget authority, unobligated balances, direct spending authority, and obligation limitations. (Financial)

CARES – Capital Asset Realignment for Enhanced Services
CARES is the VA program designed to assess Veteran health care needs in VHA networks, identify service delivery options to meet those needs in the future, and guide the realignment and allocation of capital assets to support the delivery of health care services. (Medical Care)

Chief Financial Officers Act of 1990
This legislation was enacted to improve the financial management practices of the Federal Government and to ensure the production of reliable and timely financial information for use in the management and evaluation of Federal programs. (Financial)

Clinical Video Telehealth (CVT)
This is the use of real-time interactive video conferencing, sometimes with supportive peripheral technologies, to assess, treat and provide care to a patient remotely. Typically, CVT links the patient(s) at a clinic to the provider(s) at another location. CVT can also provide video connectivity between a provider and a patient at home. CVT encompasses a wide variety of clinical applications such as specialty and primary care.

Earmarked funds
This term is defined as funds where VA has program management responsibility and that are financed by specifically identified revenues, often supplemented by other financing sources, and are required by statute to be used for designated activities or purposes. They are accounted for separately from the government's general revenues. VA's earmarked funds consist of trusts, special, and revolving funds and remain available over time. The U.S. Treasury does not set aside assets to pay future expenditures associated with earmarked funds. (Financial)

Exchange Revenue
Exchange revenues arise when a Federal entity provides goods and services to the public or to another government entity for a price. (Financial)

Federal Credit Reform Act of 1990
This legislation was enacted to improve the accounting for costs of Federal credit programs. (Financial)

Federal Financial Management Improvement Act (FFMIA)
The FFMIA requires agencies to produce timely and reliable financial statements that demonstrate their compliance with Federal financial management systems requirements, Federal accounting standards, and the U.S. Government standard general ledger. If an agency believes its systems are not FFMIA-compliant, it must develop a remediation plan to achieve compliance within 3 years. (Financial)

Federal Information Security Management Act of 2002 (FISMA)
The purposes of this act are to:
- Provide a comprehensive framework for ensuring the effectiveness of information security controls over information resources that support Federal operations and assets.
- Recognize the highly networked nature of the current Federal computing environment and provide effective Government-wide management and oversight of the related information security risks, including coordination of information security efforts throughout the civilian, national security, and law enforcement communities.
- Provide for development and maintenance of minimum controls required to protect Federal information and information systems.
- Provide a mechanism for improved oversight of Federal agency information security programs.
- Acknowledge that commercially developed information security products offer advanced, dynamic, robust, and effective information security solutions, reflecting market solutions for the protection of critical information infrastructures important to the national defense and economic security of the nation that are designed, built, and operated by the private sector.
- Recognize that the selection of specific technical hardware and software information security solutions should be left to individual agencies from among commercially developed products. (Information Security)

Federal Information Systems Control Audit Manual (FISCAM)
This manual describes the computer-related controls that auditors should consider when assessing the integrity, confidentiality, and availability of computerized data. It is a guide applied by GAO primarily in support of financial statement audits and is available for use by other government auditors. It is not an audit standard. (Information Security)

Federal Managers' Financial Integrity Act (FMFIA) of 1982
This legislation requires Federal agencies to establish processes for the evaluation and improvement of financial and internal control systems in order to ensure that management control objectives are being met. (Financial)

Franchise fund
VA's fund is comprised of six enterprise centers that competitively sell common administrative services and products throughout the Federal Government. The funds are deposited into the Franchise Fund. The Centers' operations are funded solely on a fee-for-service basis. Full cost recovery ensures they are self-sustaining. (Departmental Management)

Fund Balance with the Treasury
This term is defined as the aggregate amount of funds in VA's accounts with the Department of the Treasury for which it is authorized to make expenditures and pay liabilities. This account includes clearing account balances and the dollar equivalent of foreign currency account balances. (Financial)

Government Management Reform Act of 1994
This legislation was enacted to provide more effective and efficient executive branch performance in reporting financial information to Congress and committees of Congress. (Financial)

Heritage Assets
Heritage Assets are unique and are generally expected to be preserved indefinitely. Heritage assets may have historical or natural significance; be of cultural, educational, or artistic importance; or have significant architectural characteristics. (Financial)

Home Telehealth (HT)
This is a program into which Veterans are enrolled that applies care and case management principles to coordinate care using health informatics, disease management and Home Telehealth technologies to facilitate access to care and to improve the health of Veterans with the specific intent of providing the right care in the right place at the right time. The goal of HT is to improve clinical outcomes and access to care while reducing complications, hospitalizations, and clinic or emergency room visits for Veterans in post-acute care settings and high-risk patients with chronic disease.

Integrated Electronic Health Record (iEHR)
The iEHR program is a collaborative partnership between the VA and DoD to modernize health care information systems and achieve significant improvement in the capturing, storing and sharing of electronic health information. iEHR will provide unprecedented value to patients, clinicians, and the agencies involved. iEHR will reduce the burden felt by Service members and Veterans to track and maintain their health information and records.

Interagency Program Office (IPO)
IPO serves as the single point of accountability in the development and implementation of the iEHR and VLER health systems, capabilities, and initiatives. This includes all current and future joint health IT implementations such as the James A. Lovell Federal Health Care Center in North Chicago, Illinois, with the objective of achieving full interoperability between DoD and VA.

Intragovernmental assets
These assets arise from transactions among Federal entities. These assets are claims of the reporting entity against other Federal entities. (Financial)

Intragovernmental liabilities
These liabilities are claims against the reporting entity by other Federal entities. (Financial)

Inventory
An inventory is a tangible personal property that is (1) held for sale, including raw materials and work in process, (2) in the process of production for sale, or (3) to be consumed in the production of goods for sale or in the provision of services for a fee. (Financial)

Management (or internal) controls
This term is defined as safeguards (organization, policies, and procedures) used by agencies to reasonably ensure that: (1) programs achieve their intended results; (2) resources are used consistent with agency mission; (3) programs and resources are protected from waste, fraud, and mismanagement; (4) laws and regulations are followed; and (5) reliable and timely information is obtained, maintained, reported, and used for decision making. (Financial)

Material weakness
This term is defined as a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements, or other significant financial reports, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. (Financial)

Memorial Service Network
NCA's field structure is geographically organized into five Memorial Service Networks (MSN). The national cemeteries in each MSN are supervised by the MSN Director and staff. The MSN offices are located in Philadelphia, Pennsylvania; Atlanta, Georgia; Indianapolis, Indiana; Denver, Colorado; and Oakland, California. The MSN Directors and staff provide direction, operational oversight, and engineering assistance to the cemeteries located in their geographic areas. (Burial)

National Institute of Standards and Technology (NIST) and its Computer Security Division
NIST is a non-regulatory Federal agency within the U.S. Commerce Department's Technology Administration. NIST's mission is to promote U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve our quality of life. The Computer Security Division is one of eight divisions within NIST's Information Technology Laboratory. The mission of the Computer Security Division is to improve information systems security. (Information Security)

Native American loans
This term is defined as direct loans that are special financing enabling Native Americans to purchase a home on Federally recognized trust land. This type of loan is part of the VA loan guaranty program. (Financial)

Net cost of operations
Net cost of operations is the gross cost incurred by VA less any exchange revenue earned from its activities. The gross cost of a program consists of the full cost of the outputs produced by that program plus any non-production costs that can be assigned to the program. (Financial)

Net position
Net position comprises the portion of VA's appropriations represented by undelivered orders and unobligated balances (unexpended appropriations) and the net results of the reporting entity's operations since inception, plus the cumulative amount of prior period adjustments (cumulative results of operations). (Financial)

Net program cost
Net program cost is the difference between a program's gross cost and its related exchange revenues. If a program does not earn any exchange revenue, there is no netting and the term used might be total program cost. (Financial)

Notes to the Consolidated Financial Statements
The notes provide additional disclosures that are necessary to make the financial statements more informative and not misleading. The notes are an integral part of the financial statements. (Financial)

Obligations
Obligations represent the amount of orders placed, contracts awarded, services received, and other transactions occurring during a given period that would require payments during the same or future period. (Financial)

Offsetting collections
Offsetting collections include reimbursements, transfers between Federal and trust fund accounts, offsetting governmental collections, and refunds. For accounting purposes, earned reimbursements are also known as revenues. These offsetting collections are netted against gross outlays in determining net outlays from such appropriations. (Financial)

Offsetting receipts
Offsetting receipts are collections that are offset against gross outlays but are not authorized to be credited to expenditure accounts. Offsetting receipts are deposited in receipt accounts. Like offsetting collections, they result from (1) businesslike transactions or market-oriented activities with the public, (2) intragovernmental transfers, and (3) collections from the public that are governmental in nature but required by law to be classified as offsetting receipts. Offsetting receipts are offsets to gross budget authority and outlays, usually at the Department or Administration level, but some are unavailable for expenditure. Unlike offsetting collections, offsetting receipts cannot be used without being appropriated. (Financial)

OMB Circular No. A-123
OMB issued Circular No. A-123 to provide guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on management controls. (Financial)

OMB Circular No. A-127
OMB issued Circular No. A-127 to prescribe policies and standards for executive departments and agencies to follow in developing, operating, evaluating, and reporting on financial management systems. (Financial)

OMB Circular No. A-130, Appendix III
OMB issued Circular No. A-130, Appendix III to establish a minimum set of controls to be included in Federal automated information security programs; assign Federal agency responsibilities for the security of automated information; and link agency automated information security programs and agency management control systems established in accordance with OMB Circular No. A-123. (Information Security)

Outlay
Outlay is the amount of checks, disbursement of cash, or electronic transfer of funds made to liquidate a Federal obligation. Outlays also occur when interest on the Treasury debt held by the public accrues and when the government issues bonds, notes, debentures, monetary credits, or other cash-equivalent instruments in order to liquidate obligations. (Financial)

Program evaluation
This term is defined as an assessment, through objective measurement and systematic analysis, of the manner and extent to which Federal programs achieve intended outcomes. (Departmental Management)

Prompt Payment Act
The Prompt Payment Final Rule (formerly OMB Circular No. A-125, "Prompt Payment") requires executive departments and agencies to pay commercial obligations within certain time periods and to pay interest penalties when payments are late. (Financial)

Property, Plant, and Equipment
Property, plant, and equipment consist of tangible assets, including land, that have estimated useful lives of 2 years or more, not intended for sale in the ordinary course of operations, and have been acquired or constructed with the intention of being used, or being available for use, by the reporting entity. (Financial)

PTSD – post-traumatic stress disorder
PTSD is an anxiety disorder that can occur following the experience or witnessing of life-threatening events, such as military combat, natural disasters, terrorist incidents, serious accidents, or violent personal assaults such as rape. People who suffer from PTSD often relive the experience through nightmares and flashbacks, have difficulty sleeping, and feel detached or estranged. These symptoms can be severe enough and last long enough to significantly impair the person's daily life. Common PTSD stressors in Veterans include war zone stress (e.g., combat and exposure to mass casualty situations), the crash of a military aircraft, or sexual assault. VA is committed to providing an integrated, comprehensive, and cost-effective continuum of care for Veterans with PTSD. (Medical Care)

Research and Development
Research and development investments are expenses included in the calculation of net costs to support the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new and improved products and processes, with the expectation of maintaining or increasing national economic productivity capacity or yielding other future benefits. (Financial)

Revolving funds
This term is defined as a fund used to finance a cycle of business-like operations through collections of amounts received from the sale of products or services. The collections are used to finance its spending, usually on a self-sustaining basis. Revolving funds record the collections and the outlays of revolving funds in the same Treasury account. A revolving fund is a form of permanent appropriation receiving authority to spend the collections; the fund does not generally receive appropriations. (Financial)

Significant deficiency
A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements, that is more than inconsequential, will not be prevented or detected by the entity's internal control. (Financial)

Special funds
This term is defined as an appropriation account established to record appropriations, obligations, and outlays financed by the proceeds of special fund receipts, which are dedicated collections by law for a specific purpose or program. Medical Care Collections Fund and lease of land and building (NCA Facilities Operation Fund) are special funds. (Financial)

State and tribal organization Veterans cemeteries
State and tribal organization Veterans Cemeteries, which complement VA's system of national cemeteries, provide burial options for eligible Veterans and their family members. These cemeteries may be established by states or tribal organizations with the assistance of VA's Veterans Cemetery Grants Program (VCGP). The VCGP provides grants to states and tribal organizations of up to 100 percent of the cost of establishing, expanding, or improving state and tribal organization Veterans cemeteries. (Burial)

Statement of budgetary resources
This term is defined as a financial statement that provides assurance that the amounts obligated or spent did not exceed the available budget authority, obligations and outlays were for the purposes intended in the appropriations and authorizing legislation, other legal requirements pertaining to the account have been met, and the amounts are properly classified and accurately reported. (Financial)

Statement of changes in net position
This term is defined as a financial statement that provides the manner in which VA's net costs were financed and the resulting effect on the Department's net position. (Financial)

Statement of net costs
This term is defined as a financial statement that provides information to help the reader understand the net costs of providing specific programs and activities, and the composition of and changes in these costs. (Financial)

Statement of written assurance
A statement of written assurance is required by the FMFIA. Each year, the head of each executive agency must prepare a statement that the agency's systems of internal accounting and administrative control fully comply with the requirements of the law, or that they do not comply. In the latter case, the head of the agency must provide a report that identifies (1) the material weaknesses in the agency's system of internal accounting and administrative controls and (2) the plans and schedules for correcting any such weaknesses. (Financial)

Status of budgetary resources
This term is defined as the obligations incurred, the unobligated balances at the end of the period that remain available, and unobligated balances at the end of the period that are unavailable except to adjust or liquidate prior year obligations. (Financial)

Stewardship 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)

Store and Forward Telehealth (SFT)
This term refers to the use of technologies to acquire and store clinical information (e.g. data, image, sound and video) that is then forwarded to or retrieved by a provider at another location for clinical evaluation. SFT in VA uses a clinical consult pathway and VistA Imaging in conjunction with TeleReader to provide screening, diagnostic and treatment services where time and/or distance separate the patient and provider.

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)

Traumatic Brain Injury
A structural and/or physiological disruption of brain function resulting from an external force.

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
See VA Medical Center

VA Medical Center
A VA Medical Center is a hospital facility that provides a diverse range of health care services to Veterans.
Note: Each division of an integrated medical center is counted as a separate hospital. (Medical Care)

VA national cemetery
A VA national cemetery provides gravesites for the interment of deceased Veterans and their eligible family members. VA's 131 national cemeteries are national shrines that are important sites for patriotic and commemorative events. (Burial)

VA regional office
A VA regional office is located in each state plus Puerto Rico and the Philippines. The regional offices receive and process claims for VA benefits. (VBA)

Vendee loans
This term is defined as direct loans issued by VA to a third-party borrower for the acquisition price of foreclosed real estate sold by VA after the transfer of the property to VA by a private sector mortgage lender upon default of a loan subject to the VA Loan Guaranty program. (Financial)

Veterans Integrated Service Network (VISN)
VA's 21 VISNs are integrated networks of health care facilities that provide coordinated services to Veterans to facilitate continuity through all phases of health care and to maximize the use of resources. (Medical Care)

Virtual Lifetime Electronic Record (VLER)

VLER is a multi-faceted business and technology initiative that includes a portfolio of health, benefits, personnel, and administrative information sharing capabilities. It provides Veterans, Service members, their families, care-givers, and service providers with a single source of information for health and benefits in a way that is secure and is authorized by the Veteran or Service member. (VBA)

Abbreviations and Acronyms

ACA
Affordable Care Act

ACSI
American Customer Satisfaction Index

AFGE
American Federation of Government Employees

ALAC
Administrative and Loan Accounting Center

ALS
Amyotrophic Lateral Sclerosis

AMAS
Automated Monument Application System

AMC
Appeals Management Center

APA
Administrative Procedures Act

ARRA
American Recovery and Reinvestment Act of 2009

BDD
Benefits Delivery at Discharge

BDN
Benefits Delivery Network

BFFS
Beneficiary Fiduciary Field System

BHIE
Bi-Directional Health Information Exchange

BOSS
Burial Operations Support System

BPA
Blanket Purchase Agreement

BPEB
Benefits Portfolio Executive Board

BPSC
Benefits Portfolio Steering Committee

BTP
Beneficiary Travel Program

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

CBO
Chief Business Office

CBOC
Community-Based Outpatient Clinic

CFS
Consolidated Financial Statements

CHAMPVA
Civilian Health and Medical Program of the Department of Veterans Affairs

CIP
Critical Infrastructure Program

CIO
Chief Information Officer

CMOP
Consolidated Mail Outpatient Pharmacy

CMS
Centers for Medicare and Medicaid Services

COOP
Continuity of Operations Plan

COTS
Commercial Off-the-Shelf

COVERS
Control of Veterans Records System

CPGI
Clinical Practice Guideline Index

CPEP
Compensation and Pension Examination Program

CRC
Colorectal cancer

CRISP
Continuous Readiness in Information Security Program

CRMS
Customer Relationship Management System

CSRS
Civil Service Retirement System

DBQ
Disability Benefits Questionnaire

DMC
Debt Management Center

DIC
Dependency and Indemnity Compensation

DMDC
Defense Manpower Data Center

DoD
Department of Defense

DOOR
Distribution of Operational Resources

DRO
Decision Review Officer

EA
Enterprise Architecture

EFT
Electronic Funds Transfer

E-GOV
Electronic Government

EP
End Products

EVM
Earned Value Management

EVR
Eligibility Verification Reports

EWL
Electronic Wait List

F&FE
Fiduciary and Field Examination

FAR
Federal Acquisition Regulations

FASAB
Federal Accounting Standards Advisory Board

FASB
Financial Accounting Standards Board

FBCS
Fee Basis Claims System

FDC
Fully Developed Claims

FECA
Federal Employees' Compensation Act

FERS
Federal Employees Retirement System

FFMIA
Federal Financial Management Improvement Act

FHIE
Federal Health Information Exchange

FISCAM
Federal Information Systems Control Audit Manual

FISMA
Federal Information Security Management Act

FMFIA
Federal Managers' Financial Integrity Act

FMS
Financial Management System

FMTC
Financial Management Training Conferences

FOBT
Fecal Occult Blood Test

FPDS-NG
Federal Procurement Data System – Next Generation

FRPC
Federal Real Property Council

FSC
Financial Services Center

FTE
Full-time Equivalent

FTF
Freeze the Footprint

FY
Fiscal Year

GAO
Government Accountability Office

GPRA
Government Performance and Results Act

GRC
Governance, Risk and Compliance

GSO
Government Services Online

HAC
Health Administration Center

HCIP
Human Capital Investment Plan

HCN
Health Care Network

HIPAA
Health Information Portability and Accountability Act

HR
Human Resources

HRA
Human Resources & Administration

HRPP
Human Research Protection Program

HUD
Housing and Urban Development

IA
Interagency Agreement

IDES
Integrated Disability Evaluation System

iEHR
Integrated Electronic Health Record

IHS
Indian Health Service

IPERA
Improper Payments Elimination and Recovery Act

IPO
Interagency Program Office

IRS
Internal Revenue Service

ISA
Interconnection Security Agreements

ISO
Information Security Officers

IT
Information Technology

IVM
Income Verification Match

IWT
Instructor Web-based Training

JFMIP
Joint Financial Management Improvement Program

LGY
Loan Guaranty

LTC
Long-Term Care

MCCF
Medical Care Collections Fund

MCO
Mission Critical Occupations

MOU
Memorandum of Understanding

MSN
Memorial Service Network

MTF
Military Treatment Facility

NAC
National Acquisition Center

NAGE
National Association of Government Employees

NCA
National Cemetery Administration

NDMS
National Disaster Medical System

NIST
National Institute of Standards and Technology

NOD
Notice of Disagreement

NRP
National Response Plan

NSOC
Network and Security Operations Center

NVC
Non-VA Medical Care

OAEM
Office of Asset Enterprise Management

OAI
Organizational Assessment and Improvement

OALC
Office of Acquisition, Logistics, and Coordination

OBC
Office of Business Continuity

OBO
Office of Business Oversight

OBPI
Office of Business Process Integration

OC
Operations Center

OCR
Office of Contract Review

OEF/OIF/OND
Operation Enduring Freedom/Operation Iraqi Freedom/Operation New Dawn

OGC
Office of General Counsel

OIG
Office of Inspector General

OIT
Office of Information and Technology

OLCS
On Line Certification System

OM
Office of Management

OMB
Office of Management and Budget

OPM
Office of Personnel Management

OWCP
Office of Workers' Compensation Program

P&LO
Procurement & Logistics Office

PAID
Personnel and Accounting Integrated Data

PAR
Performance and Accountability Report

PBO
PMAS Business Office

PII
Personally Identifiable Information

PIP
Prosthetics Inventory Package

P.L.
Public Law

PMAS
Program Management Accountability System

PMC
Pension Maintenance Center

PMP
Project Management Plan

POA&M
Plans of Actions & Milestones

PP&E
Property, Plant & Equipment

PPA
Prompt Payment Act

PSC
Prosthetic Service Card

PTSD
Post-Traumatic Stress Disorder

QA
Quality Assurance

QRT
Quality Review Team

RIN
Regulation Identification Number

RO
Regional Office

RPO
Regional Processing Office

RVSR
Rating Veterans Service Representative

RVU
Relative Value Unit

SAC-F
Strategic Acquisition Center - Frederick

SAH
Specially Adapted Housing

SAM
Strategic Asset Management

SAO
Systematic Analysis of Operations

SBA
Small Business Administration

SCI
Spinal Cord Injury

SCIP
Strategic Capital Investment Plan

SCIP SAT
Strategic Capital Investment Plan Automated Tool

SES
Senior Executive Service

SFFAS
Statement of Federal Financial Accounting Standards

SGLI
Servicemembers' Group Life Insurance

SHEP
Surveys of the Health Experiences of Patients

SMC
Strategic Management Council

SPAWAR
Space and Naval Warfare Systems Center

SPI
Separately Priced Item

SSA
Social Security Administration

STAR
Systematic Technical Accuracy Review

STDP
System-to-Drive-Performance

STR
Service Treatment Record

STVHCS
South Texas Veterans Health Care System

TBI
Traumatic Brain Injury

TOP
Treasury Offset Program

TPSS
Training and Performance Support System

TSO
Training Support Office

USB
Under Secretary for Benefits

U.S.C.
United States Code

VA
Veterans Affairs

VAAR
VA Acquisition Regulation

VAMC
VA Medical Center

VARO
VA Regional Office

VASH
VA Supportive Housing

VASRD
VA Schedule for Rating Disabilities

VBA
Veterans Benefits Administration

VBMS
Veterans Benefits Management System

VCAA
Veterans Claims Assistance Act

VCGP
Veterans' Cemetery Grant Program

VESO
Veteran Employment Services Office

VETSNET
Veterans Services Network

VGLI
Veteran's Group Life Insurance

VIP
Vendor Information Pages

VLER
Virtual Lifetime Electronic Record

VHA
Veterans Health Administration

VISN
Veterans Integrated Service Network

VistA
Veterans Information System and Technology Architecture

VRM
Veterans Relationship Management

VR&E
Vocational Rehabilitation and Employment

VSC
Veterans Service Center

VSO
Veterans Service Organization

VSR
Veterans Service Representative

VSSC
VHA Support Service Center

VA Online: *Fast and Easy Access to Information*

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

What Information Do You Need?	*Web Site*
VA's Home Page	www.va.gov
VA's PAR Submission and Strategic Plans	www.va.gov/performance
VA's Budget Submission	www.va.gov/budget/products.asp
Health Care in VA	www1.va.gov/health/index.asp
VA Health Quality and Safety Performance	www.hospitalcompare.va.gov
Managing My Health as a Veteran	www.myhealth.va.gov
Medical Research in VA	www.research.va.gov
Clinical Training Opportunities and Education Affiliates	www.va.gov/oaa
Employment	www.vetsuccess.gov www.vaforvets.va.gov
Education Benefits for Veterans	www.gibill.va.gov
eBenefits	www.ebenefits.va.gov
Vow to Hire Heroes	www.benefits.va.gov/vow
Burial and Memorial Benefits for Veterans	www.cem.va.gov
Opportunities for Veteran-Owned Small Businesses	www.vetbiz.gov
Minority Veterans	www.va.gov/centerforminorityVeterans/
Women Veterans	www.va.gov/womenvet
Survivors Assistance	www.va.gov/survivors
Operations, Security and Preparedness	www.osp.va.gov
Recently Published VA Regulations	www.va.gov/ORPM/

What Information Do You Need?	Web Site
VA's Social Media Sites	www.va.gov/opa/SocialMedia.asp
Human Resources and Administration	vacareers.va.gov/veterans
Reports, Surveys, or Statistics Regarding the Veteran Population	www.va.gov/vetdata/
Freedom of Information Act	www.foia.va.gov/
Privacy Policy Information	www.va.gov/privacy/
VA Directives and Handbooks	www.va.gov/vapubs/
Green VA	www.green.va.gov
Center for Faith-based and Neighborhood Partnerships	www.va.gov/cfbnpartnerships/
Homelessness Info	www.va.gov/homeless/