VA | U.S. Department of Veterans Affairs

"To care for him who shall have borne the battle and for his widow and his orphan"

— Abraham Lincoln

2014 Performance and Accountability Report

Honoring All Who Served

THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

November 17, 2014

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

The Department of Veterans Affairs (VA) is in the midst of an historic opportunity to improve the way we serve Veterans. To that end, I am pleased to submit the *Department of Veterans Affairs 2014 Performance and Accountability Report.*, This point-in-time report highlights VA's accomplishments and challenges in providing health care and benefits to Veterans.

We are taking a hard look at how we do business. Overwhelmingly, our employees are deeply devoted to VA's mission—serving those who have borne the battle, as well as their families and survivors. Their day-to-day behavior and performance is driven by VA's mission-critical institutional values—Integrity, Commitment, Advocacy, Respect and Excellence, or I-CARE. We judge our success in performing that mission against a single metric—Veterans' outcomes.

VA is a customer-service organization. We serve Veterans who expect and deserve to receive the highest level of care and service that VA can provide. Because VA and its stakeholders hold the Department accountable for delivering that service, VA is committed to being open and transparent. Therefore, we have initiated development of a more robust process for measuring our services according to Veteran satisfaction and outcomes. Additionally, we will expand our Veteran satisfaction survey capabilities in the coming year, thereby capturing more Veteran experience data through telephone, social media, and on-line means. We are instituting "Lean Management" organizational strategies while examining how we can reorganize VA to better serve Veterans, with integrated organizations and along common regional service boundaries. We are focused on establishing an employee-led, Veteran-centric restructure, called "MyVA." We want Veterans to view us as an organization that belongs to them, providing quality care in the ways they need and want to be served. This is a long-term process and we are just beginning to plan how this will unfold.

One of the ways we have become a Veteran-centric organization is by redoubling efforts to ensure timely access to quality care. Through VA's Accelerated Access to Care initiative, the Department has improved access, decreased the number of Veterans on electronic wait lists and connected them with health care appointments in VA facilities, and in their communities, across the country. VA health care facilities nationwide are standardizing access management processes, and monitoring clinic capacity to maximize appointments; where we cannot increase capacity, we are increasing non-VA medical care. We are also updating the antiquated appointment scheduling system, beginning with near-term enhancements and ending with the acquisition of a state-of-the-art, "commercial off-the-shelf" scheduling system.

And while implementing the Veterans Access, Choice, and Accountability Act of 2014, the Department has set the course for longer-term improvements through the development of a guiding document for the Veterans Health Administration called the "Blueprint for Excellence", by the creation of a new Digital Services Team to better connect Veterans with caregivers, and through the launch of an aggressive recruiting effort to answer the need for more well-qualified medical professionals. VA leaders have also taken a fresh look at VA's homelessness program, VBA's Transformation Strategy, and other key areas such as human resources and financial management to identify more opportunities for greater efficiencies.

In addition, we received our 16th 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 the actions the Department is taking to resolve its one material weakness.

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

Sincerely,

Robert A. McDonald

Robert A. McDonald

2014 Performance and Accountability Report

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Executive Summary

Introduction

In Fiscal Year (FY) 2014, with more than $156 billion in obligations and approximately 325,000 full-time equivalent (FTE) employees, the Department of Veteran Affairs (VA) took numerous actions that helped improve the quality of life for America's Veterans and their families. VA's major achievements and challenges are summarized below.

Medical Services: Delivering High-Quality Health Care

In FY 2014, VA maintained the largest integrated health care system in America. Throughout the year, VA continued to implement new innovative practices to improve Veterans' access to health care, such as telemedicine and mobile clinics, to provide care to more than 6.4 million unique patients. VA's commitment to delivering timely, high-quality health care to America's Veterans while controlling costs remains a top priority.

During the course of FY 2014, VA senior leadership learned that within some of our Veterans Health Administration facilities, VA had a systemic, totally unacceptable lack of integrity. That breach of trust—which involved the tracking of patient wait times for appointments—was irresponsible, indefensible, and unacceptable to the Department. Upon learning of allegations of waiting time manipulation at three VA facilities, VA senior leadership initiated a nationwide audit of scheduling practices which identified 1) significant lack of clarity regarding scheduling policies and practices across our system; 2) an inflexible and unrealistic 14-day standard for appointment times; 3) inadequate staffing of providers and clerical support at many of the sites that were experiencing the greatest surge in patient demand; and 4) rigid and obsolete scheduling software.

In response to the findings of the national audit, VA took several actions. First, it immediately suspended the use of the 14-day waiting time standard in executive and manager performance plans, and undertook expansion of our ongoing efforts to understand how Veterans perceive their access to care. Additionally, VA launched a comprehensive initiative to accelerate care by deploying internal resources to address long waiting times and significantly expanding purchased care in those markets where internal provider capacity could not meet the needs of Veterans. This initiative identified significant areas of misalignment between Veterans' demands for specific types of medical care, and available technology, infrastructure, and care providers. Matching the supply of available providers to the demand for health care is a challenge for any health care system, and is made more difficult by the absence of national staffing standards for most specialties, as well as limitations in data systems that are used to manage appointment and specialty consult scheduling. These issues are being addressed on a system-wide basis, including updating VA scheduling software and expanding virtual health care services. Lastly, existing authorities to obtain services from non-VA providers were significantly enhanced by the Veterans Access, Choice, and Accountability Act of 2014 (VACAA), which VA is now implementing. Under VACAA, where distance from a VA facility exceeds 40 miles, or scheduling is delayed beyond 30 days, VA has authorities and resources to seek care from community-based non-VA providers.

Benefits: Ensuring a High Quality of Life After Military Service

VA completed over 1.3 million disability claims in FY 2014. Approximately 150,000 more Veterans received decisions on their disability claims than in 2013. Since 2011, VA has implemented the largest transformation in its history, streamlining the way it provides benefits and services to Veterans, their families, and survivors. Throughout FY 2014, VA achieved a number of significant, positive performance results in the benefits delivery area. Below is a brief summary of the most notable of these positive outcomes:

- Reducing the Claims Backlog: The Veterans Benefits Administration (VBA) has cut its backlog of pending disability benefit claims by 60 percent since the peak of March 2013. The number of claims more than 125 days old has dropped to 241,991, at the end of FY 2014 compared with a high of 611,073 in March 2013.

- Joint VA/Department of Defense (DoD) Integrated Disability Evaluation System (IDES) Program: In coordination with DoD, VA has developed and implemented an IDES program 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. While the IDES program has achieved significant progress towards eliminating the benefits gap between receipt of military pay and VA benefits, VA and DoD continue to improve the process, including a strategic reallocation of resources to address ongoing challenges in coordinating VA and DoD's respective responsibilities.

- Seamless Transition: VA and DoD have jointly developed and implemented the Benefits Delivery at Discharge and the Quick Start programs to allow Servicemembers to submit claims while on active duty. These programs allow new Veterans to receive their benefits more quickly than they would have in the past. VA completed 62,697 pre-discharge claims in 2013 and completed 52,796 pre-discharge claims in FY 2014.

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 to honor the service of deceased American Veterans. Here are highlights from FY 2014:

- Excellent Customer Service: The National Cemetery Administration (NCA) received a score of 96 on the American Customer Satisfaction Index (ACSI). The ACSI is an independent survey, administered by CFI Group, which measures customer satisfaction for both private and public sector entities. NCA's score is the highest ever received by any organization on the ACSI. This result is closely aligned with respondents to NCA's 2013 Survey of Satisfaction with National Cemeteries. Ninety-six percent of respondents to this survey rated the quality of service provided by VA national cemeteries as excellent and 99 percent rated national cemetery appearance as excellent. Survey results for FY 2014 will be reported at a later date when available; however, NCA does not expect a significant change, if any, from past surveys.

- <u>Audits of Rural Veterans Initiative</u>: NCA's Rural Veterans Initiative was audited by VA's Office of Inspector General (OIG) in FY 2014. The Rural Veterans Initiative is designed to increase access to a burial option by establishing National Veterans Burial Grounds (NVBG) in eight states determined by NCA to have rural areas (less than 25,000 Veterans living within a 75 mile service area) that are considered not to have reasonable access to a burial option by either an in-state VA national cemetery, a VA national cemetery in an adjacent state, or a VA-funded state Veterans cemetery. OIG found that NCA's Rural Initiative does not adequately identify the number and percent of Veterans residing in rural areas that do not have reasonable access to a burial option. NCA has concurred with OIG's recommendations to establish a methodology to identify the number and percent of rural Veterans served and unserved throughout the country, to establish performance goals for the percent of rural and urban Veterans served, and to publish a national map showing the areas and number of served and unserved rural veterans. NCA began work to meet OIG's recommendations in FY 2014 and expects to fully implement these recommendations in FY 2015.

Finance: Ensuring Proper Stewardship of Taxpayer Dollars

VA is proud to have obtained an unqualified audit opinion on its financial statements for the 16th consecutive year. While VA worked diligently on remediating its one remaining material weakness, "Information Technology (IT) Controls," this will remain a material weakness in 2015. VA received two significant deficiencies; one for "Financial Reporting," driven by the age of VA's legacy Financial Management System; and one for "Accrued Operating Expenses." Additionally, while there is no change in Total Net Position, the FY 2013 VA financial statements have been restated, with adjustments being made to Cumulative Results of Operations and Unexpended Appropriations as of September 30, 2012.

Pursuant to guidance in the 2014 Omnibus Bill, VA successfully closed out the Recovery Act program, meeting all program goals. For USAspending.gov, VA reported all applicable required contract, grant, loan, and other assistance program spending, totaling $142 billion.

Memorandum M-12-12, dated May 11, 2012, directed agencies to cut non-critical travel spending to promote efficient spending to support agency operations. VA developed and executed a plan to reduce non-essential travel costs and exceeded the required spending reduction by 22.3 percent.

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Part I. Management's Discussion and Analysis
Agency and Mission Information

Our Mission: *What We Are Here to Do*

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

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

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

Our Programs: *What We Do*

Veterans Health Administration

Providing Medical Care

VA operates the largest 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 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 are unable to manage their financial affairs because of injury, disease, infirmities of age, or because they are minor children. 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 financial obligations are paid.

Additionally, the fiduciary program conducts periodic visits with beneficiaries to ensure they are receiving proper care.

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, the Montgomery GI Bill-Selective Reserve, the Reserve Educational Assistance Program, Dependents' Educational Assistance and the Veterans Retraining Assistance Program (VRAP) - effective March 31, 2014, VRAP is no longer available.

Web: www.gibill.va.gov

Delivering Vocational Rehabilitation and Employment Services

VA's Vocational Rehabilitation and Employment (VR&E) program assists Veterans with service-connected disabilities and an employment handicap (an impairment in substantial part from a service-connected disability) to prepare for, find, and maintain suitable employment. For Veterans with service-connected disabilities so severe that they cannot immediately consider work, the VR&E program offers services to improve their ability to live as independently as possible in their homes and communities.

The 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 assist Servicemembers and Veterans choose a suitable career path that does not aggravate their disabilities and assist them in achieving their employment goals. Services include 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.benefits.va.gov/vocrehab/index.asp

Providing Educational and Vocational Counseling

VA's Vocational Rehabilitation and Employment program administers the Educational and Vocational Counseling benefit to transitioning Servicemembers and current and new participants who are 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, 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.
Web: http://www.benefits.va.gov/VOCREHAB/edu_voc_counseling.asp

Promoting Home Ownership

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

Additionally, the Loan Guaranty program markets acquired properties at a discount to qualified nonprofit homeless provider organizations. Eligible nonprofits may purchase these properties at discounts for use as a shelter primarily for homeless Veterans and their families.
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 6.6 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 sacrifices to our Nation.

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

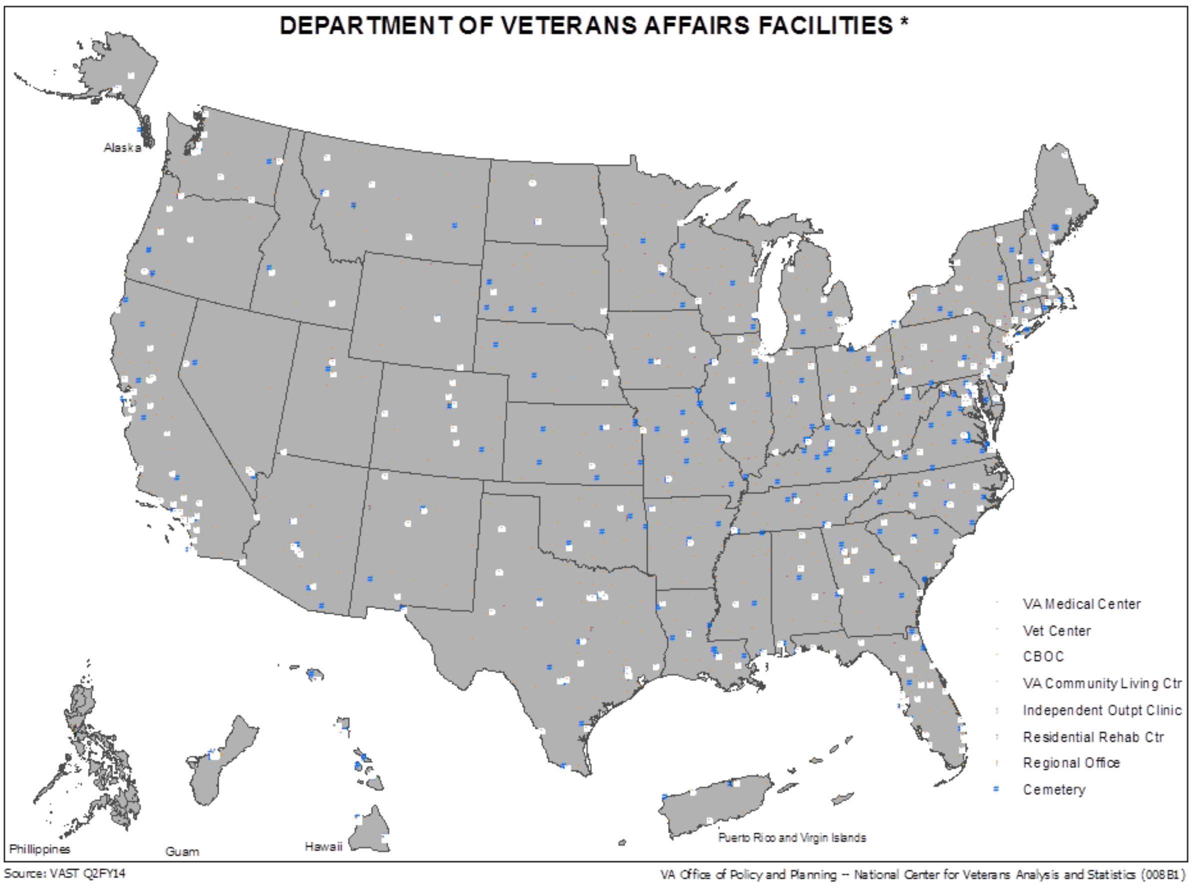
Staff Offices

Supporting All VA Operations

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, Veterans outreach and education, 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 31, 2014. The map identifies 150 Medical Centers, 300 Vet Centers, 820 Community-Based Outpatient Clinics (CBOC), 135 VA Community Living Centers, 6 Independent Output Clinics, 104 Domiciliary Residential Rehabilitation Centers, 229 National and State* Cemeteries, and 56 Regional Offices.



* Although State Veterans Cemeteries are included on the above map, they are not VA facilities per se. VA provides grants for the repair and 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		
	2013 Participants	2014 Participants	Percent Change
***Medical Care**			
Unique Patients	6,484,664	6,616,963*	2.0 %
Compensation			
Veterans	3,743,259	3,949,060	5.5 %
Survivors/Children	376,979	382,281	1.4 %
Pension			
Veterans	308,116	304,579	- 1.1 %
Survivors	210,450	211,714	0.6 %
Education[(1)(2)]			
Veterans/Servicemembers	785,500	781,600	-0.5 %
Reservists	79,900	77,500	-3.0%
Survivors/Dependents	225,600	229,300	1.6 %
Vocational Rehabilitation[(2)]			
Program Participants	135,815	123,223	-9.3 %
Housing			
Loans Guaranteed	629,312	438,398	-30.3 %
Specially Adapted Housing (SAH) Grants (Approved)	1,099	1,253	14.0%
Insurance			
Veterans	1,242,543	1,177,369	-5.2 %
Servicemembers/Reservists	2,365,500	2,305,500	-2.5 %
Spouses/Dependent Children	3,103,000	3,009,000	-3.0%
Burial			
Interments	124,800	125,200	0.3 %
Graves Maintained	3,309,700	3,395,400	2.6 %
Headstones/Markers (Processed)	358,600	360,800	0.6 %
Presidential Memorial Certificates	654,500	618,600	-5.5 %

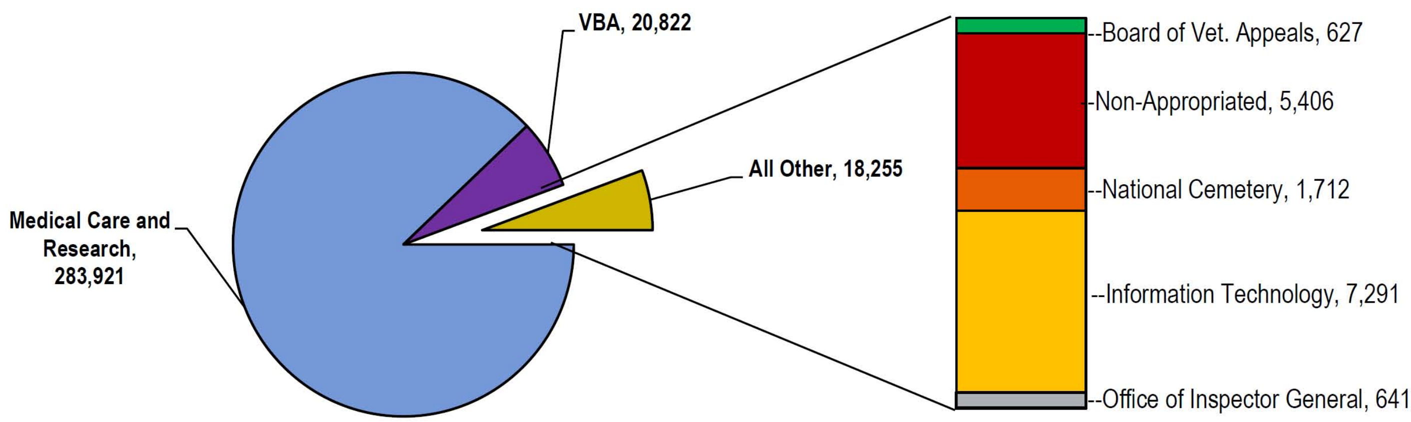
(1) Figures represent 12-month rolling data through September.
(2) Does not represent unique participants. Some participants trained under more than one education program.
*VHA's 2014 number is an estimate.

Resources: *Our People*

As of September 30, 2014, the Department employed some 321,730 FTE employees nationwide. The chart below shows the distribution of FTE employees by program area.

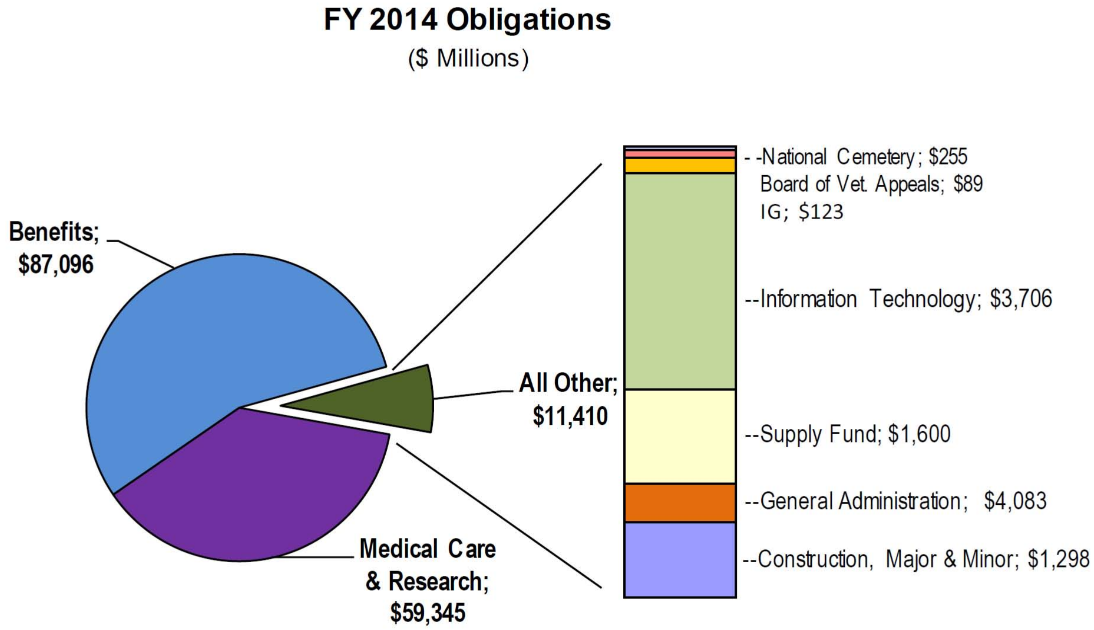
As shown below, more than 283,000 FTE support VA's health care system, one of the largest in the world. Among the remaining 38,000-plus FTE, approximately 20,822 are involved with providing compensation and pension, as well as other benefits to Veterans and their families. Approximately 1,700 FTE provide burial and memorial services for Veterans and their eligible spouses and children. About 11,058 FTE employees, located primarily in the Washington, DC area, provide policy, administrative, information technology, and management support to the programs.

Number of Full-Time Equivalent Employees
as of September 30, 2014



Resources: *Our Budget*

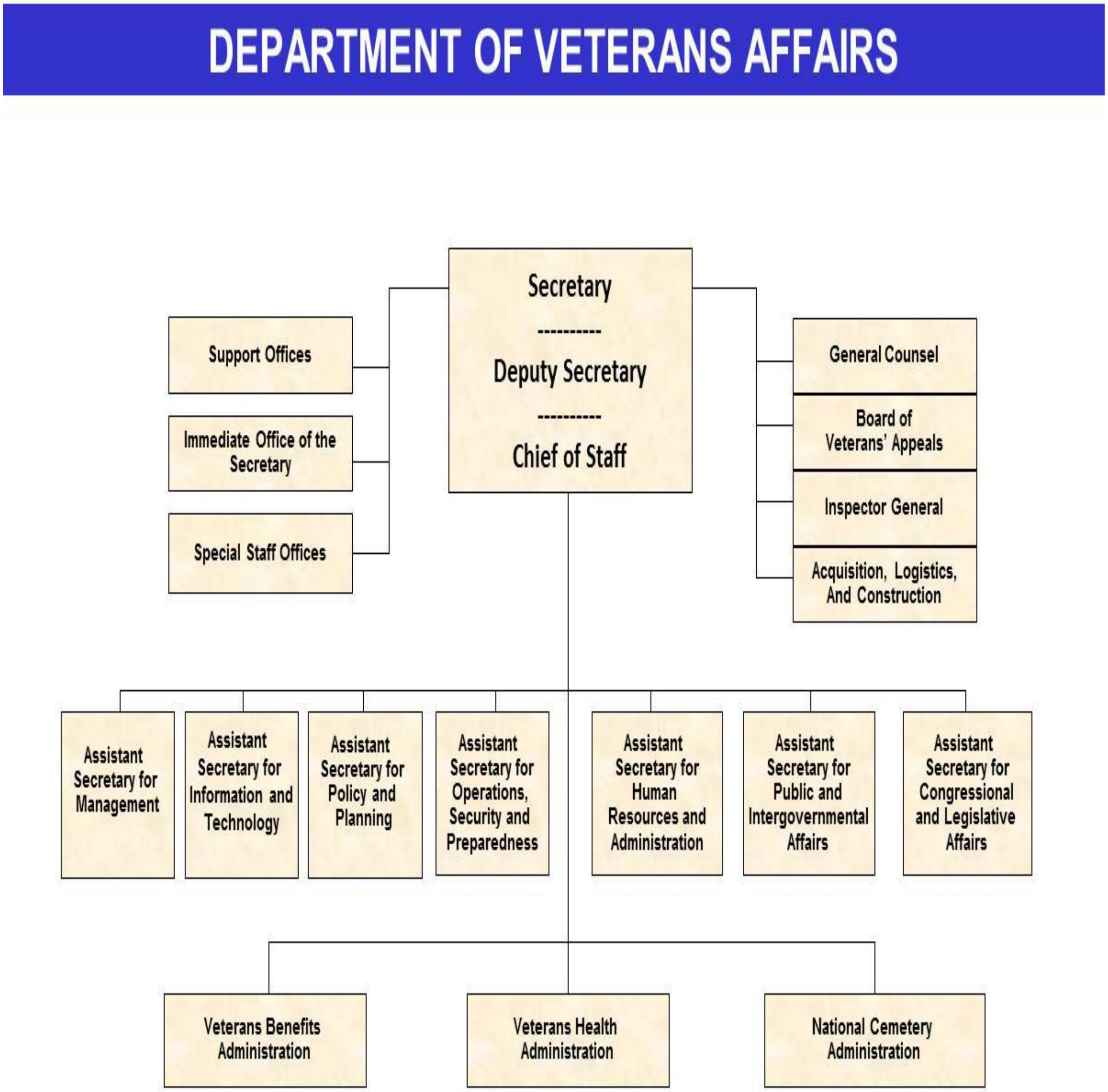
In 2014, VA obligated approximately $157 billion in total funds, approximately 98 percent of which went directly to Veterans in the form of monthly payments of benefits or for direct services, such as medical care. The pie chart below shows how VA spent the funds with which it was entrusted.



Key Legislative Authority

VA exists to administer the laws, found in Title 38 of the United States Code, providing benefits and other services to Veterans and the dependents and beneficiaries of Veterans.

Our Organization



Department of Veterans Affairs Strategic Plan Framework

I CARE
DEPARTMENT OF VETERANS AFFAIRS

MISSION: 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**

GUIDING PRINCIPLES			TRENDS		
People Centric	Results Driven	Forward Looking	Demographic And Societal Change	Rapidly Evolving Technology	Shifting Roles Of Government

FY 2014-2015 AGENCY PRIORITY GOALS

Access A **Backlog** B **Homelessness** H

STRATEGIC GOALS	STRATEGIC OBJECTIVES
Empower Veterans to Improve Their Well-being	• Improve Veteran wellness and economic security H • Increase customer satisfaction through improvements in benefits and services delivery policies, procedures, and interfaces A B
Enhance and Develop Trusted Partnerships	• Enhance VA's partnership with DoD • Enhance VA's partnerships with Federal, state, private sector, academic affiliates, Veteran Service Organizations, and non-profit organizations H • Amplify awareness of services and benefits available to Veterans through improved communications and outreach
Manage and Improve VA Operations to Deliver Seamless and Integrated Support	• Make VA a place people want to serve • Evolve VA information technology capabilities to meet emerging customer service/empowerment expectations of both VA customers and employees • Build a flexible and scalable infrastructure through improved organizational design and enhanced capital planning • Enhance productivity and improve efficiency of the provision of Veteran benefits and services • Ensure preparedness to provide services and protect people and assets continuously and in time of crisis

CORE VALUES

Integrity *Commitment* *Advocacy* *Respect* *Excellence*

The following pages contain a progress update to the Strategic Objectives of the Strategic Plan.

Strategic Goals and Objectives

Progress Update on Strategic Objectives

*Access the **VA FY2014-2020 Strategic Plan** for full Strategic Objective narratives.*

Goal 1: Empower Veterans to Improve Their Well-being

1.1 Improve Veteran Wellness and Economic Security

Achievements: On August 26, 2014, The U.S. Department of Housing and Urban Development (HUD), VA, and U.S. Interagency Council on Homelessness (USICH) released a new national estimate of Veteran homelessness in the United States. Data collected during the annual Point-in-Time Count conducted in January 2014 shows there were 49,933 homeless Veterans in America, a decline of 33 percent (or 24,837 people) since 2010.[1] This includes a nearly 40 percent drop in the number of Veterans sleeping on the street.

In April 2014, VA launched the Veterans Employment Center (VEC) as the federal government's single online tool for connecting transitioning Servicemembers, Veterans and their families to meaningful career opportunities in the public and private sectors.[2] The VEC helps Veterans translate their military skills into a profile that can be shared, and connects them with vetted employers looking to leverage the Veteran talent pipeline. In August 2014, VA released version 2.0 with enhanced job-search capability and improved user functionality. The VEC receives over 50,000 page views per day and the number of job seeker profiles has been increasing steadily by over 50% from month to month. Within the VEC, there are over 2,600 registered employers who have made nearly 500 public hiring commitments resulting in over 175,000 positions and 134,000 Veteran hires.

VA is expanding research on the long-term effects of Traumatic Brain Injury (TBI) and Posttraumatic Stress Disorder (PTSD). VA and DoD funded the Chronic Effects of Neurotrauma Consortium [3] for a period of 5 years (2013-2018); four projects are currently underway with additional projects anticipated. VA and DoD also funded the Consortium to Alleviate PTSD [4] for a period of five years (2013-2018) with one project underway and several additional projects undergoing scientific review.

Challenges: New VA leadership, new legislation (i.e. the Veterans Access, Choice, and Accountability Act of 2014[5]) and recent events have shifted priorities in the Department. Therefore, VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

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1 http://usich.gov/media_center/news/usich-hud-and-va-announce-33-drop-in-veteran-homelessness-since-2010
2 https://www.ebenefits.va.gov/jobs
3 https://cenc.rti.org/Research-Studies/CENC-Grant-Program
4 http://delta.uthscsa.edu/consortiumtoalleviateptsd/
5 http://www.gpo.gov/fdsys/pkg/BILLS-113hr3230enr/pdf/BILLS-113hr3230enr.pdf

Final Assessment
VA, in consultation with the Office of Management and Budget (OMB), has determined that noteworthy progress has been made with respect to the performance of this objective.

1.2 Increase Customer Satisfaction through Improvements in Benefits and Services Delivery Policies, Procedures, and Interfaces

Achievements: VA has made substantial progress on execution of its benefits transformation plan to change the way benefits and services are delivered to Veterans, their families, and survivors for generations to come. From March 2013 through September 2014, the backlog – defined as claims that have been pending over 125 days – has been reduced by 369,082 claims, a 60 percent decrease. The total inventory of claims has dropped from 883,930 in July 2012 to 515,621 in September 2014.

VA telehealth programs continue to expand and are a priority in the Department's commitment to increasing access to care for Veterans, especially in rural and remote locations. VA's "Connected Health" initiative embraces virtual care modalities that include My HealtheVet, Secure Messaging, Mobile Health Telehealth and Patient Kiosks. As of June 30, 2014, 10.07 percent of Veterans (570,336 unique Veterans) received telehealth-based care. Additionally, 1,551,832 telehealth visits for Home Telehealth (HT), Clinical Video Telehealth (CVT), and Store and Forward Telehealth (SFT) have taken place nationally during the same time period. Telehealth enables Veterans patients to receive services in their local communities reducing the need for both patients and clinicians to travel.

Access to burial options is being expanded by establishing five new national cemeteries in currently identified areas of need (Southern Colorado; Central East Florida; Tallahassee, Florida; Omaha, Nebraska; and Western New York) by 2017. By the end of FY 2014 VA acquired land for these five cemeteries and they are expected to open between 2015 and 2017, beginning with Cape Canaveral and Tallahassee National Cemeteries in Florida in 2015. VA also accepted the transfer of Yellowstone County National Cemetery, the first of eight National Veterans Burial Grounds (NVBG), which will serve Veterans in rural areas as part of NCA's Rural Veterans Initiative. Yellowstone County National Cemetery will serve Veterans in southern Montana who were previously unserved by a National or State Veterans cemetery.

Challenges: New VA leadership, new legislation (i.e., the Veterans Access, Choice, and Accountability Act of 2014) and recent events have shifted priorities in the Department. Therefore, VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

Final Assessment

VA, in consultation with OMB, has determined that noteworthy progress has been made with respect to the performance of this objective.

Goal 2: Enhance and Develop Trusted Partnerships

2.1 Enhance VA's Partnership with DoD

Achievements: The Veteran health and benefits portal, eBenefits, showed an increase in the percentage of logons and improved capabilities for users in FY 2014.[6] In FY 2014, the number of eBenefits users increased by 892,992; this represents a 21.9 percent increase in users. Also, VA and DoD have made significant progress towards meeting the joint Integrated Disability Evaluation System (IDES) performance goal for processing 80 percent of all IDES claims within 295 days. VA has started to use the Separation Health Assessment (SHA) protocol for those Servicemembers who apply for VA disability prior to separation. The SHA is conducted in order to establish a baseline for Servicemember's wellness at separation, identify conditions that are service-connected, and for the purpose of adjudicating future disability claims. In FY 2014, VA completed more than 101,000 SHAs, which included exams in IDES and those within one year of military separation.

Substantial work has been done on DoD's Electronic Health Record acquisition and VA's Electronic Health Record development. Much work remains in order to achieve the legal requirement for DoD and VA to deploy modernized electronic health record software supporting clinicians of the Departments by no later than December 31, 2016, while ensuring continued support and compatibility with the interoperability platform and full standards-based interoperability.

In FY 2014, VA and DoD trained 2,249 VA/DoD providers in the use of consistent models of evidence-based practice for mental health issues demonstrating a 54 percent increase from a baseline of 1,870 trained in FY 2013.[7]
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Challenges: New VA leadership, new legislation (i.e., the Veterans Access, Choice, and Accountability Act of 2014) and recent events have shifted priorities in the Department. Therefore, VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

Final Assessment

VA, in consultation with the OMB, has highlighted this objective as a focus area for improvement.

[6] https://www.ebenefits.va.gov/ebenefits-portal/ebenefits.portal
[7] http://www1.va.gov/op3/docs/StrategicPlanning/VA_DoD_JEC_JSP_FY_2013_2015.pdf

2.2 Enhance VA's Partnerships with Federal, State, Private Sector, Academic Affiliates, Veterans Service Organizations, and Non-Profit Organizations

Achievements: VA engages almost 250,000 commercial, government, non-governmental organizations, and others to help deliver the best possible services to the Nation's Veterans and their families. In January 2014, the Department hosted a VA Services Showcase where 33 VA offices engaged with 167 Non-Governmental Organization leaders regarding information exchange and Public-Private Partnership discussions. On June 26, 2014, VA produced and hosted a Google Hangout to illustrate a responsible and productive Public-Private Partnership on recreational therapy.[8]

The Department planned, coordinated and executed the 2014 Senior International Forum & Ministerial Summit on Veterans Affairs at the U.S. Military Academy, West Point, New York in April 2014.[9] With support of the White House Director of Intergovernmental Affairs, VA also hosted a Lincoln Award event on the grounds of the White House where select Directors/Commissioners of State Departments of Veterans Affairs were presented awards for outstanding programs that support Veterans.[10]

In collaboration with local VHA, VBA, NCA and other state, Federal, and tribal partners, the Department facilitated seven Veterans Training Summits during FY 2014 that focused on strengthening partnerships with 566 Federally recognized tribal governments and enhancing access to services and benefits by Veterans and their families.[11]

Other FY 2014 efforts have focused on researching best practices across Federal, private, and multi-lateral sectors for evaluating, prioritizing, and monitoring Public-Private partnerships, and best practices for defining and measuring partnership success and outcomes. This research will be used to inform the development of Department-wide Public-Private partnership policies and assist Public-Private Partnership stakeholders in developing guides (e.g., how-to, FAQs, etc.), training material, products, and templates to execute successful partnerships.

Challenges: New VA leadership, new legislation (i.e., the Veterans Access, Choice, and Accountability Act of 2014), and recent events have shifted priorities in the Department. Therefore, VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

Final Assessment

VA, in consultation with OMB, has determined that noteworthy progress has been made with respect to the performance of this objective.

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[8] https://www.youtube.com/watch?v=ffVgXNPqlec
[9] http://www.va.gov/opa/pressrel/pressrelease.cfm?id=2535
[10] http://www.blogs.va.gov/VAntage/12712/awards-recognize-excellence-in-state-veterans-affairs-programs/
[11] http://www.va.gov/TRIBALGOVERNMENT/index.asp

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2.3 Amplify Awareness of Services and Benefits Available to Veterans through Improved Communications and Outreach

Achievements: VA created the Office of Digital Media Engagement to help the Department expeditiously disseminate key messages to Veterans, media organizations, Veterans Service Organizations (VSO), and other key stakeholders. VA has produced a 100 percent increase in engagement levels across social media channels (e.g., Facebook, Instagram, Twitter, etc.) compared to 2013.[12] On September 8, 2014, the Department orchestrated a national Press Conference at VA Central Office, which featured the Secretary McDonald as the keynote speaker.

VA continued to refine the VA-Ad Council national advertising campaign and anticipate a launch in FY 2015[13]. VA also produced the Department's Biennial Outreach Plan, which projects the Department's major outreach initiatives by Administration and applicable VACO Staff Offices for FY 2015. In addition, VA implemented Phase 2 revisions of the VA Explore Web site[14] which makes the site easier for Veterans to navigate and provides more information on the different VA benefits, services and programs available to Veterans.

VA successfully executed its six annual national events: National Veterans Winter Sports Clinic (Colorado), National Veterans Golden Age Games (Arkansas), National Veterans Wheelchair Games (Pennsylvania), National Veterans TEE Tournament (Iowa), and the National Veterans Summer Sports Clinic (California) and the National Veterans Creative Arts Festival (Wisconsin). Collectively, these events provide rehabilitative and adaptive sports and special event opportunities to nearly 2,000 Veterans from across the USA.[15]

Challenges: New VA leadership, new legislation (i.e., the Veterans Access, Choice, and Accountability Act of 2014), and recent events have shifted priorities in the Department. Therefore, VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

Final Assessment

VA, in consultation with OMB, has highlighted this objective as a focus area for improvement.

[12] http://www.va.gov/opa/socialmedia.asp
[13] http://www.va.gov/P3/docs/VA_Services_Showcase_Outreach.pdf
[14] www.va.gov/explore
[15] http://www.va.gov/adaptivesports/docs/NVSPSE_event_schedule_2014.pdf

Goal 3: Manage and Improve VA Operations to Deliver Seamless and Integrated Support

3.1 Make VA a Place People Want to Serve

Achievements: In FY 2014, VA assisted 105,321 Veterans through employment readiness and outreach programs.[16] VA also participated in 236 career events that reached 61,367 Veterans. Also, VA signed 11 partnership agreements with other federal agencies to increase awareness of services and benefits available to Veterans across the federal space. The Department also revitalized recruitment efforts by providing guidance to hiring managers on recruitment outreach and hiring solutions in order to recruit for entry level positions, develop career paths, and build pipeline resources through student employment fellowship programs. In addition, the Assistant Secretary of Human Resources & Administration (HR&A) acquired authority on June 3, 2014, to require training and assignment of competency proficiency profiles for VA's HR Specialist and Assistants. VA integrated robust training into the VA Senior Executive Onboarding Program and developed a multi-session curriculum to provide tools and methods to improve the senior executive's strategic decision-making, critical thinking, and ability to lead change.[17] Also, in FY 2014, VA consistently hired Veterans in less than 29 calendar days on average through noncompetitive appointments. As of August 31, 2014, VA had 112,989 Veterans on board which accounted for 32.71 percent of the total workforce. VA also exceeded its 3 percent hiring goal for individuals with targeted disabilities (IWTD) as well as its 2 percent on-board goal for IWTD.

VA achieved milestones required to implement an automated competency gap assessment tool within the Talent Management System.[18] VA enhanced the *MyCareer@VA* career development tool[19] by adding new career groups and extending availability to all current and potential VA employees.[20] The Department also initiated seven new Department-wide web-based and virtual instructor-led courses to address curriculum gaps, while organizations within the Department, such as the Office of Information and Technology (OIT), delivered more than 250 training sessions for VA employees. HRA also developed the HRA Strategic Plan 2014-2020 in alignment with the VA Strategic Plan and developed the HRA FY 2014 Operating Plan.

To improve employee engagement, VA established the Employee Engagement and Human Capital Analysis Service to lead and implement VA's engagement initiative. VA explicitly integrated VA's ICARE core values (Integrity, Commitment, Advocacy, Respect, Excellence) in training across VA to establish understanding of core values and characteristics that support VA core competencies.[21]

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[16] http://www.gpo.gov/fdsys/pkg/FR-2009-11-13/pdf/E9-27441.pdf
[17] http://cfr.regstoday.com/5cfr412.aspx
[18] http://www.va.gov/vapubs/viewPublication.asp?Pub_ID=518&FTyp
[19] http://mycareeratva.va.gov/Pages/default.aspx
[20] http://www.whitehouse.gov/the-press-office/presidential-memorandum-improving-federal-recruitment-and-hiring-process
[21] http://www.va.gov/icare/

VA and the Office of Special Counsel (OSC) developed an expedited process to take corrective action for certain whistleblower retaliation cases. Under the expedited review process, OSC conducts an initial review of VA whistleblower retaliation complaints. Inaugural training, also developed in cooperation with the OSC, is in progress for over 31,000 executives, managers, and supervisors. A new internet web page became operational on August 6, 2014.[22]

To improve employee engagement, VA established the Employee Engagement and Human Capital Analysis Service to lead and implement VA's engagement initiative. One of the key tools VA is using this year to gauge employee engagement is the All Employee Survey administered annually by HRA. Survey results will be available in FY 2015.

In addition, VA's Best Places to Work index score increased from 56.7 in 2012 to 57.3 in 2013[23]. This score measures VA's overall performance based on employee satisfaction and commitment scores from the Office of Personnel Management's Federal Employee Viewpoint Survey results.[24]

Challenges: New VA leadership, new legislation (i.e., the Veterans Access, Choice, and Accountability Act of 2014), and recent events have shifted priorities in the Department. Therefore, VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

Final Assessment
VA, in consultation with OMB, has highlighted this objective as a focus area for improvement.

[22] http://diversity.va.gov/whistleblower.aspx.
[23] http://bestplacestowork.org/BPTW/rankings/overall/large
[24] http://www.fedview.opm.gov/2013files/2013_Governmentwide_Management_Report.PDF

3.2 Evolve VA Information Technology Capabilities to Meet Emerging Customer Service/ Empowerment Expectations of Both VA Customers and Employees

Achievements: In terms of enterprise shared services, VA has migrated the Veterans Health Information Systems and Technology Architecture (VistA)[25] interface, Health Information Exchange and Clinical Data Repository to Enterprise Messaging Infrastructure. VA projects have also leveraged the enterprise Identity and Access Management (IAM) which gives VA a single view of a Veteran electronic record across VA and DoD.[26] Other achievements include: increased data exchange between DoD and VA using computational and Fast Healthcare Interoperability Resources (FHIR)-based standard messages; additional Web Services to improve user experience and interoperability by migrating Medical Domain Web Services (MDWS) and VistA Integration Engine (VIE) to VistA Services Assembler (VSA); and leveraging the Health Data Repository (HDR) and Data Access Services (DAS) Generation 2 to integrate clinical data between VA and DoD.

VA purchased equipment and provided information briefings to unions in FY 2014 in order to implement the Unified Communications Strategy (USC). The USC will leverage common services and reduce its IT footprint through the convergence of our facility voice, contact center, video, audio conferencing, and collaboration environments into a single platform and operational model. It will also allow the enterprise to move away from traditional telephone equipment (i.e., Private Branch Exchanges or PBXs) and provide voice as a service including calling in, out and across VA, Automatic Call Distribution/Interactive Voice Response services for local call center requirements, voicemail, agent services such as call reporting and monitoring, training, security, and call recording. The goal is to have 70 percent of 177 National Wireless Infrastructure sites completed by August 24, 2015.

Furthermore, VA has several achievements related to Security strategies. VA has continued to implement the Continuous Readiness in Information Security Program (CRISP), a comprehensive security program designed to comply with the Federal Information Security Management Act (FISMA). CRISP involves remediation of IT Security Controls Material Weaknesses that identify vulnerabilities regarding VA systems and information to better protect VA's environment. In FY 2014, VA has either initiated or completed enterprise-wide actions addressing security management, segregation of duties, access controls, contingency planning, and configuration management. CRISP implementation has resulted in significant improvement in remediation of information security deficiencies associated with VA's information security program. As part of CRISP, VA ensured that over 98 percent of VA staff received mandatory security training to protect information of Veterans and their families. The Department also delivered business requirements to OIT in order to implement Homeland Security Presidential Directive 12 with OIT implementation slotted to start on October 1, 2014. Currently, 97 percent of VA workers have been issued a Personal Identity Verification (PIV) card.

[25] http://www.oit.va.gov/Enabling_Veteran_Health_Care.asp
[26] http://www.ea.oit.va.gov/EAOIT/docs/VA_IRM_Strategic_Plan_Final_Signed_20140424.pdf

Challenges: New VA leadership, new legislation (the Veterans Access, Choice, and Accountability Act of 2014), and recent events have shifted priorities in the Department. Therefore, VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

Final Assessment

VA, in consultation with OMB, has highlighted this objective as a focus area for improvement.

3.3 Build a Flexible and Scalable Infrastructure through Improved Organizational Design and Enhanced Capital Planning

Achievements: To provide the best possible experience for Veterans, VA has launched the “MY VA” Task Force[27] to improve Veteran engagement, capitalize on short, medium and long term process improvements, and reorganize the Department such that a Veteran clearly understands how VA is structured. The vision is to create a “My VA” that: 1) puts the Veteran in control of how, when, and where they wish to be served; 2) measures success by the ultimate outcome for the Veteran; and, 3) integrates across programs and organizations to optimize productivity and efficiency. This task force will produce a high-level plan as part VA’s Road to Veterans Day initiatives[28].

For the past four years, the Department’s Strategic Capital Investment Planning (SCIP) process has produced a single, comprehensive, integrated process to identify and prioritize all capital planning investments - major construction, minor construction, non-recurring maintenance, and leasing - based on identified mission needs. The plan resulting from the FY 2015 SCIP process helped VA to identify and communicate capital requirements consisting of 4,049 capital projects with an estimated capital funding requirement of approximately $50 billion to address infrastructure performance gaps over its 10 year planning horizon.

Challenges: New VA leadership, new legislation (i.e., the Veterans Access, Choice, and Accountability Act of 2014), and recent events have shifted priorities in the Department. Therefore, VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

Final Assessment
VA, in consultation with OMB, has highlighted this objective as a focus area for improvement.

27 http://www.va.gov/opa/pressrel/pressrelease.cfm?id=2622
28 http://www.blogs.va.gov/VAntage/wp-content/uploads/2014/09/RoadToVeteransDay_FactSheet_Final.pdf

3.4 Enhance Productivity and Improve the Efficiency of the Provision of Veterans Benefits and Services

Achievements: On May 27, 2014, VA released a memorandum outlining a mandatory travel training course for travel- approving officials called "Travel Policy Services: Accountable Officials."[29] On December 23, 2013, the Department also published *Directive 0632: Conference Planning, Execution, Reporting, and Oversight* which outlines the principles and policies for conference planning throughout VA[30].

VA continues to develop analytical tools necessary for planning and programming to include: End-to-End Requirement framework[31]; Analysis Resource Center, a Planning, Programming, Budgeting and Execution (PPBE) online course (goal to complete in FY 2015); as well as the PPBE Maturation Model. Furthermore, VA's Corporate Analysis and Evaluation team published the VA Cost Estimating Guide and a Life-cycle Cost Estimation online course in July 2014.[32]

VA is also planning to integrate capital equipment, capital facilities, IT, and virtual care modalities into Capital Asset Master Plans for each VISN and select Program Offices by FY 2016. Also, for FY 2014, as of May 31, 2014, reported cost avoidance attributed to Department strategic sourcing initiatives are approximately $850 million.

Challenges: New VA leadership, new legislation (i.e., the Veterans Access, Choice, and Accountability Act of 2014), and recent events have shifted priorities in the Department. Therefore, VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

Final Assessment

VA, in consultation with OMB, has highlighted this objective as a focus area for improvement.

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29 http://www.va.gov/finance/docs/memoMandatoryTaoTraining_20140527.pdf

30 http://www.va.gov/vapubs/viewPublication.asp?Pub_ID=728&FType=2

31 https://vaww.portal2.va.gov/sites/VAPMCOE/RM/SitePages/E2E.aspx

32 http://vaww.vaco.portal.va.gov/sites/OPP/CAE/AE/ARC/default.aspx.

3.5 Ensure Preparedness to Provide Services and Protect People and Assets Continuously and in Time of Crisis

Achievements: VA established an Integrated Process Team to ensure stakeholder collaboration with weekly executive level progress briefings. In August 2014, the Department also started work to establish an Identity Credential Access Management (ICAM) Program Management Office. The ICAM program works to detect and prevent unauthorized access to federal networks. Also, VA published *VA Handbook 0730/5: Security and Law Enforcement* on July 11, 2014, which established a requirement that all VA facilities have an Active Threat Response plan.[33] The Department also developed a training package that teaches the concept of "Evacuate, Engage, Evade" in response to an active threat at the Law Enforcement Training Center and it has been shared with VA administrations.

Challenges: New VA leadership, new legislation (i.e. the Veterans Access, Choice, and Accountability Act of 2014), and recent events have shifted priorities in the Department. Therefore, VA is currently revalidating and refocusing strategies in the Strategic Plan to best plan for the new way forward.

Final Assessment

VA, in consultation with OMB, has highlighted this objective as a focus area for improvement.

[33] http://vaww.va.gov/vapubs/viewPublication.asp?Pub_ID=755&FType=2

Agency Priority Goals

VA has identified three Agency Priority Goals (APG), 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 to having long-term benefits for Veterans, each APG will result in short-term and high-impact improvements in VA performance. What follows is a synopsis of the activity under each goal. For more detailed information, please visit www.Performance.gov .

END VETERAN HOMELESSNESS

Goal Statement: Working cooperatively, VA and HUD aim to reduce the number of Veterans living on the streets and experiencing homelessness to zero as measured by the 2016 Point-In-Time (PIT) Count.

Overview: VA has taken decisive action toward its goal of ending homelessness among Veterans. The End Veteran Homelessness initiative is intended to prevent Veterans and their families from entering homelessness, as well as to assist our homeless Veterans in exiting homelessness as safely and quickly as possible. VA's "no wrong door" philosophy will ensure that homeless and Veterans at risk for homelessness have timely access to appropriate housing and services. Any door a Veteran comes to – whether at a medical center, regional office, or community organization - will be empowered to provide the necessary tools to offer Veteran assistance. Ending homelessness among Veterans will advance the mission of VA by ensuring that all Veterans and their families achieve housing stability.

Results: VA and HUD worked together to target HUD-VA Supportive Housing (VASH) vouchers to communities in need of this resource. These vouchers provide rental assistance to homeless Veterans, enabling them to find permanent housing. Allocations occurred during the last quarter of FY 2014.

Throughout FY 2014, VA collaborated with HUD and USICH to build partnerships that aim to strengthen the data systems in the communities with the highest numbers of homeless Veterans in order to better assist them with coordinating their efforts with VA and non-VA providers to reduce and ultimately end Veteran homelessness.

The VHA Homeless Program Office, in collaboration with VA-Center for Applied Systems Engineering, conducted quarterly updates of the Homeless Gap Analysis. These updates were incorporated into actual data along with additional operational strategies submitted by VA Medical Centers (VAMC) in collaboration with community partners. Strategies were submitted within the Gap Analysis tool directly to the VHA Homeless Program Office. These strategies were developed to increase the number of permanent housing placements generated by the VAMC. Examples include increasing rates of exit from transitional programs to permanent housing, reducing length of stay (i.e., increasing positive turnover), increasing HUD-VASH utilization rates, developing new affordable housing units in the community through partnerships. Increases in the number of permanent housing placements by each VAMC directly benefits homeless Veterans by assisting greater numbers with obtaining permanent, safe, and stable housing.

VA announced award decisions for the Supportive Services for Veteran Families (SSVF) in the fourth quarter of FY 2014. Secretary McDonald announced the award of approximately $300 million in in grants that will help approximately 115,000 homeless and at-risk Veterans and their families. The grants will be distributed to 301 community agencies in all 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands. Under the SSVF program, VA awards grants to private non-profit organizations and consumer cooperatives that provide services to very low-income Veteran families living in – or transitioning to – permanent housing. Those community organizations provide a range of services that promote housing stability among eligible very low income Veteran families (those making less than 50 percent of the area median income). The grants will fund the fourth year of the SSVF program.

VBA electronically tracks, prioritizes, and processes claims from Veterans who are homeless or deemed to be at imminent risk of becoming homeless. As a result, the average days to complete claims from homeless Veterans improved by 26 percent (180 days in FY 2013 to 134 days in FY 2014). In FY 2014, VBA completed 15,434 claims for compensation or pension from homeless Veterans, compared to 13,719 claims in FY 2013.

VA knows that many homeless Veterans do not ask for assistance, therefore VBA has 20 full-time Homeless Veterans Outreach Coordinators (HVOC) at the regional offices with the highest homeless Veteran populations. HVOCs conduct outreach at numerous locations and help refer homeless Veterans to Federal, state, or local programs and services for assistance.

Financial hardship and foreclosure can throw a Veteran and his family into homelessness, so VA has specific programs to help at-risk Veterans. VBA's Relocation Assistance Program, "Cash for Keys," helps transition Veterans in foreclosed housing to new housing to avoid homelessness. VA offers assistance to at-risk Veterans who have become delinquent on their mortgage payments. As of June 2014, VBA succeeded in 80 percent of its efforts to resolve the delinquent loans of Veterans, avoiding their risk of homelessness.

IMPROVE VETERANS ACCESS TO BENEFITS AND SERVICES

Goal Statement: Improve client and stakeholder awareness of, and access to, VA benefits and health care services. By September 30, 2015, VA will increase the use of virtual service options by increasing the percent of claims received electronically, the number of accredited Veterans service officers registered on the Stakeholder Enterprise Portal, the number of registered eBenefits users, and the percent of patients who access VA health care using a virtual format such as Video Telehealth or online services.

Overview: VA's focus in FY 2014-2015 is to deliver seamless and integrated services while increasing the efficiency and effectiveness of virtual access. To achieve the best possible outcomes for Veterans, Servicemembers, and eligible beneficiaries, VA will improve access to, and actively encourage the use of, its virtual benefits and services. VA and DoD have established a jointly supported portal known as eBenefits, which allows Veterans, Servicemembers, and other eligible beneficiaries to access and submit information when, where, and how they want.

Results: VA's strategy for improving Veterans' access to benefits and services has two main components: leveraging technology in multiple formats and offering multiple ways for Veterans to receive health care.

VA has three principle avenues for leveraging technology to improve Veterans access to their benefits: the eBenefits system, increased web presence, and the Stakeholder Enterprise Portal. During FY 2014, the number of individuals with access to eBenefits grew to over 4 million, a 30 percent increase from October 1, 2013. eBenefits has been accessed by Servicemembers and Veterans in over 180 countries, who have viewed the status of their claims over 38 million times since April 2010. Veterans have also generated nearly 600,000 copies of their military discharge papers (DD Form 214) and over 500,000 home loan Certificates of Eligibility to date through eBenefits.

VBA has a substantial web presence in order to reach our increasingly tech-savvy Veteran population. Since October 1, 2013, VBA webpages received nearly 56 million page views from people looking for information about benefits. VBA is also on Facebook and Twitter, with over 300,000 subscribers on Facebook and 38,000 Twitter followers. But it is not only Veterans who are using technology to access their benefits, over 1,700 Veterans Service Organization representatives from 75 unique organizations registered with the Stakeholder Enterprise Portal as of July 31, 2014, to file benefit claims electronically on behalf of Veterans.

VA is expanding the number of ways that Veterans can gain access to medical services. One of the most significant tools at our disposal is the use of various aspects of telemedicine. As of September 23, 2014, VHA had a combined 1,793,557 individuals accessing care using a Virtual Care Modality (VCM). VCM covers a number of tools, such as: Home Telehealth, which allows for remote monitoring of vital signs of patients with chronic conditions helping them to remain at home and independent; Secure Messaging, which allows secure online communications between patients and their health care provider; E-consults, which provides specialty care consultation through review of a patient's electronic medical record to facilitate or eliminate face to face visits; and Clinical Video Telehealth which allows a patient to access specialty care or receive consultative services from a remote location reducing travel time.

As of September 30, 2014, a total of 4,219 Veterans received VA care directly in their homes via CVT into the home. During FY 2014, the CVT into the Home program expanded by approximately 300 Veterans per month. In late December 2013, VA increased access for Veterans to CVT into the home services by adding Apple iPad tablet functionality to the existing connectivity solutions of personal computers and laptop computers as the technologies they can use to connect via video with their VA providers.

Some of the other technology tools that VA is leveraging include telehealth-based care and telemental health. As of September 30, 2014, 12.7 percent of Veterans (716,000 unique Veterans) received telehealth-based care. Additionally, 2,189,000 Telehealth visits for HT, CVT, and SFT have taken place nationally during the same time period. These technology tools allow a Veteran to receive care from his or her physician or nurse even though they are not together in a VA medical facility. Telemental health has been expanded to include specialist services to Veterans as follows: Tele-Bipolar to Cambridge CBOC, Cambridge, Ohio; Chillicothe VAMC, Chillicothe Ohio; Hollywood CBOC, Hollywood, Florida;, Miami VA Health Care System (HCS), Miami, Florida; Tele-Pain to North Coast CBOC, Warrenton, OR; Rochester Outpatient VA Clinic, Rochester, New York; Peru CBOC, Peru, Indiana; VA Northern Indiana HCS, Marion, Indiana; Tele-insomnia to Laredo VA Outpatient Clinic, Laredo, Texas; VA Texas Valley Coastal Bend HCS, Harlingen, Texas; Tele-Comp &Pension to West Texas VA HCS, Big Spring, Texas; and White City or VA Southern Oregon Rehabilitation Center, White City, Oregon. As of September 30, 2014, a total of 108,824 Veterans received telemental health treatment this fiscal year.

In FY 2014 VA expanded the number of CBOCs using telemedicine technologies from 300 to 600. This expansion included greater use of Specialty Care Access Network Extension for Community Healthcare Outcomes medical and surgical specialties from 12 to 20.

ELIMINATE THE DISABILITY CLAIMS BACKLOG

Goal Statement: Improve accuracy and reduce the time it takes to complete disability benefit claims. Eliminate the disability claims backlog, and process all claims in 125 days with 98 percent accuracy in 2015.

Overview: VA will provide timely, accurate decisions on Veterans' disability claims and eliminate the claims backlog in FY 2015. Improving quality and reducing the length of time it takes to process disability claims are integral to VA's mission of providing benefits to eligible Veterans in a timely, accurate, and compassionate manner. To improve benefits delivery, VA is transitioning to an electronic claims process that will reduce processing time and increase accuracy. In addition, VA is delivering training that is more aligned with the needs of the workforce to operate in this electronic environment. VBA is encouraging Veterans to submit Fully Developed Claims (FDC) that include all supporting evidence when the claim is filed. The FDC is typically the fastest way for Veterans to receive a decision on their claims. Increasing the number of FDCs filed electronically by Veterans, or by Veterans' representatives on their behalf, reduces the single largest source of delay associated with gathering evidence to support a claim and helps reduce the overall time it takes to process a claim. Through people, process, and technology integrated initiatives, the workforce will achieve the goal of eliminating the disability claims backlog in 2015.

Update: VA has reduced the backlog, which is defined as any claim older than 125 days, from a peak of 611,073 in March 2013 to 241,991 in September 2014. Today, Veterans with pending claims have been waiting an average of 132 fewer days for decisions on their claims, compared to the peak in March of last year. In addition, VBA has reduced its inventory from a peak of 883,930 in July 2012 to 515,621 in September 2014. VBA completed over 1.3 million claims in FY 2014.

Part of the increased productivity can be attributed to VA's move into electronic operations. In the past VBA touched nearly 5,000 tons of paper annually. In FY 2014, VBA processed 91 percent of disability claims electronically. VBA is automating processes to improve timeliness, accuracy and productivity, enabling Veterans to file claims, upload evidence, and check claims status online.

As the result of a significant marketing campaign of printed materials, videos, and public service announcements, in FY 2014 FDCs constitute 39 percent of all claims received. The FDC program continues to increase the number of claims submitted with all the information and evidence in the claimant's possession, thereby reducing the time VA needs to gather the evidence the law requires and allowing VA to decide claims more timely. Through eBenefits, Veterans are able to appoint a VSO to help initiate their claims, gather supporting medical records and evidence, and submit their claims and supporting information online, thereby significantly reducing mean wait time.

Contributions to Cross-Agency Priority (CAP) Goals

Improve Mental Health Outcomes for Servicemembers, Veterans, and their Families

Mental health is a priority for the Administration and is frequently addressed by the President, First Lady, and Vice President. Since September 11, 2001, more than 2.6 million Servicemembers have deployed to Iraq or Afghanistan with unprecedented duration and frequency. A significant number of these returning Servicemembers have reported difficulties with PTSD, depression, and problematic alcohol use.

The CAP Goal, "*Improve Mental Health Outcomes for Servicemembers, Veterans, and their Families,"* leverages successes made by DoD, VA, and Health and Human Services (HHS) to implement Executive Order 13625 (issued August 31, 2012) on improving access to mental health services for Servicemembers, Veterans, and military families. The CAP Goal advances efforts of DoD, VA and HHS to coordinate and direct improvements to a complex continuum of care that provides prevention, diagnosis, referral, and treatment capabilities across a range of behavioral health services, including community-based providers. The Departments collectively take a holistic approach to mental health treatment, focusing on improving patients' access to care, identifying and providing optimal therapy for each individual requiring treatment, and ensuring that Federal and community-based providers work together seamlessly to ensure the best possible care for Servicemembers, Veterans, and their families.

Objectives for this CAP Goal
Goal activities include reducing barriers to seeking mental health treatment and support, enhancing access to mental health care support, and supporting innovative mental health research. The three sub-goals and efforts related to them are:

1. REDUCE BARRIERS to seeking mental health treatment and support:
    - Identify, expand and promote programs, initiatives and efforts to reduce negative perceptions of mental health issues and increase awareness of resources;
    - Identify the needs of Military-connected families and link them with community resources;
    - Evaluate and improve DoD, VA and HHS public awareness campaigns to overcome negative perceptions and promote awareness;
    - Evaluate the quality and effectiveness of Military OneSource and the Veteran and Military Crisis Lines, and plan continued program improvements to both lines;
    - Continue to host VA Mental Health Summits to identify unmet needs of Veterans and their families; and
    - Identify and enhance understanding of community-based programs and services to support mental health needs of Veterans and their families.

2. ENHANCE ACCESS to mental health care and support:
    - Identify, consolidate and build upon successful DoD and VA programs and initiatives;

- Evaluate and improve existing VA-community collaboration pilot programs;
- Promote expansion of formal arrangements and collaborations with community providers;
- Expand telemental health care to meet demand and facilitate access to care;
- Build on efforts to integrate mental health and substance use care into primary care programs;
- Support an open source directory of validated resources to aid community-based providers, Servicemembers, Veterans and their families in identifying available resources; and
- Extend data sharing across DoD and VA health care locations to ensure that critical data in DoD and VA medical records are viewable by those who require such access to best treat Servicemembers, Veterans, and their families.

3. SUPPORT INNOVATIVE RESEARCH:
   - Identify and develop more effective diagnostic and treatment methodologies to improve outcomes, including for PTSD, TBI, and related conditions;
   - Evaluate the impact of ongoing DoD and VA research to improve diagnosis and treatment of TBI, PTSD, and related conditions; and
   - Fulfill commitments from the National Research Action Plan and chart next steps.

Progress Against Milestones in FY 2014

The CAP Goal, *Improve Mental Health Outcomes for Servicemembers, Veterans, and their Families*, is new for 2014. Activities are currently underway to address the aforementioned aspirational goals and measures have been developed to track progress.

CAP Goal: Smarter IT Delivery

The CAP Goal related to Federal cybersecurity helps Federal departments and agencies improve cybersecurity performance by focusing efforts specifically on the following: what data and information is entering and exiting their networks; what components are on their information networks and when their security status changes; and who is on their systems. The White House will focus agency efforts on improving the security of their networks by implementing the Administration's priority cybersecurity capabilities and developing metrics to measure their success.

VA is working closely with the Department of Homeland Security (DHS) to meet the cybersecurity CAP goal. In July 2014, VA signed a memorandum of understanding with DHS to participate in the Continuous Diagnostics and Mitigation (CDM) program, which will be a major component of our Information Security Continuous Monitoring program. CDM is a dynamic approach to fortifying the cybersecurity of government networks and systems. CDM provides Federal departments and agencies with capabilities and tools that identify cybersecurity risks on an ongoing basis, prioritize these risks based upon potential impacts, and enable cybersecurity personnel to mitigate the most significant problems first.

In addition to the CDM effort, VA is participating with DHS's Network Services Division on the implementation of Einstein 3 on all Trusted Internet Connection gateways.

Objectives for this CAP Goal
The Administration's priority cybersecurity capabilities are:

1) Trusted Internet Connections (TIC) - Consolidate external Internet traffic and ensure a set of common security capabilities for situational awareness and enhanced monitoring. The FY 2014 target for this capability is 95 percent of all TIC capabilities implemented and 95 percent of network traffic passing through a TIC.

2) Continuous Monitoring of Federal Information Systems - Transform the historically static security control assessment and authorization process into an integral part of a dynamic, enterprise-wide risk management process. This change allows departments and agencies to maintain an ongoing, near real-time awareness and assessment of information security risk and rapidly respond to support organizational risk management decisions. The FY 2014 target for this goal is 95 percent of all network devices and servers visible and participating in the automated continuous monitoring system.

3) Strong Authentication – Ensure only authorized employees have access to Federal information systems by requiring a higher level of assurance following the HSPD-12 Personal Identity Verification standard. The FY 2014 target for this goal is 75 percent of all users authenticating to networks with a PIV card.

Progress Against Milestones in FY 2014

VA has met the target goal in TIC capabilities, but not in TIC consolidation. VA has made improvements in TIC consolidation with 48 percent of external connections that account for 57 percent of VA's external network traffic passing through an approved TIC. VA also participates in DHS's National Cyber Security Protection System program at all approved TIC locations.

VA is among the first agencies to institute continuous monitoring. VA accomplished continuous monitoring of its IT systems, endpoints, and servers through multiple automated platforms, including IBM's Endpoint Manager, Nessus scanning, and SolarWinds server monitoring. VA previously satisfied the automated monitoring goals in FY 2012. All network endpoints and servers are continuously monitored by VA's automated continuous monitoring systems. Of note, VA implemented DHS's intrusion detection system, Einstein 3, which monitors VA's network gateways for unauthorized traffic. In addition, VA has implemented the Agiliance RiskVision Governance, Risk and Compliance tool.

VA remains behind the target goal in PIV-only authentication; however, a plan has been submitted to DHS/OMB by the Office of Security and Preparedness outlining how VA plans to make progress in this area. VA has met the PIV-only authentication goal for privileged users in the enterprise.

Performance Highlights

In light of the patient access crisis that developed earlier in the year, VA made the decision in August 2014 to modify its portfolio of performance measures in order to focus on outcomes and Veteran satisfaction. The following 14 measures are part of the new, modified portfolio and are included here to highlight VA's commitment to openness and accountability through enhanced use and reporting of Veteran satisfaction information.

Full reporting on measures in VA's revised portfolio is in Part II, pp. 8-58. Furthermore, a list of the measures that were canceled, along with the results for FY 2014 and historical results going back to FY 2010, can be found in Section IV, Other Accompanying Information.

Measure	Performance History				FY 2014		Strategic Targets
	2010	2011	2012	2013	Results	Targets	
Veterans Health Administration							
Percent of patients who responded 'yes' on Patient Centered Medical Home survey questions that contribute to the Self-Management Support Composite	N/Av	N/Av	N/Av	N/Av	58%	57%	TBD
National Cemetery Administration							
Percent of respondents who rate the quality of service provided by the national cemeteries as excellent	95%	95%	96%	96%	TBD*	98%	100%
Percent of respondents who rate national cemetery appearance as excellent	98%	98%	99%	99%	TBD*	99%	100%
Percent of respondents who would recommend the national cemetery to Veteran families during their time of need	98%	98%	99%	99%	TBD*	99%	100%
Veterans Benefits							

Administration							
Overall Customer Satisfaction Index Score (Compensation)	N/Av	N/Av	N/Av	N/Av	618	Baseline	TBD
National Call Center Client Satisfaction Index Score	N/Av	N/Av	731	723	748	735	740
Overall Customer Satisfaction Index Score (Pension)	N/Av	N/Av	N/Av	N/Av	666	Baseline	TBD
Pension Call Center Client Satisfaction Index Score	N/Av	N/Av	N/Av	732	766	735	740
Education Call Center Client Satisfaction Index Score	N/Av	N/Av	N/Av	803	832	780	790
Overall Customer Satisfaction Index Score (Education)	N/Av	N/Av	N/Av	N/Av	762	Baseline	TBD
Veterans satisfaction with the Vocational Rehabilitation and Employment Program	N/Av	N/Av	N/Av	N/Av	698	Baseline	TBD
Veterans satisfaction level with the VA loan guaranty program	N/Av	N/Av	N/Av	N/Av	815	Baseline	TBD
Rate of high client satisfaction ratings on insurance services delivered	95%	95%	95%	93%	93%	95%	95%
VA Staff Offices							
Percent of visitors to VA's website that indicated that they are satisfied/highly satisfied with information presented	N/Av	67%	67%	74%	70%	77%	80%

*2014 results from NCA's customer satisfaction survey will not be available until Dec 2014

Financial Highlights

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 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 2014 and 2013 from the external auditing firm of CliftonLarsonAllen LLP (CLA). As a result of its audit work, CLA reported one material weakness in internal controls and two significant deficiencies. The sole material weakness was for "Information Technology (IT) Security Controls," a repeat condition. . VA received two significant deficiencies; one for "Financial Reporting," driven by the age of VA's legacy Financial Management System; and one for "Accrued Operating Expenses."

Additionally, while there is no change in Total Net Position, the FY 2013 VA financial statements have been restated, with adjustments being made to Cumulative Results of Operations and Unexpended Appropriations as of September 30, 2012. During 2014, VA concluded that an accounting error that affects prior year reported financial information qualified for a restatement of the Balance Sheet and Statement of Changes in Net Position to properly state both Unexpended Appropriations and Cumulative Results of Operations. The adjusting entry has no budgetary impact, with no effect on Net Cost or Net Position, since the adjusting entry was offsetting within Net Position (see Part III, Note 24 to Consolidated Financial Statements for more information).

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 2014 reflect the dedication and hard work of staff throughout VA's Administrations and staff offices. In 2015, 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 $182 billion in 2014, as compared to a net cost of $354 billion in 2013, for an overall decrease in net cost of $172 billion or 49 percent. The decrease is primarily due to a decrease in the changes in actuarial costs for Veterans' compensation and burial. The change in costs from actuarial assumptions was $136 billion; the change in costs from actuarial experience, which is included with Veterans Benefits Administration (VBA) program costs, was $45 billion. Both of these changes related to VBA's efforts to reduce the backlog of pending compensation claims, including the large number of claims from eligible Veterans with pre-existing conditions that were added to the list of presumptive conditions related to Agent Orange. VA recognized these effects primarily in September 2013; the actuarial liability balance has not changed significantly as of September 2014.

Other significant changes in Net Program Costs include a $4.7 billion, or eight percent increase for VHA and a $4.4 billion, or five percent increase for VBA. The VHA increase relates principally to an increase in Medical Care expenses consisting of increased medical personnel, direct patient care costs, increased purchases of medical equipment and related information technology support and medical services infrastructure costs. There was an increase of over nine thousand full time medical personnel serving a 2.3 percent increase in the overall number of patients over the prior year. Most of the increase in medical services related to outpatient care, especially for mental health. In addition, four percent more outpatient surgery procedures were performed.

The VBA (non-actuarial) program cost increase primarily relates to an additional 2.7 million payments to Veterans and survivors receiving compensation and pension payments and additional payments to Veterans participating in the new Post-9/11 GI Bill for education.

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 ($32 billion) and Fund Balance with Treasury ($19 billion). It should be noted, however, that the components of Net Position for 2013 have been restated to correct an error in the accounting for the Medical Services fund expenditures related to Medical Care Collections Fund receipts. The prior period adjustments were offsetting between Unexpended Appropriations and Cumulative Results of Operations, thus having no effect on Net Position (see Part III, Note 24 to Consolidated Financial Statements for more information).

The $32 billion increase in the Federal Employee and Veterans Benefits Liabilities in 2014 represents a small increase of 1.6 percent which consists of several component changes, none of which is significant. The $19 billion increase in Fund Balance with Treasury is primarily due to VA receiving $15 billion in funding as a result of the Veterans Access, Choice, and Accountability Act (Public Law 113-146), which became law in August, 2014. The purpose of this law is to improve and track Veteran’s access to medical services. Of the $15 billion in new funding, $14.7 billion is available starting FY 2015 and $0.3 billion was apportioned in 2014 for administrative expenses.

Through FY 2014, the Department has collected $1.2 billion in delinquent benefit debt. In addition, we have collected $52.1 million through administrative offset and another $177.9 million through Treasury Offset on delinquent first party medical debt during 2014.

In 2010, VA developed a set of 11 financial management initiatives. Seven of these were completed in 2011. In 2014, VA continued work on the four remaining multi-year initiatives. These financial management priorities drove our efforts during 2014, 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 deployed its Web-based time and attendance system (VATAS) to approximately 27,000 users. Additional enhancements were developed in the system in preparation for the start of VA-wide deployment in 2016.

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. During 2014, the FSC continued its expansion of a technological solution to transition from paper to electronic invoice submission.

Pursuant to guidance in the 2014 Omnibus Bill, VA successfully closed out the Recovery Act program, successfully meeting all program goals. For USAspending.gov, VA is continuing to report all required contract, grant, loan, and other assistance program spending, totaling $142 billion. Additionally, VA exceeded the reduced travel spending targets established by the Office of Management and Budget (OMB), implementing memorandum M-12-12, "Promoting Efficient Spending to Support Agency Operations." The Memorandum, dated May 11, 2012, directs federal agencies to reduce travel spending. VA developed and executed a plan to reduce non-critical travel costs and exceeded the required spending reduction by 22.3 percent. VA monitors spending monthly and reports the status to OMB quarterly.

During 2014, the Department continued the aggressive use of the government-wide purchase card program, processing over 6.1 million transactions representing $3.7 billion in purchases. This generated over $73.7 million in refunds for VA compared to $71.5 million during 2013. VA's daily electronic billing and payment process for centrally billed accounts, along with a higher negotiated refund rate, allow VA to maximize refunds that are returned to VA entities for use in Veterans programs.

VA continued to enhance its vendor payment processes throughout 2014; however, the increase in the prompt payment interest rate from a historical low of 1.375 percent in January 2013 had a negative effect on the interest performance metric in FY 2014. Overall VA interest penalties paid per million dollars disbursed increased from $23 per million in FY 2013 to $31 per million in FY 2014. At the same time, VA earned 92 percent ($4.0 million) of its available discounts. FSC interest penalties paid per million dollars disbursed also increased from $11 per million in FY 2013 to $16 per million in FY 2014. Additionally, FSC earned 93 percent ($3.6 million) of its available discounts.

The FSC also leveraged technology to expedite payment of commercial invoices. At the end of 2014, FSC helped VA pay 97 percent of small businesses within 15 days of receipt of proper payment documentation. Additionally, during 2014 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 2014, 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 2014, the financial oversight assistance program 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 2014, VBA's Office of Resource Management (ORM) continued to improve its financial operations. The following improvements highlight efforts to enhance the quality of operations and of financial reporting:

- VBA continued to improve its program to eliminate improper payments by:
    - Expanding the payment test plans for all high risk programs in response to an OIG finding. This resulted in more thorough testing of the samples to identify improper payments.
    - Creating a central SharePoint for posting detailed test results. This reporting tool provides real-time reporting, audit trails and tracking of testing progress.
- VBA continued to improve its financial systems by:
    - Continued development and testing of the Recertification Accounting and Tracking System (RATS). When implemented in FY 2015 this web-based system will track all incoming returned payments, reclamations, payment over cancellations, and limited payability checks processed by the VBA Finance Center. 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.
    - Implemented new Treasury payment files for all programs. Changes to the payment file were mandated by Treasury as part of the Government Wide Accounting Modernization program. These new payment files allow Treasury to post up to date cash balances instead of only being able to report once a month when VBA submits its Statement of Transaction Reports.
    - Implemented a new module in the Centralized Accounting and Transaction System for contract examinations. This new module automates a previously paper based process and provides greater internal controls over monitoring and reporting for this program.
- VBA continued efforts in reducing the balances of aged undelivered orders (UDO), to address VA's 2012 and 2011 Audit findings, which stated that VA's undelivered orders (UDO) balances

were not accurately stated, and de-obligation of excess funds were not being performed in a timely manner. Ongoing focused efforts will continue to mitigate this significant deficiency.

- The Under Secretary for Benefits approved an initiative to realign the structure of the Support Services Divisions (SSDs) VBA-wide. This realignment will allow SSDs to complete the work of the organization more efficiently; eliminate inconsistencies in position titles, series', and grades; and update existing position descriptions to more accurately describe how the work is being done today. While the overall structure of the organization doesn't change significantly, we are transforming the organization by establishing defined upward mobility and strategic succession planning capabilities which did not exist previously. The benefits of this realignment include the following:

    - Better aligns positions with workload
    - Better describes work being performed
    - Implements a strategic succession plan
    - Provides viable career paths with defined educational requirements
        - Attracts, develops, and retains quality employees
        - Facilitates advancement
    - Allows for development of a national training strategy to focus on career progression as well as technical competence (to be addressed following implementation)
    - Standardizes employee performance measurement
    - Facilitates efficient recruitment efforts

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. 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. Furthermore, the Act requires agencies to report purchase card violations, and the the Inspectors General to conduct periodic risk assessments of Government charge card programs.

Management Assurances

During 2013, the former 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 2014, VA completed a comprehensive assessment of internal controls over financial reporting covering approximately 37 key business processes directly affecting specific financial management statement accounts with impact on internal controls 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 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 to identify key internal controls over financial reporting for material financial statement accounts. VA tested internal controls rated as "high- risk" as well as controls rated as "moderate-risk." Low-risk controls are evaluated periodically 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 2014.

Summary of Auditor's Internal Control Assessment

The auditors' report on internal controls reported one material weakness: "Information Technology (IT) Security Controls." With respect to this 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 2014 *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. The one audit-related material weakness reported at the end of 2014 is shown in the table below, which provides the current status of the Department's material weaknesses.

The auditors' report on compliance with laws and regulations, also prepared as a result of the 2014 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."

November 14, 2014

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, 2014.

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 2014, VA's internal control over financial reporting is operating effectively and no new material weaknesses were identified as of June 30, 2014.

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 received, VA provides reasonable assurance that internal control over operations is effective except for a deficiency in Veterans Health Administration patient scheduling. No new material weaknesses were identified during FY 2014.

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 2014. 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 2014.

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 2014 related to Information Technology (IT) Security Controls and the significant deficiency for financial reporting issues.

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

The Department can provide reasonable assurance that the appropriate policies and controls are in place to mitigate the risk of fraud and inappropriate charge card practices.

Robert A. McDonald
Secretary of Veterans Affairs

Audit Material Weakness Identified by Management

Description	Status as of September 30, 2014	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 CRISP team is responsible for implementation of the corrective action plan. During 2015, the Plan of Actions (POA) to address recommendations identified by OIG will be executed and remedial actions taken. A small number of POAs will be completed during the first quarter of 2016. 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 (BCMP). 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-	2015

Description	Status as of September 30, 2014	Resolution Target Date
	changing threats to its information systems. This initiative has continued throughout 2014 and is scheduled for improvements in 2015 with additional automation tools that improve the remediation of devices. 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.	

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 that 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 management, acquisition, development, and maintenance of VA financial systems. The Department's scope of work is to ensure 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 2014, ICS worked closely with process owners on corrective action plans to remediate findings from the 2012 and 2013 testing cycles.

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 2014. VA will continue to operate FMS as the core financial system for 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 2014. 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 deployed its Web-based time and attendance system (VATAS) to approximately 27,000 users. Additional enhancements were developed in the system in preparation for the start of VA-wide deployment.

Federal Information Security Management Act (FISMA)

VA continues to work on remediation of the IT Security Controls Material Weakness by developing and executing CRISP.

The Security Management and Analytics (SMA) Office was established in 2013, in part to ensure managerial oversight of the BCMP. 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. This initiative has continued throughout 2014 and is scheduled for improvements in 2015 with additional automation tools that improve the remediation of devices. VA continues to improve its patch and vulnerability processes through the expansion of the 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 one year in its Semiannual Report to Congress until final action is completed. As of September 30, 2014, OIG reports that 41 reports with 83 recommendations remain unimplemented over one year from issuance with a total monetary value of nearly $1.53 billion. (Source: Office of the 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 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 with sustaining 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 2014, VA's 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 gain efficiencies and improve performance from an initiative started in FY 2004 which centralized vendor payment activities at FSC. Through this centralization VA strengthened its focus on identifying and preventing improper vendor payments. FSC reviews VA vendor payments daily to systematically identify, prevent, and recover improper payments made to commercial vendors. Current payment files are matched to identify and, where possible, prevent duplicates prior to payment. Payments from prior fiscal years are matched to identify potential duplicate payments for further analysis, assessment and, as appropriate, collection. Additionally, FSC reviews vendor payments to identify and collect improper payments resulting from erroneous interest penalties.

Overall, during FY 2014, collections of improper payments totaled $7.0 million from payment recapture audits. FSC was able to identify and take action on $3.5 million in improper payments for the Franchise Fund in FY 2014. Improved payment oversight enabled VA to identify and cancel over $19.7 million in potential improper payments prior to disbursement.

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 Tungsten, Inc. 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. Tungsten 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 is 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 FY 2014, FSC increased the use of electronic invoicing to approximately 80 percent.

In 2014 the Tungsten Corporation recognized the FSC with both the "Supplier Engagement Award" and the "Green Award". The Supplier Engagement Award distinguishes the organization that converted the highest number of suppliers from paper invoices to electronic invoicing. The Green Award was presented in association with the Green Organization who promotes environmental best practices around the world and recognizes entities that have eliminated the highest volume of paper invoices during the past year. The FSC saved 143 trees and 504 pounds of air pollutants though electronic invoicing.

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 2014, VA's Fee Basis credit card processed over 86,000 transactions representing over $32 million in payments, and generated over $646,000 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 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 2014, 147 VA medical centers used the Prime Vendor Payment System to electronically process over 615,000 transactions worth over $4.1 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 FSC provides program management for VA's E-Gov Travel Service (ETS), a government wide, web-based, world-class travel management service for over 100,000 users VA-wide with 150,000 to 200,000 TDY vouchers processed annually. In 2012, General Services Administration (GSA) awarded the master contract for E-Gov Travel Services 2 (ETS2). VA followed with our award to Concur Technologies, Inc., utilizing their Concur Government Edition (CGE) offering. All federal agencies are required to migrate to GSA's new ETS2.

In FY 2014, FSC transitioned VA from the current ETS, FedTraveler.com to ETS2, CGE. This project affects all employees who travel, approve official travel, assist others in the creation and/or submission of documents, maintain a system of record, or make travel arrangements for beneficiary travelers.

ETS2 helps achieve VA's Fiscal Year 2014-2020 Strategic Plan, Strategic Objective 3.4: Enhance Productivity and Improve the Efficiency of the Provision of Veteran Benefits and Services. ETS2 benefits include enhanced tools to facilitate accountability over travel reservations and approvals for Federal Travelers, a conference reporting tool with conference administration by a centralized office, and future enhancements for mobile technology.

The FSC will continue to provide support for VA-wide travel services, including support of VA's Travel Management Centers (TMC), which 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 2014, the travel management program processed over 490,000 transactions, disbursed payments of over $59 million, and earned over $1 million 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 seven 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 50,000 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, manage and track their invoices. This online system provides 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, more accurate vendor payments.

Medical Claims Processing
VHA is one of the world's largest health care delivery organizations. VA manages authorizations, claims processing, and reimbursement for services acquired from Non-VA healthcare providers through the Fee Basis (Fee) program. The use of Fee is generally only authorized when appropriate VA services and/or facilities are not available or cannot be economically provided to the Veteran due to geographical inaccessibility. The VHA Chief Business Office (CBO), Purchased Care, developed a comprehensive set of requirements to outline a vision for the future state of purchased care.

CBO partnered with FSC in late 2009 to develop and deliver their future state requirements. These requirements represent three distinct functional components. Enrollment and Eligibility System (EE) applies business rules to automatically enroll Veterans into Health Plans and Groups based on the Veteran's eligibility. The Referral and Authorization System (RAS) provides referral templates to automatically invoke rules for approving Veterans' authorizations for Fee/Non-VA Purchased Care. The Claims Payment Processing System provides claims adjudication based on appropriate payment methodologies and Fee schedules with seamless integration with EE and RAS during adjudication.

FSC has delivered the enrollment and eligibility system and the referral and authorization system, as well as an additional module for hospital notification. These modules are in production in VISN 11 and continued deployment is planned in 2015. This initiative stands to reduce an estimated $400 in erroneous payments annually for this program.

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Part II. Performance Section

Purpose of This Report

The Department of Veterans Affairs (VA) 2014 Performance and Accountability Report (PAR) describes VA's accomplishments and progress during 2014 toward fulfilling its mission and core strategic objectives. The report is designed to enable Veterans, Departmental management, stakeholders, and employees to assess VA's program and financial performance, and to use this information to make necessary assessments and improvements.

Medical Services: *Delivering High-Quality Health Care*

In 2014, VA maintained the largest integrated health care system in America. Throughout the year, VA continued to implement new, innovative practices to improve Veterans' access to health care, such as telemedicine and mobile clinics, to provide care to more than 6.4 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 2014 include: (Details included on pages 8-58)

<u>Veterans' Access to Care</u>: During the course of FY 2014, VA senior leadership learned that within some of our Veterans Health Administration facilities, VA had a systemic, totally unacceptable lack of integrity. That breach of trust—which involved the tracking of patient wait times for appointments—was irresponsible, indefensible, and unacceptable to the Department. Upon learning of the allegations of waiting time manipulation at three VA facilities, VA senior leadership initiated a nationwide audit of scheduling practices which, among other factors, identified several key findings: 1) significant lack of clarity regarding scheduling policies and practices across our system; 2) an inflexible and unrealistic 14-day standard for appointment times; 3) inadequate staffing of providers and clerical support at many of the sites that were experiencing the greatest surge in patient demand; and 4) rigid and obsolete scheduling software.

In response to the findings of the national audit, VA took several actions. First, it immediately suspended the use of the 14-day waiting time standard in executive and manager performance plans, while simultaneously expanding our ongoing efforts in order to understand more comprehensively how Veterans perceive their access to care. Additionally, VA launched a comprehensive initiative to accelerate care by deploying internal resources to address long waiting times, thereby significantly expanding purchased care in those markets where internal provider capacity could not meet the needs of Veterans. This initiative identified significant areas of misalignment between Veterans' demands for specific types of medical care, and available technology, infrastructure, and care providers. Matching the supply of available providers to the demand for health care is a challenge for any health care system, and is made more difficult by the absence of national staffing standards for most specialties, as well as limitations in data systems that are used to manage appointment and specialty consult scheduling. These issues are being addressed on a system-wide basis, including updating VA scheduling software and expanding virtual health care services. Lastly, existing authorities to obtain services from non-VA providers were significantly enhanced by the Veterans Access, Choice, and Accountability Act of 2014 (VACAA), which VA is now implementing. Under VACAA, if a Veteran's distance from a VA facility exceeds 40 miles, or their appointment is delayed beyond 30 days, from either the date that an appointment is deemed clinically appropriate by a VA health care provider, or if no such clinical determination has been made, the date the Veteran prefers to be seen, VA has both the authority and resources to seek care from community-based, non-VA providers.

<u>Performance Management:</u> VA sought external expertise and chartered internal process to reinvigorate VHA's Performance Management Program (PMP), starting with the system-level measures used for the Agency's performance plan. VA is resolutely committed to restructure its process of measure governance, with particular attention to how high-level priorities are translated into strategic, tactical, and transactional measures that are realistic, achievable, and have the full buy-in of managers and staff. VA's intent is to create an environment in which all VA employees feel engaged with the measures that are used to monitor and improve performance, understand the importance of Veteran-centered care over "meeting the target," and feel comfortable in raising concerns, regardless of their position in the organization. As this is a large-scale overhaul of VA's entire program planning, budgeting, performance measurement, and evaluation cycle, VHA anticipates the new system to be fully implemented in fiscal year (FY) 2016.

<u>Veterans Homelessness:</u> Throughout FY 2014, VA continued to collaborate with the Department of Housing and Urban Development (HUD) and the United States Interagency Council on Homelessness (USICH) to build partnerships that aim to strengthen the data systems in the communities with the highest numbers of homeless Veterans to better assist them with coordinating their efforts with VA and non-VA providers to end Veteran homelessness. The VHA Homeless Program Office, in collaboration with the VA-Center for Applied Systems Engineering, conducted quarterly updates in Q4/2014 of the Homeless Gap Analysis. These updates will incorporate quarterly actual data along with additional operational strategies submitted by VA Medical Centers in collaboration with community partners. The 25 Cities Leadership Launch was held in March 2014 in Washington, DC, which was attended by VA senior leadership, including system leaders from 25 cities, local VA Medical Centers, key homelessness staff, as well as, other key community stakeholders invested in ending homelessness among Veterans. The 25 Cities Effort is a VA-led collaboration in conjunction with HUD and USICH to promote coordinated, community-based systems for preventing homelessness among Veterans, as well as to assist Veterans

experiencing homelessness in accessing appropriate housing and service options within their communities.

Transforming Veterans' Access to Care and Benefits: VA is currently undergoing the largest transformation in its history to fundamentally change the way Veterans, their families, and survivors access VA benefits and services. VHA is working to ensure that patients receive effective care in the right place at the right time whenever possible and appropriate. Expansion of virtual health care services will greatly improve access for Veterans located in rural and remote areas. Virtual care options will also provide access to those with limited ability to travel to a VA medical facility.

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

VA completed over 1.3 million disability claims in FY 2014. Approximately 150,000 more Veterans received decisions on their disability claims than in 2013. Since 2011, VA has implemented the largest transformation in its history, streamlining the way it provides benefits and services to Veterans, their families, and survivors. Throughout 2014, VA achieved a number of significant, positive performance results in the benefits delivery area:

Reducing the Claims Backlog: The Veterans Benefits Administration (VBA) has cut its backlog of pending disability benefit claims by 60 percent since March 2013. The number of claims more than 125 days old dropped to 241,991, compared with a high of 611,073 in March 2013. As a result, Veterans who received a decision on their claim in FY 2014 waited an average of 132 fewer days than in FY 2013. While significant progress has been made in claims backlog reduction, VA continues to be challenged by the overall volume of work. VA's rating receipts have increased nearly 7 percent, over the same time last year, and the complexity of these claims has increased as well. For example, 34 percent of all claims and 49 percent of all original rating claims have five or more issues. In addition to processing its rating workload, VA must also focus on the workload beyond rating-related claims – such as claims for additional monetary benefits for dependents, claims for ancillary benefits, and appeals – which has grown by 17 percent since last August.

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 2013 was 78.4 days, with an average of 53.2

days in 2014. Since the inception of the IDES pilot in 2007, more than 125,517 Servicemembers have been referred into the program, and more than 28,585 Servicemembers are currently enrolled. VA and DoD continue to work together to improve IDES processing and timeliness. While the IDES has achieved significant progress towards eliminating the benefits gap between receipt of military pay and VA benefits, VA and DoD continue to improve the process and have reallocated resources to address ongoing challenges in coordinating VA and DoD's respective responsibilities in the process.

Seamless Transition: VA and DoD have jointly developed and implemented the Benefits Delivery at Discharge and the Quick Start programs to allow Servicemembers to submit claims while on active duty. VA completed 48,660 pre-discharge claims in 2013 and completed 52,796 pre-discharge claims in 2014. VA and DoD are reviewing current processes to improve the efficiency and timeliness of the pre-discharge programs.

Quality: VA improved national compensation benefits entitlement (rating) accuracy from 83 percent in June 2011 to 90 percent in 2014. This measure tracks accuracy per claim, regardless of the number of issues decided.

Non-Rating Workload: A dedicated non-rating workforce completed 2.5 million non-rating end products last year and completed 44 percent more non-rating claims than four years ago.

Rules-Based Processing System (RBPS): RBPS allows for automated rules-based adjustments of compensation awards based on dependency changes. RBPS automatically processes 53 percent of dependency claims submitted by Veterans using eBenefits, up from 35 percent in FY 2013, with more than half of the claimants receiving benefits within two days.

Dependency and Indemnity Compensation (DIC): As a result of VBA's prioritization of rating claims, and issuance of simplified procedures for processing DIC claims, VA reduced the backlog of DIC claims by 63 percent--from 2,954 at the end of 2013, to 1,082 at the end of FY 2014. In addition to reducing the backlog, VA reduced the average days to complete DIC claims by nearly 40 percent, from 145 days at the end of 2013 to 86 days in FY 2014. VBA reduced the average days pending for DIC claims by 20 percent, from 93 days at the end of FY 2013 to 75 days at the end of FY 2014. Accuracy remains at 99 percent.

Insurance: VA issued life insurance policies to approximately 36,000 Veterans and separating Servicemembers, many of whom are disabled and would not have been able to purchase life insurance in the commercial industry due to their impaired insurability resulting from military service.

Education: VA provided education benefits to approximately 1,088,000 students in FY 2014. The number of Post-9/11 GI Bill students increased 5 percent since FY 2013 to approximately 790,400 in FY 2014.

Vocational Rehabilitation and Employment: VA rehabilitated over 10,676 Veterans in FY 2014, providing more than 9,132 Veterans with the required training, resources and skills needed to obtain and maintain suitable employment. More than 1,544 Veterans received assistance with gaining independence in daily living.

Housing: In 2014, VA guaranteed 438,398 loans to Veterans and Servicemembers. Of these, 271,701 were for the purchase of a home, and 166,697 were for the refinance of a home loan. In 2014, VA also provided 1,253 Specially Adapted Housing grants to severely-disabled Veterans for the purchase of, construction of an adapted dwelling, or modification of an existing dwelling to meet their 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 by providing Presidential Memorial Certificates (PMC) to honor the service of deceased American Veterans.

Key performance results for 2014 are as follows:

More Veterans Served by Burial Option: A new VA-funded State Veterans cemetery opened to serve Veterans in eastern Louisiana and a new VA-funded tribal Veterans cemetery opened to serve Veterans of the Oglala Sioux Tribe in Kyle, South Dakota. VA also accepted the transfer of Yellowstone County Veterans Cemetery, the first of eight National Veterans Burial Grounds (NVBG), which will serve Veterans in rural areas as part of the National Cemetery Administration's Rural Veterans Initiative. The newly renamed Yellowstone County National Cemetery will serve Veterans in southern Montana who were previously unserved by a national or state Veterans cemetery. VA acquired land to establish five new national cemeteries in the areas of Cocoa Beach and Tallahassee, Florida; Colorado Springs, Colorado; Omaha, Nebraska; and Western New York. In addition to these, NCA continues work to establish seven more NVBGs to serve rural Veterans and five columbarium-only facilities to enhance service to Veterans in heavily populated urban areas. Once completed, these facilities will provide a burial option to over 700,000 previously unserved Veterans and enhance services to Veterans in urban areas where distance to an existing national cemetery has been shown to be a barrier to access.

Ending Veteran Homelessness: In 2014, NCA continued its Homeless Veteran Apprenticeship Program in support of VA's goal to eliminate Veteran homelessness. The program combines a year of caretaker skills training with mentoring and professional development. Participants, identified in partnership with VHA's Homeless Veteran Supported Employment Program, are hired into permanent positions through the use of various Veteran hiring authorities. The program is accredited by VBA as approved on-the-job training for eligible Veterans, which means those who apply may receive monthly training benefits in addition to their government salary based on the completion of required hours of training. NCA graduated 13 members in its first class in 2013. NCA expects to graduate 21 members of the second class of this program in December 2014 and six apprentices have already received promotions above their entry level grade of WG-04.

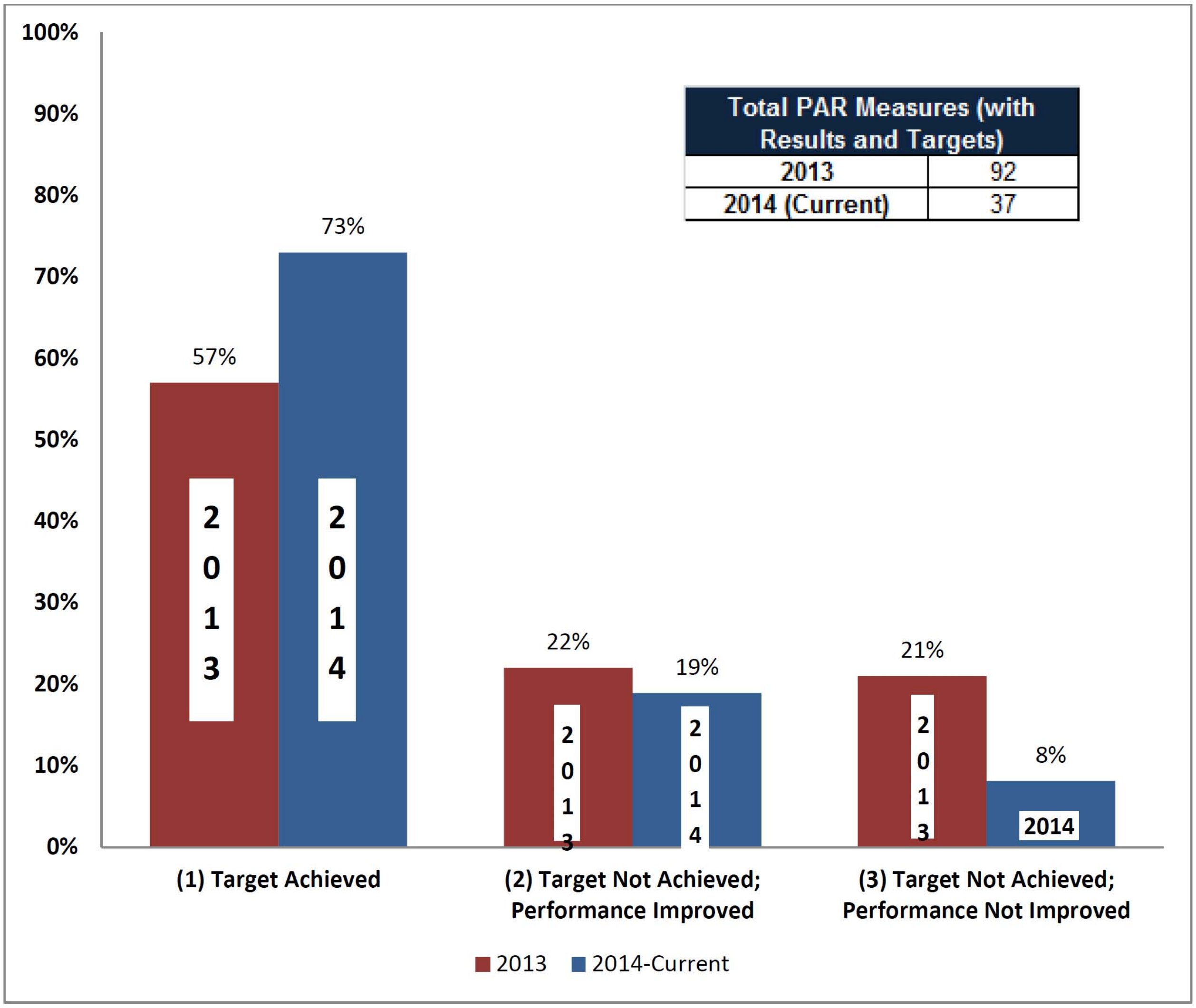
Excellent Customer Service: NCA received a score of 96 on the American Customer Satisfaction Index (ACSI). The ACSI is an independent survey, administered by CFI Group, which measures customer satisfaction for both private and public sector entities. NCA's score is the highest ever received by any organization on the ACSI. This result is closely aligned with respondents to NCA's 2013 Survey of Satisfaction with National Cemeteries. Ninety six percent of respondents to this survey rated the quality of service provided by VA national cemeteries as excellent and 99 percent rated national cemetery appearance as excellent. Survey results for 2014 will be reported at a later date when available; however, NCA does not expect a significant change, if any, from past surveys.

Emerging Burial Practices Study: NCA completed a unique study of Veteran preferences for new and emerging burial and memorial practices to assess the extent to which VA is meeting the burial needs of Veterans and their families. The study, conducted in partnership with Booz Allen Hamilton, included a worldwide review of burial and memorial practices. Practices that were considered to be dignified and respectful were included in a nationwide survey of Veterans to assess their interest as potential future VA burial benefit options. The survey also assessed Veteran satisfaction with current VA burial and memorial benefit options. Follow-up focus groups and interviews were also conducted with Veterans and their family members. The results of this study, which was completed and released internally, will be used to develop new policies designed to improve VA's ability to meet the burial needs of Veterans and their families in the future.

Audits of Rural Veterans Initiative: NCA's Rural Veterans Initiative was audited by VA's Office of Inspector General (OIG) in 2014. The Rural Veterans Initiative is designed to increase access to a burial option by establishing NVBGs in eight states determined by NCA to have rural areas (less than 25,000 Veterans living within a 75 mile service area) that are considered not to have reasonable access to a burial option by either an in-state VA national cemetery, a VA national cemetery in an adjacent state, or a VA funded state Veterans cemetery. The OIG found that NCA's Rural Initiative does not adequately identify the number and percentage of Veterans residing in rural areas that do not have reasonable access to a burial option. NCA has concurred with OIG's recommendations to establish a methodology to identify the number and percentage of rural Veterans served and unserved throughout the country, to establish performance goals for the percentage of rural and urban Veterans served, and to publish a national map showing the areas and number of served and unserved rural veterans. NCA began work to meet the OIG's recommendations in 2014 and expects to fully implement these recommendations in 2015.

2014 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 73 percent of its reported measures. Note that VA's overall number of metrics decreased to better emphasize measures related to Veteran outcomes and satisfaction.



Note: The chart above depicts those measures for which both actual data and targets were available at the time of this document's publication. Measures not included in the chart are still tracked within VA's portfolio of measures; data for these measures will be published at a later date to be determined.

Performance Summaries by Program

VA's Strategic Plan identifies the Department's goals, objectives, and performance measures for a five-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)."

During the course of FY 2014, VA senior leadership learned that within some of our Veterans Health Administration facilities, VA had a systemic, totally unacceptable lack of integrity. That breach of trust—which involved the tracking of patient wait times for appointments—was irresponsible, indefensible, and unacceptable to the Department. Upon learning of the allegations of waiting time manipulation at three VA facilities, VA senior leadership initiated a nationwide audit of scheduling practices which, among other factors, identified: 1) significant lack of clarity regarding scheduling policies and practices across our system; 2) an inflexible and unrealistic 14-day standard for appointment times; 3) inadequate staffing of providers and clerical support at many of the sites that were experiencing the greatest surge in patient demand; and 4) rigid and obsolete scheduling software.

In response to the findings of the national audit, VA immediately suspended the use of the 14-day wait time standard in executive and manager performance plans and launched a comprehensive initiative to accelerate care. Internal resources were deployed to address long wait times; including the hiring of additional clinical and patient support staff, use of temporary staff, and deployment of Mobile Medical Units (MMU). VA also significantly expanded purchased care in those markets where internal provider capacity could not meet the needs of Veterans. Additionally, existing authorities to obtain services from non-VA providers were significantly enhanced by VACAA, which VA is now implementing. VA has already made short-term enhancements to its existing scheduling software, and launched a major effort to procure a 21st century scheduling product to meet the needs of Veterans for decades to come.

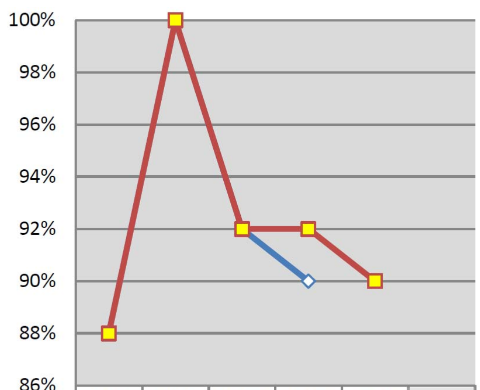
Additionally, VA sought external expertise and chartered internal processes to reinvigorate VHA's entire PMP, starting with the system-level measures used for the Annual Performance Plan (APP). VA is resolutely committed to restructuring its process of performance measure governance, with particular attention to how high level priorities are translated into strategic, tactical, and transactional measures that are realistic, achievable, and have the full buy-in of managers and staff. VA's intent is to create an environment in which all VA employees feel engaged with the measures that are used to monitor and improve performance, understand the priority of Veteran-centered care over "meeting the target," and feel comfortable in raising concerns, regardless of their position in the organization. As this is a large scale overhaul of VA's entire program planning, budgeting, performance measurement, and evaluation cycle, VHA anticipates the new system to be fully implemented in FY 2016.

Medical Services

Measure

Percent of HUD-VASH vouchers allocated that have resulted in homeless Veterans obtaining permanent housing.

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	88%	100%	92%	90%	91%	N/A
Target	88%	100%	92%	92%	90%	N/A

Annual data as of September 2014
ST = Strategic Target

Results

As of September 30, 2014, 91 percent of vouchers allocated for HUD-VASH resulted in a homeless Veteran obtaining permanent housing. The target of 90 percent was reached by the end of this year. This success was attributed to the continued implementation of Housing First principles to support rapidly housing Veterans and then working to keep them housed. As a result there was continued focus on building strong relationships with the Public Housing Authorities and local landlords to reduce evictions and delays in housing.

Impact on Veterans

Desired Direction

In collaboration with the Public Housing Authorities (PHAs), Housing Choice vouchers, which are subsidies that allow low-income individual and families to find housing in the private market, are assigned to the eligible Veteran. VHA case managers provide the supportive case management services necessary to place and maintain the Veteran in permanent housing. Collaborative relationships between HUD, VA, PHAs, and several hundred non-profit homeless service agencies are critical to engaging homeless Veterans and moving the Veteran into the permanent housing provided by this program.

How VA Leadership Uses Results Data

The VHA Homeless Program Office uses data from this measure to coordinate efforts with HUD, ensuring that operational and management focus is directed towards the communities most in need of assistance and guidance. Data from this metric is also incorporated into the formula used to determine future year voucher allocations.

Medical Services

Measure

Number of homeless Veterans (on a single night). (Supports Agency Priority Goal).

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	76,329	67,495	62,619	57,849	49,933	N/A
Target	95,000	65,000	59,000	47,000	43,000	N/A

ST = Strategic Target

PIT Count reflects the result of work performance and the fiscal obligations/budget made in the prior fiscal year. The results represent calendar year (CY) PIT counts.

Results

While VA did not reach its joint goal with HUD of lowering the number of homeless Veterans to 43,000 as measured by the 2014 Point-in-Time (PIT) Count, there were 49,933 homeless Veterans on a single night in January 2014, representing a 33 percent reduction in homelessness among Veterans since 2010. This includes a nearly 40 percent drop in the number of Veterans sleeping on the street.

Impact on Veterans

Desired Direction

Involvement of providers, homeless case managers, and providers of services to homeless Veterans are situated at the “front lines” of homelessness. Their involvement with outreach and provision of services make them one of our most reliable sources for locating and engaging homeless Veterans and engaging them in participation.

How VA Leadership Uses Results Data

This metric serves as the primary determinant of progress in the initiative to end Veteran homelessness. On an annual basis, it is published broadly by HUD and used extensively by HUD, VA and national media. VHA Homeless Program Office also uses data from this metric as the basis for its Homeless Gap Analysis.

Medical Services

Measure

Number of Veterans placed in permanent housing, including moves into HUD-VASH program, rapid rehousing placements through SSVF program, and moves from VA residential programs into permanent housing (Supports Agency Priority Goal)(new)

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	N/Av	N/Av	50,730	N/A
Target	N/Av	N/Av	N/Av	N/Av	40,000	N/A

Annual data as of September 2014
ST = Strategic Target

Note: This measure is new (or being rebaselined) in FY 2014 and therefore there is limited data available.

ST = Strategic Target

Results

As of September 30, 2014, an estimated 50,730 permanent housing placements occurred during FY 2014, excluding the final results for the Supportive Services for Veteran Families (SSVF). The target of 40,000 was exceeded this year. This success was attributed to a number of factors, including increased emphasis on permanent housing placements from VA residential programs, increased resources during FY 2014 for the SSVF program to place homeless Veterans into permanent housing, and continued high performance of HUD-VASH program during FY 2014.

The SSVF data uploads are completed each month. Information from these data uploads are available 60 days after the end of the reporting month. As a result, the September 30, 2014 results are estimated figures. The final results (including SSVF's final placements) will be available in November 2014.

Impact on Veterans

Desired Direction

Placing homeless Veterans into permanent housing is the key factor in successfully ending homelessness among Veterans. Tracking this data point therefore provides VA visibility into progress on this fundamentally important metric.

How VA Leadership Uses Results Data

As in the case of the PIT Count above, VHA Homeless Program Office uses results from this metric as the core of its Homeless Gap Analysis. Whereas the PIT Count is the primary determinant of need in the gap analysis, this metric is the primary determinant of the degree to which we have met the existing need. When analyzed by a VA medical center, this metric provides important insight into progress towards zero.

Medical Services

Measure

Percent of Veterans discharged from VA-funded residential treatment programs–Grant and Per Diem (GPD) or Domiciliary Care for Homeless Veterans (DCHV) who discharge to permanent housing. (Supports Agency Priority Goal) (new)

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	N/Av	N/Av	65%	N/A
Target	N/Av	N/Av	N/Av	N/Av	65%	N/A

Annual data as of September 2014
ST = Strategic Target

Note: This measure is new (or being rebaselined) in FY 2014 and therefore there is limited data available.

Impact on Veterans

Desired Direction

Placing homeless Veterans into permanent housing is the key factor in successfully ending homelessness among Veterans. Many homeless Veterans, however, have multiple and severe medical conditions, mental illness, or addiction problems which must be treated in residential programs before a Veteran will be capable of maintaining himself or herself in permanent housing. Tracking this data point therefore provides VA visibility into progress on this fundamentally important metric.

Results

As of September 30, 2014, 65 percent of Veterans discharged from VA-funded residential treatment programs–Grant and Per Diem (GPD) or Domiciliary Care for Homeless Veterans (DCHV) were discharged to permanent housing. The target of 65 percent was met this year. This success was attributed to the continued emphasis on permanent housing outcomes with our community GPD funded partners and VA DCHV programs.

How VA Leadership Uses Results Data

This metric measures the fundamental mission of two of VA's most important transitional housing programs. VHA Homeless Program Office uses this metric to continue to push these programs towards the prioritization of permanent housing placements, ensuring the ongoing culture shift away from a linear model to one that more fully embraces the "Housing First" model.

Medical Services

Measure

Percent of Veterans admitted into the HUD-VASH program who meet criteria for chronic homelessness (new)

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	N/Av	N/Av	71%	N/A
Target	N/Av	N/Av	N/Av	N/Av	65%	N/A

Annual data as of September 2014
ST = Strategic Target

Note: This measure is new (or being rebaselined) in FY 2014 and therefore there is limited data available.

Impact on Veterans

Desired Direction

The current VA Plan to End Veteran Homelessness, the Federal Strategic Plan to Prevent and End Homelessness, and Congressional interests all prioritize the need for targeting these most vulnerable Veterans for permanent supportive housing**.** Chronically homeless are considered the most vulnerable because they are by definition those who have been homeless the longest. They are the Veterans who have been unsuccessful in our other treatment and service options.

Results

As of September 30, 2014, 7 out of every 10 Veterans admitted into the Department of Housing and Urban Development – VA Supportive Housing (HUD-VASH) program meet criteria for chronic homelessness. The target of 65 percent was exceeded this year. This success was attributed to continued prioritization of moving chronically homeless and the most vulnerable Veterans into permanent supportive housing. This emphasis allows for Veterans who have not been successful in traditional programs to be able to obtain a safe place to call home. This focus has contributed to greater outreach efforts to identify Veterans who are on the streets and assisting them with connecting to services and housing.

Medical Services

Measure

Percent of unsheltered Veterans moved out of unsheltered status within 30 days of engagement. (Supports Agency Priority Goal)(new)

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	N/Av	N/Av	80%	N/A
Target	N/Av	N/Av	N/Av	N/Av	80%	N/A

Annual data as of September 2014
ST = Strategic Target

Note: This measure is new (or being rebaselined) in FY 2014 and therefore there is limited data available.

Impact on Veterans

Desired Direction

A key element to ending homelessness among Veterans is the rapid movement of street homeless Veterans to safe and stable housing. Though permanent housing is the goal for all of our homeless Veterans, most need a safe and stable place to live while working to obtain a permanent unit. This metric pushes our system to move literally homeless Veterans off the streets and into safe and stable temporary housing as quickly as possible.

Results

As of September 30, 2014, 80 percent of unsheltered Veterans moved out of unsheltered status within 30 days of engagement. The target of 80 percent was met this year. This success was attributed to further expansion of VA and community outreach services and permanent housing services to unsheltered Veterans.

How VA Leadership Uses Results Data

VHA Homeless Program Office uses this metric to prioritize focus on unsheltered Veterans, and rapidly moving these Veterans to safe and stable housing while engaging them in VA care.

Medical Services

Measure

Percent of patients who use VHA health care using a virtual format (Agency Priority Goal)(new)

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	N/Av	N/Av	32%	N/Av
Target	N/Av	N/Av	N/Av	N/Av	30%	TBD

Annual data as of September 2014
ST = Strategic Target

Note: This measure is new (or being rebaselined) in FY 2014 and therefore there is limited data available

Impact on Veterans

Desired Direction

This measure promotes access for Veterans to health care services when they need and want it using available virtual technology, such as Secure Messaging, Clinical Video Telehealth, Home Telehealth, and Electronic Consultation. The use of these virtual technologies provides access to limited specialty care services without the need to travel long distances.

Results

As of September 23, 2014, VHA had a combined 1,793,557 individuals accessing care using a virtual format, which exceeded the FY 2014 target of 30 percent by 2 percent. VCM covers a number of tools, such as home Telehealth, Secure Messaging, and electronic consults. Secure messaging makes up the greatest portion of VCM users, giving the Veteran instant access to their health care team. Telehealth is the next most frequent VCM used within VA, providing convenient care to Veterans directly in their home and community.

How VA Leadership Uses Results Data

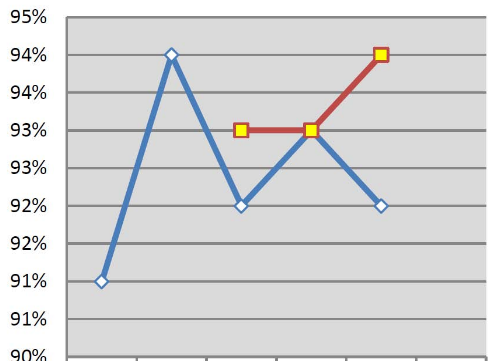
This measure will provide the extent to which all VCM are available to Veterans across VHA and the utilization of each virtual care modality. Performance data can then be used to direct resources and performance improvement activities at a local level.

Medical Services

Measure

Prevention Index V

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	91%	94%	92%	93%	92%	N/Av
Target	N/Av	N/Av	93%	93%	94%	95%

Actual data are as of September 2014
ST = Strategic Target

Results

Performance for this measure was 92 percent for FY 2014. VHA advocacy for health promotion, disease prevention, and patient health education for our nation's Veterans has resulted in ongoing success with this measure. Programs promoted by the VHA National Center for Health Promotion and Disease Prevention contribute to healthy living among Veterans, provide facility support for preventive care, train clinical staff in patient-centered communication, and provide resources for Veterans to receive health promotion and disease prevention services.

Impact on Veterans

Desired Direction

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

How VA Leadership Uses Results Data

Monitoring and tracking Prevention Index 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.

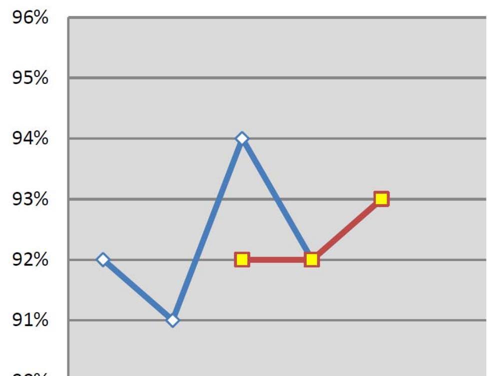
In addition, as a matter of policy and practice, VA targets all outpatients for its prevention measures with the goal of promoting and maintaining a healthy population.

Medical Services

Measure

Clinical Practice Guidelines Index IV

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	92%	91%	94%	92%	93%	N/Av
Target	N/Av	N/Av	92%	92%	93%	94%

Actual data are as of September 2014
ST = Strategic Target

Results

Performance for this measure was 93 percent for FY 2014. VHA advocacy for health promotion, disease prevention, and patient health education for our nation's Veterans has resulted in ongoing success with this measure. Programs promoted by the VHA National Center for Health Promotion and Disease Prevention contribute to healthy living among Veterans, provide facility support for preventive care, train clinical staff in patient-centered communication, and provide resources for Veterans to receive health promotion and disease prevention services.

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 heart attack, inpatient congestive heart failure, high blood pressure, 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 is 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, Clinical Practice Guidelines Index 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.

Medical Services

Measure

Percent of patients who responded "yes" on Patient-Centered Medical Home survey questions that contribute to the Self-Management Support Composite (providers support you in taking care of your own health).

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	N/Av	N/Av	58%	N/Av
Target	N/Av	N/Av	N/Av	N/Av	Baseline	63%

Annual data as of September 2014
ST = Strategic Target

Note: This measure is new (or being rebaselined) in FY 2014 and therefore there is limited data available

Impact on Veterans

Desired Direction

The two questions that contribute to this composite evaluate the providers support for Veterans in taking care of their own health.

Results

The VA system average for Self-Management Support has been relatively stable for all of FY 2014 where 58 percent of patients answer "Yes" to these questions. Specialized reports such as Attributable Effects identify "key drivers" of the Overall Rating of the VA Hospital Stay. Staff uses these results to identify opportunities for changing and improving the personalized delivery model of care.

How VA Leadership Uses Results Data

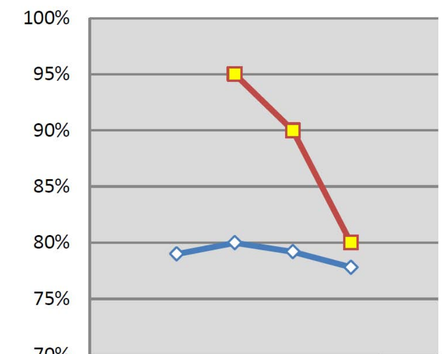
Veterans expect to have significant involvement in the medical decisions about their care, and research is demonstrating that patient involvement significantly improves outcomes. The Veterans' experience with health care and their ability to participate in the decision-making regarding their care is a critical component of patient-centric care and is itself an outcome of quality of care. Results of this measure will be used to evaluate satisfaction and Veteran involvement in their own care and identify opportunities to enhance the communication of important information.

Medical Services

Measure

Percent of Non-VA Claims Paid in 30 Days

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	N/Av	79%	80%	79%	78%	N/Av
Target	N/Av	N/Av	95%	90%	80%	TBD

Impact on Veterans

Desired Direction

Timely payment of Non-VA Care claims impacts provider participation and Veteran satisfaction. Provider participation and Veteran confidence in VA claims processing is likely to increase with improved timeliness of claims payment.

How VA Leadership Uses Results Data

Leadership uses data results to make informed decisions with regard to resourcing, recruitment, training, and IT improvement. VA is working to implement a new claims processing system which will increase the ability to process claims more efficiently. It is expected to be implemented in FY 2016 and VA will be able to re-asses the targets at that time.

Results

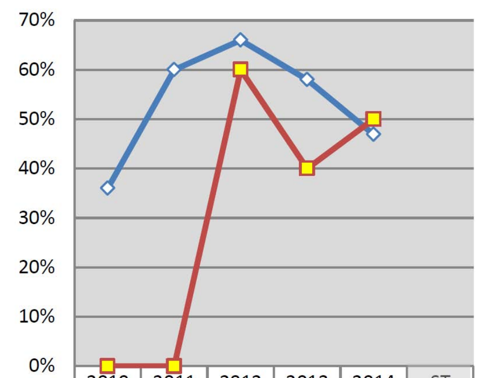
The established goal is to pay 80 percent of all claims within 30 days and we monitor the status on weekly basis. As of September 30, 2014 we achieved a 76.7 percent of claims paid within 30 days. On October 1, 2014. Chief Business Office Purchased Care was charged with consolidating the processing of all Non-VA Care claims. This will provide an opportunity to improve timeliness results.

Benefits

Measure

Percentage of Disability Compensation and Pension Claims inventory over 125 days

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	36%	60%	66%	58%	47%	N/Av
Target	0%	0%	60%	40%	50%	TBD

Actual data are as of September 2014
ST = Strategic Target

Results

VBA processed a record 1.3 million Disability and Pension claims and finished FY2014 with 46.9 percent in the Backlog. The Backlog is defined as any disability claim over 125 days old. The number of claims older than 125 days has dropped by more than 60 percent to 241,991, compared to a high of 611,073 in March 2013. VBA continues to aggressively pursue its Transformation Plan, a series of tightly integrated people, process, and technology initiatives, which is critical in eliminating the claims backlog. These initiatives include a new organizational model for all 56 regional offices and shifting from a paper-based paradigm to a robust and intelligent digital operating environment using such applications as the Veterans Benefits Management System (VBMS). VA has moved from touching 5,000 tons of paper annually to processing 93 percent of disability claims electronically and automating processes to improve accuracy and productivity.

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.

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.

Benefits

Measure

Percentage of Disability Compensation Claims inventory over 125 days

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	37%	62%	67%	59%	50%	N/Av
Target	N/Av	N/Av	N/Av	38%	50%	TBD

Actual data are as of September 2014
ST = Strategic Target

Results

The number of disability compensation claims older than 125 days has significantly dropped to 241,279 compared to a high of about 600,654 in March 2013, which is a reduction of 60 percent. VBA is aggressively pursuing its Transformation Plan, a series of tightly integrated people, process, and technology initiative, which are critical to eliminating the claims backlog in 2015.

Impact on Veterans

Desired Direction

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

The VBA backlog was 59 percent at the end of 2013, and decreased to 47 percent in 2014.

How VA Leadership Uses Results Data

VA leadership uses results to manage the compensation program and implement strategies to improve performance, such as new training, quality enhancement activities, more efficient procedures, changes in policy, workload realignment, and revised staffing levels.

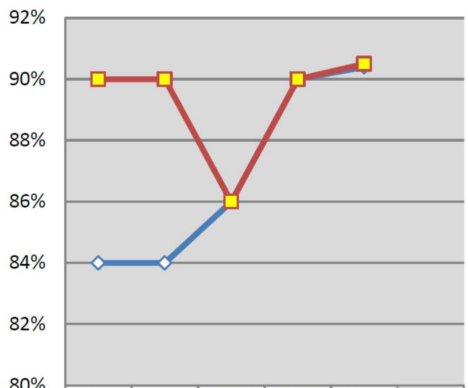
To achieve processing efficiencies that will enable VA to reduce the claims backlog and improve decision quality, VA is employing a synchronized and integrated transformation strategy that incorporates people, process, and technology-based initiatives. These initiatives have included a new organizational model for all 56 regional offices and shifting from a paper-based paradigm to a robust and intelligent digital operating environment using such applications as the Veterans Benefits Management System. VA has moved from touching 5,000 tons of paper annually to processing 93 percent of disability claims electronically and automating processes to improve accuracy and productivity.

Benefits

Measure

National Accuracy Rate – Improve national claim-based rating accuracy for disability claims

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	84%	84%	86%	90%	90%	N/Av
Target	90%	90%	86%	90%	91%	TBD

Actual data are as of September 2014
ST = Strategic Target

Results

Claim-based quality remained at 90 percent in 2014. VBA was able to maintain the quality rate while the number of claims processed increased dramatically.

Impact on Veterans

Desired Direction

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

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.

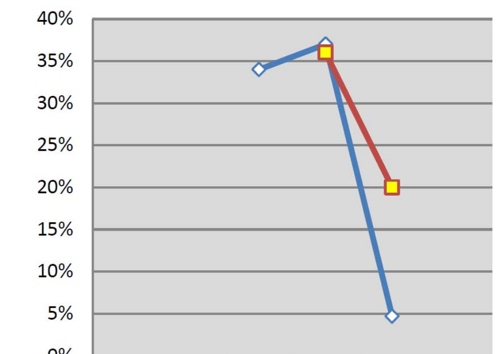
Leadership and the quality assurance (QA) team use the national accuracy rate to track the national accuracy trends and error category trends at regional offices. The national accuracy rate helps the QA staff determine if training or clarification of policy guidance is needed to meet monthly quality goals. VBA anticipates the accuracy rate will continue to increase with the continued use of quality review teams in each regional office and the analysis of issue-based errors analysis at the local and national levels.

Benefits

Measure

Percentage of original and reopened Pension Claims inventory over 125 days

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	34%	37%	5%	N/Av
Target	N/Av	N/Av	N/Av	36%	20%	TBD

Actual data are as of September 2014
ST = Strategic Target

Results

The number of total pension claims older than 125 days has dropped to 466 compared to a high of 14,547 in June 2013, a 97 percent reduction.

VBA attributes the reduction in total claims older than 125 days in great part to redirecting resources at the Pension Management Centers in order to focus on the oldest claims and the brokering of claims between stations based on available capacity and pending workload. The Milwaukee and St. Paul Pension Management Centers completed over 8,000 claims from the Philadelphia Pension Management Centers in FY 2014, which made considerable strides against the VBA's backlog.

Impact on Veterans

Desired Direction

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

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-based initiatives. These initiatives include a new organizational model for all 56 regional offices and shifting from a paper-based paradigm to a robust and intelligent digital operating environment using such applications as VBMS. VA has moved from touching 5,000 tons of paper annually to processing 93 percent of disability claims electronically and automating processes to improve accuracy and productivity.

Benefits

Measure

Percentage of Dependency and Indemnity Compensation (DIC) claims inventory over 125 days

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	N/A	N/A	41%	26%	16%	N/Av
Target	N/A	N/A	N/A	38%	20%	TBD

Actual data are as of September 2014
ST = Strategic Target

Impact on Veterans

Desired Direction

VBA's goal is to process all dependency and indemnity compensation claims within 125 days of receipt. This will ensure eligible survivors receive a timely decision on their claim.

Results

The backlog in Dependency and Indemnity Compensation (DIC) claims over 125 days old fell from 26 percent in FY 2013 to 16 percent in FY 2014, exceeding the 20 percent goal.

The number of DIC claims pending longer than 125 days has dropped to 1,082, compared to 2,954 at the end of FY 2013.

VBA attributes the reduction in total claims pending longer than 125 days to redirecting resources at the Pension Management Centers to focus on the oldest claims and the brokering of claims between stations based on available capacity and pending workload.

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-based initiatives. These initiatives include a new organizational model for all 56 regional offices and shifting from a paper-based paradigm to a robust and intelligent digital operating environment using such applications as the Veterans Benefits Management System.

Benefits

Measure

Percentage of Disability Compensation Claims received electronically

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	N/Av	2%	7%	N/Av
Target	N/Av	N/Av	N/Av	N/Av	12%	TBD

Annual data as of September 2014
ST = Strategic Target

Note: This measure is new (or being rebaselined) in FY 2014 and therefore there is limited data available.

Results

VA is making progress on the percentage of disability compensation claims received electronically. Key functionality is now in place that allows Veterans Service Organizations (VSOs) to submit claims electronically on behalf of claimants via the Stakeholder Enterprise Portal (SEP). This enhancement should lead to increased electronic claim submissions.

In addition, VA continues to deploy Digits-to-Digits (D2D), which allows VSOs, county VSOs, and State Veterans Affairs agencies with their own claims management systems to electronically submit compensation claims to VA. This "machine-to-machine" interaction will benefit Veterans by expediting claims submission, and benefit VSOs, county VSOs, and State agencies by allowing them to leverage their current claims management systems and reduce the need to print and mail information to VA.

Impact on Veterans

Desired Direction

Electronic transactions are more complete and can help expedite VA processing of benefit claims and information inquiries.

Improving the use of electronic transactions supports VA's initiative to increase the number of fully developed claims submitted, improve processing time, and facilitate reduction in the disability claims backlog.

How VA Leadership Uses Results Data

VA analyzes this data, as well as satisfaction surveys, to determine trends of information that are used to enhance existing online electronic claim submission applications and/or introduce new technology to improve Veterans' access to benefits and services.

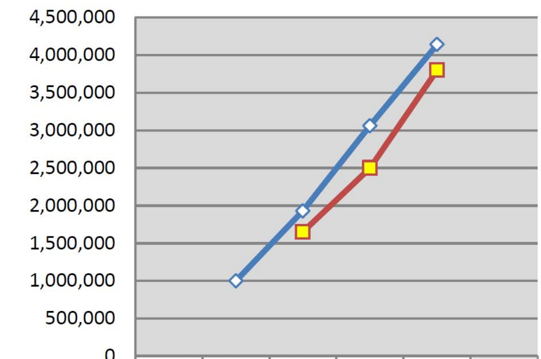
VA also encourages Veterans via marketing campaigns to utilize electronic transactions as part of VA's transformation from a paper-based claims system to an electronic environment.

Benefits

Measure

Number of registered eBenefits users

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	N/Av	1,000,	1,930,	3,060,	4,139,	N/Av
Target	N/Av	N/Av	1,650,	2,500,	3,800,	TBD

Actual data are as of September 2014
ST = Strategic Target

Impact on Veterans

Desired Direction

Self-service technology-enabled interactions provide access to information and the ability to execute transactions when, where, and how the client desires. eBenefits is an important virtual point of entry for clients to access their benefits and services. VA seeks to increase the number of eBenefits users, which will directly improve Veterans' access to their benefit information.
Improving the capabilities for managing benefit processes electronically will facilitate Veterans improving their access and timeliness of transactions.

How VA Leadership Uses Results Data

Results	
eBenefits has 4,139,030 registered users as of September 30, 2014. Since March 31, 2014, 535,204 new individuals obtained access to eBenefits, a 13 percent increase. eBenefits has exceeded its target for FY14. Outreach efforts to increase eBenefits utilization have included radio and television public service announcements, which yielded over $6 million in donated air time. VA and DoD continue to improve functionality for registered eBenefits users by increasing access to benefits and personal information; expanding awareness of services and benefits available through the online transition assistance training and health benefits eligibility tools; and implementing secure messaging and prototype mobile applications that will enable access to benefits information and responses from health care providers.	VA analyzes this data, as well as satisfaction surveys, to determine factors which may impact registration rates. VA uses this information for such activities as introducing additional functionality to increase access to benefits and personal information.

Benefits

Measure

Number of accredited Veterans advocates registered in the Stakeholder Enterprise Portal

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	N/Av	1,000	1,862	N/Av
Target	N/Av	N/Av	N/Av	N/Av	2,000	TBD

Annual data as of September 2014
ST = Strategic Target

Note: This measure is new (or being rebaselined) in FY 2014 and therefore there is limited data available.

Impact on Veterans

Desired Direction

Veterans have the option to submit claims on paper or electronically. Electronic claim submissions offer several advantages to claimants, including easier access to status information and increased feasibility for automated processing of certain benefits. VA encourages Veterans without access to the Internet to work with a Veteran's advocate, such as a Veterans Service Organization (VSO), that has electronic access via the Stakeholder Enterprise Portal (SEP).

As part of this overall strategy, VA seeks to increase the number of Veterans advocates who are registered users of the SEP.

Results

The SEP has 1,862 VSO representatives registered as of September 30, 2014, representing 75 unique organizations. Since March 31, 2014, 480 new individuals obtained access to SEP, a 35 percent increase but still below target.

During the 3rd quarter of FY 2014, VA participated in four major outreach initiatives with VSOs in California, Texas, Ohio, and Michigan to increase SEP awareness and registration. Over 700 VSOs received training on the functionalities within SEP, including electronic claim submission.

How VA Leadership Uses Results Data

VA analyzes this data, as well as satisfaction surveys, to determine factors which may impact registration rates. VA uses this information for a variety of activities, such as enhancing SEP functionality; marketing the portal and its benefits; targeting additional training; and reducing the level of effort necessary to register for the site.

Benefits

Measure

Overall customer satisfaction index score (compensation)

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	N/Av	N/Av	618	N/Av
Target	N/Av	N/Av	N/Av	N/Av	Baseline	TBD

Annual data as of September 2014
ST = Strategic Target

Note: This measure is new (or being rebaselined) in FY 2014 and therefore there is limited data available.

Impact on Veterans

Desired Direction

This measure helps VA understand what Veterans and other customers consider important about its benefits and services, and how satisfied they are with those benefits and services.

Results

FY 2014 is the first full year of the Voice of the Veteran Line of Business Tracking Study, which measures client satisfaction across all of VA's major benefit programs. VA is currently completing the baseline measures for its FY 2014 customer satisfaction measures and developing the FY 2015 goals.

How VA Leadership Uses Results Data

This measure provides VA leadership with continuous, actionable, and timely feedback on how VA is performing according to Veterans and other customers who use or seek to use its benefits and services. Leadership uses this data to: 1) provide Veterans and other customers opportunities to comment on their experiences with VA benefits and services; 2) formulate program and policy changes in enrollment and servicing to ensure that the most effective delivery of those benefits and services; 3) identify the most influential elements of customer satisfaction; and 4) gauge the effectiveness of program and policy changes in improving customer experiences with VA.

Benefits

Measure

Overall customer satisfaction index score (pension)

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	N/Av	N/Av	666	N/Av
Target	N/Av	N/Av	N/Av	N/Av	Baseline	TBD

Annual data as of September 2014
ST = Strategic Target

Note: This measure is new (or being rebaselined) in FY 2014 and therefore there is limited data available.

Impact on Veterans

Desired Direction

This measure helps VA understand what Veterans and other customers consider important about its benefits and services, and how satisfied they are with those benefits and services.

Results

FY 2014 is the first full year of the Voice of the Veteran Line of Business Tracking Study, which measures client satisfaction across all of VA's major benefit programs. VA is currently completing the baseline measures for its FY 2014 customer satisfaction measures and developing the FY 2015 goals.

How VA Leadership Uses Results Data

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Benefits

Measure

Overall customer satisfaction index score (education)(new)

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	N/Av	N/Av	762	N/Av
Target	N/Av	N/Av	N/Av	N/Av	Baseline	TBD

Annual data as of September 2014
ST = Strategic Target

Note: This measure is new (or being rebaselined) in FY 2014 and therefore there is limited data available.

Impact on Veterans

Desired Direction

This measure helps VA understand what Veterans and other customers consider important about its benefits and services, and how satisfied they are with those benefits and services.

Results

FY 2014 is the first full year of the Voice of the Veteran Line of Business Tracking Study, which measures client satisfaction across all of VA's major benefit programs. VA is currently completing the baseline measures for its FY 2014 customer satisfaction measures and developing the FY 2015 goals.

How VA Leadership Uses Results Data

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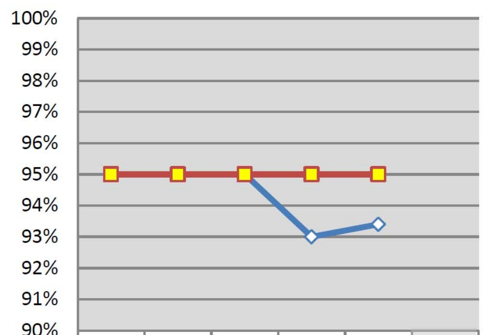
Benefits

Measure

Rate of high client satisfaction ratings on insurance services delivered

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	95%	95%	95%	93%	93%	N/Av
Target	95%	95%	95%	95%	95%	TBD

Actual data are as of September 2014
ST = Strategic Target

Results

VA fell just short of its ambitious target rate of high client satisfaction ratings on Insurance services delivered, due primarily to reduced Veteran satisfaction with the promptness and accuracy VA showed in following up on customer telephone calls. VA has implemented an action plan to conduct refresher training to ensure that follow-up action is taken accurately. VA also recruited and trained additional staff to increase the timeliness of follow-up actions.

Impact on Veterans

Desired Direction

High levels of client satisfaction indicate that VA provides quality service and implements and administers insurance programs that meet the needs of Veterans and their beneficiaries.

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 of the most critical questions the surveys ask is, “How can we improve our service?” VA takes action on these comments as needed, including reviewing processes and implementing refresher training on customer service.

Benefits

Measure

Veterans' satisfaction with the Vocational Rehabilitation & Employment program (new)

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	N/Av	N/Av	698	N/Av
Target	N/Av	N/Av	N/Av	N/Av	Baseline	TBD

Annual data as of September 2014
ST = Strategic Target

Note: This measure is new (or being rebaselined) in FY 2014 and therefore there is limited data available.

Impact on Veterans

Desired Direction

This measure helps VA understand what Veterans and other customers consider important about its benefits and services, and how satisfied they are with those benefits and services.

Results

FY 2014 is the first full year of the Voice of the Veteran Line of Business Tracking Study, which measures client satisfaction across all of VA's major benefit programs. VA is currently completing the baseline measures for its FY 2014 customer satisfaction measures and developing the FY 2015 goals.

How VA Leadership Uses Results Data

This measure provides VA leadership with continuous, actionable, and timely feedback on how VA is performing according to Veterans and other customers who use or seek to use its benefits and services. Leadership uses this data to: 1) provide Veterans and other customers opportunities to comment on their experiences with VA benefits and services; 2) formulate program and policy changes in enrollment and servicing to ensure that the most effective delivery of those benefits and services; 3) identify the most influential elements of customer satisfaction; and 4) gauge the effectiveness of program and policy changes in improving customer experiences with VA.

Benefits

Measure

Veterans' satisfaction level with the VA Loan Guaranty program (new)

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	N/Av	N/Av	815	N/Av
Target	N/Av	N/Av	N/Av	N/Av	Baseline	TBD

Annual data as of September 2014
ST = Strategic Target

Note: This measure is new (or being rebaselined) in FY 2014 and therefore there is limited data available.

Impact on Veterans

Desired Direction

This measure helps VA understand what Veterans and other customers consider important about its benefits and services, and how satisfied they are with those benefits and services.

Results

FY 2014 is the first full year of the Voice of the Veteran Line of Business Tracking Study, which measures client satisfaction across all of VA's major benefit programs. VA is currently completing the baseline measures for its FY 2014 customer satisfaction measures and developing the FY 2015 goals.

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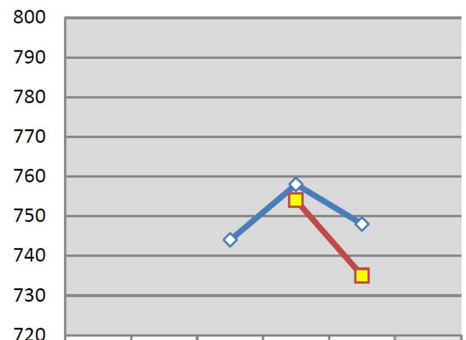
Benefits

Measure

National call center client satisfaction index score

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	744	758	748	N/Av
Target	N/Av	N/Av	N/Av	754	735	TBD

Actual data are as of September 2014

ST = Strategic Target

Results

From FY 2013 to 2014, the average client satisfaction score increased and is currently at 748 (above the 735 target). This increase can be attributed to several new and on-going initiatives, including the Virtual Hold Call-Back System and the implementation of the dedicated VSO service line. Also, the Unified Desktop program provides Call Agents consolidated views of Veterans' claims, auto-populated data, and smart scripts. The new prompt regarding Reports of Death also provides immediate routing for specialized assistance. Greater utilization of VBA's Knowledge Management site allows Call Agents to review scripts addressing breaking VA news, compensation policies and procedures, and crisis intervention. Additional improvements and easier access to this site will enhance call agents' ability to sufficiently answer questions and provide a higher level of customer service.

Impact on Veterans

Desired Direction

The client satisfaction index score reports the level of customer service provided to Veterans and their families by the associated Call Center.

One of VA's primary objectives is to ensure that Veterans and their families receive timely and sufficient information when utilizing our Call Centers.

How VA Leadership Uses Results Data

VA analyzes client satisfaction scores to understand and compare its various Call Centers and the level of customer service they are providing to Veterans and their families.

This information is used in developing new training and identifying areas of opportunity to better meet callers' needs and preferences. J.D. Power and Associates conducts this survey and provides feedback and strategies to improve customer service processes in the Call Centers.

Benefits

Measure

Pension call center client satisfaction index score

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	N/Av	732	766	N/Av
Target	N/Av	N/Av	N/Av	N/Av	735	TBD

Annual data as of September 2014
ST = Strategic Target

Note: This measure is new (or being rebaselined) in FY 2014 and therefore there is limited data available.

Impact on Veterans

Desired Direction

The client satisfaction index score reports the level of customer service provided to Veterans and their families by the Pension Call Center. Claimants can contact the Pension Call Center to retrieve information regarding their pending or completed pension benefits.

One of VA's primary objectives is to ensure that Veterans and their families receive timely and sufficient information when utilizing our Call Centers.

Results

From FY 2013 to FY 2014, the average client satisfaction score has increased and is currently 766 (above the 735 target). This increase can be attributed to several on-going initiatives, including the Virtual Hold Call-Back System and the Unified Desktop, which provide Call Agents consolidated views of Veteran information, auto-populated data, and smart scripts. Increased utilization of VBA's Knowledge Management site allows Call Agents to provide greater customer service by searching a variety of information on breaking VA news, pension policies and procedures, and crisis intervention.

How VA Leadership Uses Results Data

VA analyzes client satisfaction scores to understand and compare the Call Centers and the level of customer service they are providing to Veterans and their families.

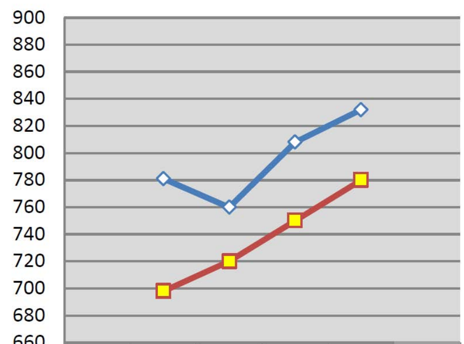
This information is used in developing new training and identifying areas of opportunity to better meet callers' needs and preferences. J.D. Power and Associates conducts this survey and provides feedback and strategies to improve customer service processes in the Call Centers.

Benefits

Measure

Education call center client satisfaction index score

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	N/Av	781	760	808	832	N/Av
Target	N/Av	698	720	750	780	TBD

Actual data are as of September 2014
ST = Strategic Target

Results

From FY 2013 to FY 2014, the average client satisfaction score has increased and is currently at 832 (above the 780 target). This increase can be attributed to several on-going initiatives, including the Virtual Hold Call Back System and the School Certifying Official line. Continued automation improvements increase overall customer service and the Veterans' experience with obtaining necessary information about their education benefits.

Impact on Veterans

Desired Direction

The client satisfaction index score reports the level of customer service provided to Veterans and their families by the Education Call Center. Claimants can contact the Education Call Center to retrieve information regarding their pending or completed education benefits.

One of VA's primary objectives is to ensure that Veterans and their families receive timely and sufficient information when utilizing our Call Centers.

How VA Leadership Uses Results Data

VA analyzes client satisfaction scores to understand and compare the Call Centers and the level of customer service they are providing to Veterans and their families.

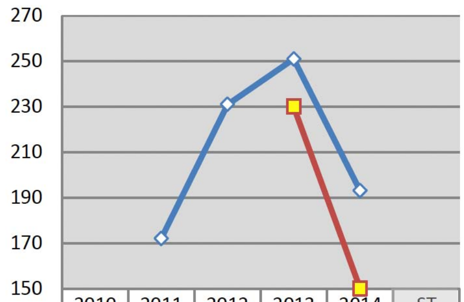
This information is used in developing new training and identifying areas of opportunity to better meet callers' needs and preferences. J.D. Power and Associates conducts this survey and in their presentation to senior leaders they provide feedback and strategies to better improve customer service processes in the Call Centers.

Benefits

Measure

Average days to complete – original survivors pension claims

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	N/Av	172	231	251	193	N/Av
Target	N/Av	N/Av	N/Av	230	150	TBD

Actual data are as of September 2014
ST = Strategic Target

Impact on Veterans

Desired Direction

Survivors are entitled to a timely decision on their pension claims.

VBA's goal is to process all survivor pension claims in a timely manner. This will ensure these financially disadvantaged survivors receive a timely decision on their claim.

Results

VBA did not meet the FY 2014 target of 150 average days to complete original survivor pension claims, though it did reduce the average days to complete from 251 days at the end of FY 2013 to 193.3 days at the end of FY 2014.

In December 2012, VBA eliminated the requirement of Eligibility Verification Reports as a result of increased data sharing with the Internal Revenue Service and Social Security Administration. This eliminated 140,000 work items from the Pension Management Centers workload in both 2013 and 2014 allowing VBA to continue to divert resources to working the backlog of survivor pension claims and other Pension Management Center rating work.

How VA Leadership Uses Results Data

VA leadership uses data results to manage its benefits 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.

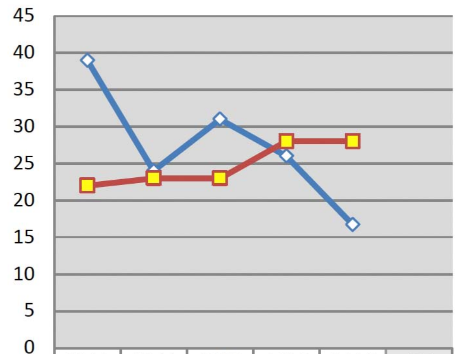
To achieve processing efficiencies that will enable VA to reduce the claims backlog and improve decision quality, VA is employing a synchronized and integrated transformation strategy that incorporates people, process and technology-based initiatives.

Benefits

Measure

Average days to complete original education claims

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	39	24	31	26	17	N/Av
Target	22	23	23	28	28	TBD

Actual data are as of September 2014
ST = Strategic Target

Results

VBA met the timeliness target. VBA redirected additional processing resources to complete original claims.

Impact on Veterans

Desired Direction

Making timely eligibility determinations is critical to helping Veterans meet their educational goals.

How VA Leadership Uses Results Data

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

In FY 2014, such actions included aggressive monitoring of workload to determine when pointing processing resources from one Regional Processing Office (RPO) to another was necessary to proportionally balance workload across the four. VA routinely reviews processing policies to streamline the entire claims process based on case reviews identifying duplication of effort 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.

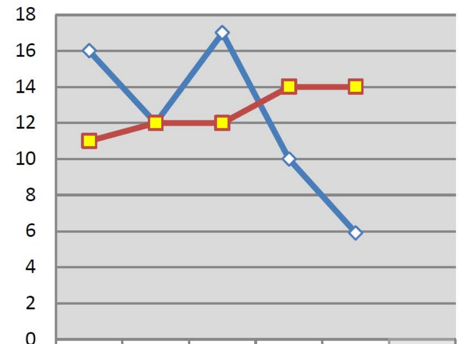
Education claims intake is cyclical with peaks at the beginning of the fall, spring, and summer. This data is used to determine when mandatory overtime may be needed to address the cyclical intake peaks.

Benefits

Measure

Average days to complete supplemental education claims

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	16	12	17	10	6	N/Av
Target	11	12	12	14	14	TBD

Actual data are as of September 2014
ST = Strategic Target

Results

VBA met the timeliness target. VBA leveraged the productivity gains from the Long Term Solution end-to-end automation function to support the processing of supplemental claims.

Impact on Veterans

Desired Direction

Making timely supplemental award payments is critical to helping Veterans meet their financial commitments associated with attaining their educational goals.

How VA Leadership Uses Results Data

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

In 2014, such actions included aggressive monitoring of workload to determine when pointing processing resources from one RPO to another was necessary to proportionally balance workload across the four. 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.

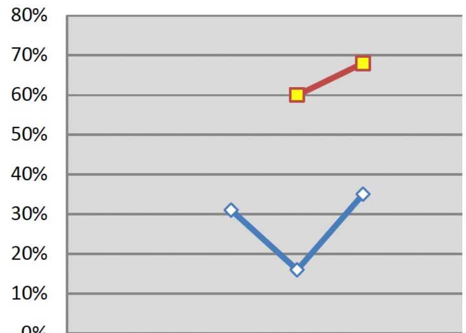
Education claims intake is cyclical with peaks at the beginning of the fall, spring, and summer. This data is used to determine when mandatory overtime may be needed to address the cyclical intake peaks.

Benefits

Measure

Percent of IDES participants awarded benefits within 30 days of discharge

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	31%	16%	35%	N/Av
Target	N/Av	N/Av	N/Av	60%	68%	TBD

Actual data are as of September 2014
ST = Strategic Target

Results

VA did not achieve this strategic goal in 2014. However, significant improvements have been made, and VA improved the percent of IDES participants receiving benefits within 30 days of separation from 16 percent in 2013 to 35 percent in 2014, greater than a 100 percent improvement over 2013. In order to maintain and improve upon the progress made in 2014, VA has taken the following actions:

- In March 2014, VBA implemented its paperless IDES processing initiative, wherein the benefits notification IDES stage is completed in a paperless environment.
- In June 2014, VBA implemented process improvements to reduce rework and improve efficiency at its IDES Disability Rating Activity Sites.

Impact on Veterans

Desired Direction

VA's strategic target of awarding benefits within 30 days of discharge measures the impact of the IDES on assisting Servicemembers in their transition to civilian life. Specifically, this metric measures the success of IDES in reducing the gap between receipt of military pay and receipt of VA compensation.

How VA Leadership Uses Results Data

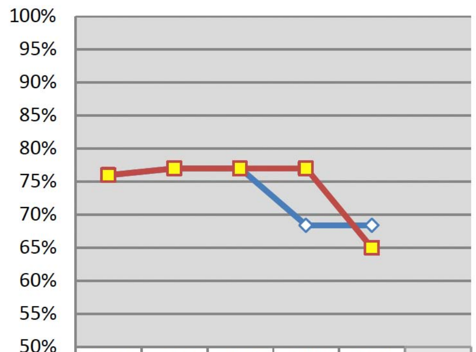
Leadership utilizes this metric—in conjunction with data as to timeliness at various points in the IDES process—to allocate resources in a manner that supports the program's two primary goals: 1) reducing the benefits gap between receipt of military pay and receipt of VA compensation; and 2) assisting Servicemembers and their families plan for transition to civilian life by providing them a timely, accurate estimate of expected VA benefits.

Benefits

Measure

Rehabilitation rate (general)

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	76%	77%	77%	68%	68%	N/Av
Target	76%	77%	77%	77%	65%	TBD

Actual data are as of September 2014
ST = Strategic Target

Results

VA met its FY 2014 Rehabilitation Rate target. Over FY 2014, the Vocational Rehabilitation and Employment Program (VR&E) has piloted new performance measures at four Regional Offices. The new measures provide a clear and accurate depiction of performance, and Veteran participation and success in the program. During this pilot, VR&E has focused on working on Veteran's cases that are actively engaged in the program and process and has discontinued the cases that are not active, in turn, bringing the rehabilitation rate down. The measure "Rehabilitation Rates" looks at the number of Veterans who discontinue their participation in VR&E Services, compared to the number of Veterans who successfully completed their program. Therefore, despite the fact that overall Rehabilitations increased by 4.5 percent in FY 2013 and by 2.7 percent in FY 2014, the Rehabilitation Rate continues to decline.

Impact on Veterans

Desired Direction

A "Rehabilitated" Veteran is one who successfully obtained and maintained suitable employment or achieved independence in daily living through the completion of the Rehabilitation Program Plan.

How VA Leadership Uses Results Data

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

To improve performance in this area, VBA leadership has identified several areas of emphasis:

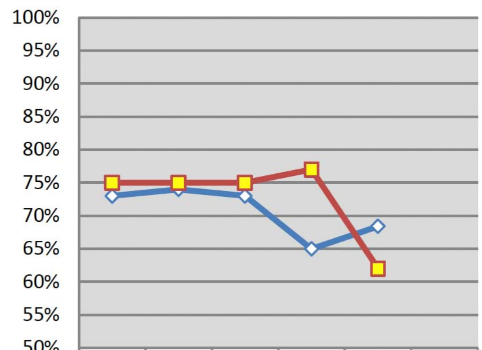
- Providing services to enable Veterans to continue to complete the program and become suitably employed.
- Continue to support career fairs geared toward today's Veteran to provide exposure to employers seeking to hire Veterans.

Benefits

Measure

Employment rehabilitation rate

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	73%	74%	73%	65%	68%	N/Av
Target	75%	75%	75%	77%	62%	TBD

Actual data are as of September 2014
ST = Strategic Target

Results

VA did not meet its 2014 Employment Rehabilitation Rate target, which is a subset of the Rehabilitation Rate. Despite the fact that overall Employment Rehabilitations increased by 7.1 percent in FY 2013 and by 5.1 percent in FY 2014, the Employment Rehabilitation Rate continues to decline. This continued decline is caused by the increased number of Veterans who discontinue their participation in VR&E services, compared to the number of Veterans who successfully completed their program. The increased number of discontinuances negatively impacts the Employment Rehabilitation Rate, and is driven by the need to close cases where the Veteran has ceased participation.

Impact on Veterans

Desired Direction

The "Employment Rehabilitation Rate" is a subset of the Rehabilitation Rate that measures VR&E participants who successfully found and maintained suitable employment.

How VA Leadership Uses Results Data

VA leadership uses the Rehabilitation Rate (which includes the Employment Rehabilitation Rate) to assess the performance of Vocational Rehabilitation Counselors, Counseling Psychologists, Employment Coordinators , VR&E Officers and Regional Office Directors; as well as, the overall effectiveness of the program and services provided. To improve performance in this area, VA leadership has identified several areas of emphasis:

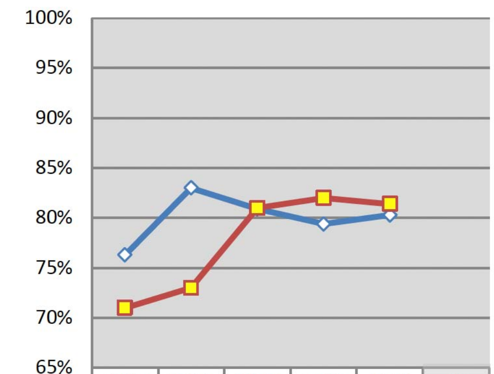
- Providing services to enable Veterans to continue to complete the program and become suitably employed.
- Continue to support career fairs geared toward today's Veteran to provide exposure to employers seeking to hire Veterans.

Benefits

Measure

Default resolution rate

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	76%	83%	81%	79%	80%	N/Av
Target	71%	73%	81%	82%	81%	TBD

Actual data are as of September 2014
ST = Strategic Target

Results

VA nearly reached its target for assisting Veterans in avoiding foreclosure through default resolution in FY 2014. Economic conditions have continued to rebound and have positively impacted borrowers' ability to adhere to the terms of their mortgage agreement. Subsequently, continued use of modification programs by delinquent borrowers has also supported VA's goal of homeownership and retention for Veterans and Servicemembers. Specifically, VA has coordinated with and notified private sector stakeholders that other home retention programs can be used in conjunction with VA foreclosure avoidance options.

Impact on Veterans

Desired Direction

In FY 2014, 95 percent of VA's loan portfolio was current. The default resolution rate of 81 percent means that of the Veterans who defaulted on their VA-guaranteed loans, VA and loan servicers were able to assist 81 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 Leadership Uses Results Data

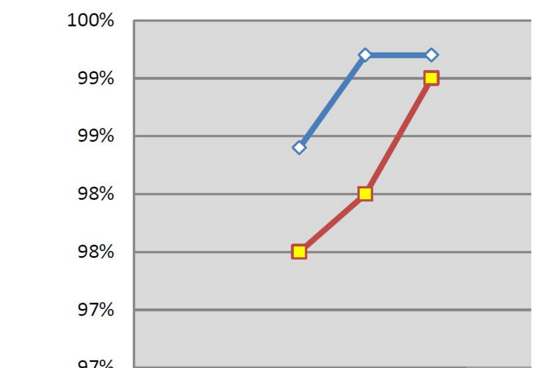
VA uses the data to measure the effectiveness of joint servicing efforts of primary servicers and VA staff to assist Veterans in avoiding foreclosure through default resolution.

Benefits

Measure

Housing Program Review Accuracy Rate

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	98%	99%	99%	N/Av
Target	N/Av	N/Av	98%	98%	99%	TBD

Actual data are as of October 2014
ST = Strategic Target

Desired Direction

Performance Trends

The Program review accuracy rate is an assessment of the various oversight responsibilities of the Home Loan program. This measure reflects overall compliance of the Regional Loan Centers in implementing the program laws and requirements within the Loan Production, Specially Adapted Housing, Construction and Valuation and Loan Administration aspects of the VA Home Loan program. These four areas make up the purpose and mission of the Home Loan program and directly impacts service to Veteran borrowers.

Results

In 2014, the Home Loan program achieved the target set for the fiscal year of 99.0 percent. This end of fiscal year result was 99.2 percent. Loan Guaranty has continued to rely on sound underwriting, credit standards, and oversight of all key stakeholders with a role in delivering the housing benefit. Loan Guaranty processes and systems have built in controls that aid in the proper implementation and oversight of the programs benefit to Veterans.

Quality review staff members verify the data monthly.

How VA Leadership User Results Data

VA management uses this performance results to identify areas of performance gaps and opportunities to enhance the delivery and benefit experience for Veterans.

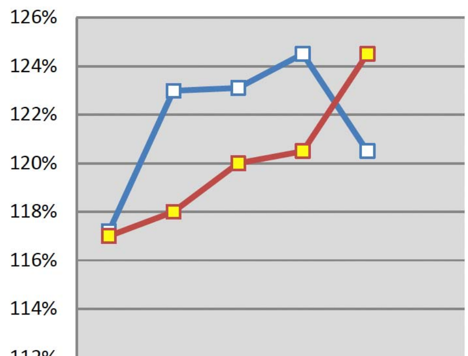
In 2014, the Loan Statistical Accuracy Review process performed underwent an audit process revamp. Through this process, accuracy questions were reviewed against existing and updated Home Loan policy. Program compliance elements were reviewed to ensure that key requirements and compliance is being followed by Regional Loan Centers that deliver the Home Loan benefit.

Benefits

Measure

Rate of Homeownership for Veterans (compared to the general population)

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	117%	123%	123%	125%	121%	N/Av
Target	117%	118%	120%	121%	125%	TBD

Actual data are as of October 2014
ST = Strategic Target

Desired Direction

Performance Trends

Veterans are entitled to a housing benefit that is competitive with conventional and non-conventional types of financing. Monitoring the rate of homeownership for Veterans ensures that VA provides an accurate level of support and outreach regarding the housing benefits.

This measure ties into the core mission of the housing program to help Veterans obtain homes and expand their economic opportunities.

Results

In 2014, the housing program exceeded the target rate (120.7 percent) for Veteran homeownership compared to the general population. VA has actively increase outreach efforts to socialize the VA Home Loan program among mortgage lenders, realtors, and Veterans. Additionally, this data has aided the housing program in identifying, assessing and working to improve areas of opportunity to create awareness about the housing benefit.

How VA Leadership Uses Results Data

VA analyzes census and homeownership survey data to determine areas that VBA can improve homeownership opportunities for Veterans and Servicemembers. The data is used to assess if targeted outreach approaches have resulted in an increase use or increased awareness of the housing program benefits.

Additionally, management uses the data collected to make decisions about the strategic direction of the VA housing program and the best approach to ensure Veteran access to their home loan benefits.

Benefits

Measure

Specially Adapted Housing grantees who believe adaptations have helped them live independently

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	135	184	N/Av	N/Av
Target	N/Av	N/Av	N/Av	N/Av	Baseline	TBD

Annual data as of September 2014
ST = Strategic Target

Note: This measure is new (or being rebaselined) in FY 2014 and therefore there is limited data available.

Desired Direction

↑

Performance Trends

VBA's goal is to ensure that the every Veteran has access to their benefits. This measure evaluates Veterans satisfaction with the Specially Adapted Housing program.

This measure provides VBA management with insight into the implementation and oversight of the VA Home loan program.

Results

2014 was a baseline year to determine both annual and strategic targets. The survey instrument has been designed to be comparable, but due to the dynamic nature of the survey tool, results are not comparable year of year. Validation of the measure is ongoing.

How VA Leadership Uses Results Data

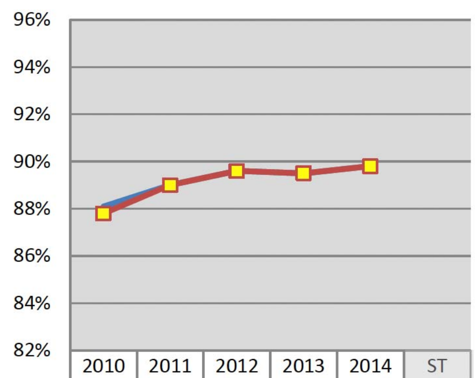
The data from this metric is used to improve the delivery of benefits and services to Veterans. SAH eligible Veterans are some of the most severely injured. By evaluating overall SAH program satisfactions, VBA can identify gaps within the program, areas for additional policy development and remain current on the unique needs of severely disabled Veterans.

Burial Services

Measure

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

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	88%	89%	90%	90%	90%	N/Av
Target	88%	89%	90%	90%	90%	TBD

Actual data are as of September 2014
ST = Strategic Target

Impact on Veterans

Desired Direction

By the end of 2014, nearly 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.

Results

VA met its target for serving Veterans with a burial option within a reasonable distance of their residence in 2014. A new State Veterans cemetery in the eastern Louisiana area opened as planned in June 2014, providing a burial option to nearly 35,000 previously unserved Veterans. VA's second tribal Veterans cemetery also opened in Kyle, South Dakota. Yellowstone National Cemetery, originally expected to open in 2015, began operations in 2014 as the first of eight VA National Veterans Burial Grounds (NVBG) specifically designed to serve Veterans in rural areas, serving nearly 18,000 Veterans with a VA cemetery burial option. VA plans to establish seven more NVBGs as part of its Rural Veterans Initiative by the end of 2017.

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 in a national or state Veterans cemetery. VA also analyzes census data to identify rural areas of the country that are not currently served by a burial option.

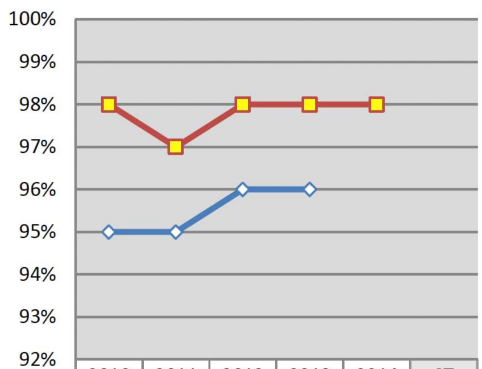
This information is used in planning for new national cemeteries, for gravesite expansion projects to extend the service life of existing national cemeteries, and for potential sites for establishing National Veterans Burial Grounds. This information is also used for prioritizing requests for State and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

Burial Services

Measure

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

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	95%	95%	96%	96%	N/Av	N/Av
Target	98%	97%	98%	98%	98%	100%

ST = Strategic Target

Note: FY 2014 results available upon completion of annual customer satisfaction surveys.

How VA Verifies Results Data for Accuracy

NCA anticipates that respondents to NCA's annual Survey of Satisfaction with National Cemeteries will again report very high levels of satisfaction with the quality of service that they received from national cemeteries. NCA will continue to review survey data and client comments at national cemeteries to identify operational and policy changes that will further improve the level of service provided at national cemeteries.

Impact on Veterans

Desired Direction

Performance targets for cemetery service goals are consistent with the high 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 historic satisfaction ratings of 95 percent or better.

How VA Leadership Uses Results Data

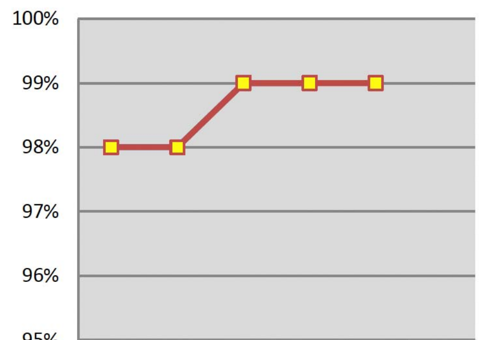
NCA's annual Survey of Satisfaction with National Cemeteries is the source of data for this key measure. The survey collects data from family members and funeral directors who have recently received services from a national cemetery. These data are shared with NCA managers at Central Office, Memorial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

Burial Services

Measure

PERCENT OF RESPONDENTS WHO RATE NATIONAL CEMETERY APPEARANCE AS EXCELLENT

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	98%	98%	99%	99%	N/Av	N/Av
Target	98%	98%	99%	99%	99%	100%

ST = Strategic Target

Note: FY 2014 results available upon completion of annual customer satisfaction surveys.

Results

NCA anticipates that it will again receive very high levels of satisfaction with the service provided at national cemeteries. NCA's strategic goal is for at least 99 percent of respondents to rate the level of service provided by national cemeteries as excellent. To achieve this outcome, NCA continues to review survey data and client comments at national cemeteries to identify operational and policy changes that will further improve the appearance and maintenance of national cemeteries as national shrines.

Impact on Veterans

Desired Direction

Performance targets for cemetery service goals are consistent with the high 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 historic satisfaction ratings of 98 percent or better.

How VA Leadership Uses Results Data

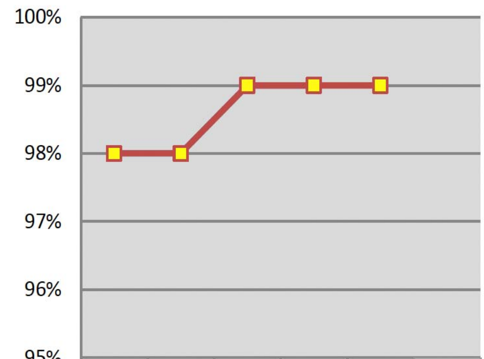
NCA's annual Survey of Satisfaction with National Cemeteries is the source of data for this key measure. The survey collects data from family members and funeral directors who have recently received services from a national cemetery. These data are shared with NCA managers at Central Office, MSNs, and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

Burial Services

Measure

Percent of respondents who would recommend the national cemetery to Veterans families during their time of need

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	98%	98%	99%	99%	N/Av	N/Av
Target	98%	98%	99%	99%	99%	100%

ST = Strategic Target

Note: FY 2014 results available upon completion of annual customer satisfaction surveys.

Results

NCA anticipates that family members and funeral home directors who interred a Veteran in a VA national cemetery will again indicate a very high level of trust with national cemeteries. NCA's strategic goal is for at least 99 percent of respondents to agree that they would recommend a national cemetery to other Veteran families in their time of need. To achieve this outcome, NCA continues to review survey data and client comments at national cemeteries to identify operational and policy changes that will further increase the willingness of family members and funeral home directors to recommend national cemeteries to Veteran families.

Impact on Veterans

Desired Direction

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

VA's historic satisfaction ratings of 98 percent or better reflect high-quality, courteous, and responsive service to Veterans and their families as well as high levels of performance in the operation and maintenance of VA's national shrines.

How VA Leadership Uses Results Data

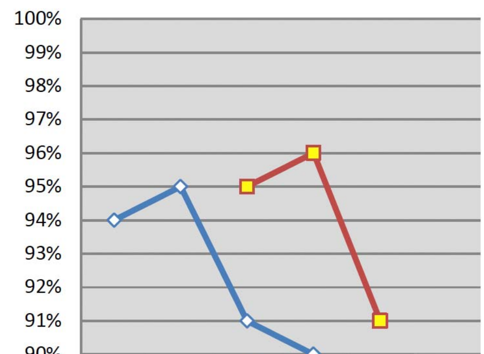
NCA's annual Survey of Satisfaction with National Cemeteries is the source of data for this key measure. The survey collects data from family members and funeral directors who have recently received services from a national cemetery. These data are shared with NCA managers at Central Office, MSNs, and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

Burial Services

Measure

Percent of respondents who agree or strongly agree that the quality of the headstone or marker received from VA was excellent

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	94%	95%	91%	90%	N/Av	N/Av
Target	N/Av	N/Av	95%	96%	91%	100%

ST = Strategic Target

Note: FY 2014 results available upon completion of annual customer satisfaction surveys.

Results

NCA anticipates receiving high levels of satisfaction with the quality of headstones and markers furnished for the graves of Veterans interred in private cemeteries. NCA's strategic goal is for at least 99 percent of respondents to rate the quality of the headstone or marker received from VA as excellent. To achieve this outcome, NCA continues to review survey data and client comments on the annual Memorial Programs Survey to identify operational and policy changes that will further improve the quality of headstones and markers furnished for Veterans in private cemeteries.

Impact on Veterans

Desired Direction

Performance targets are consistent with the high expectations of the families of Veterans interred in private cemeteries who receive a VA headstone or marker.

VA's historic satisfaction ratings of 90 percent or better indicates that VA is honoring Veterans with high-quality memorial products that commemorate each Veteran's service and sacrifice to our Nation.

How VA Leadership Uses Results Data

NCA's annual Memorial Products Survey is the source of data for this key measure. The survey collects data from family members and funeral directors who have recently ordered a headstone or marker from VA to mark the grave of a Veteran interred in a private cemetery. These data are shared with NCA managers at Central Office who use the data to improve the quality of headstones and markers furnished for Veterans in private cemeteries.

Burial Services

Measure

Percent of respondents who agree or strongly agree that the quality of the Presidential Memorial Certificate received from VA was excellent

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	96%	94%	90%	89%	N/Av	N/Av
Target	N/Av	N/Av	97%	97%	90%	100%

ST = Strategic Target

Note: FY 2014 results available upon completion of annual customer satisfaction surveys.

Results

NCA anticipates receiving high levels of satisfaction with the quality of Presidential Memorial Certificates (PMCs) received from VA. NCA's strategic goal is for at least 99 percent of respondents to rate the quality of PMCs received from VA as excellent. To achieve this outcome, NCA continues to review survey data and client comments on the annual Memorial Programs Survey to identify operational and policy changes that will further improve the quality of PMCs received from VA.

Impact on Veterans

Desired Direction

Performance targets are consistent with the high expectations of the families of Veterans who receive a Presidential Memorial Certificate from VA.

VA's historic satisfaction rating of 89 percent or better indicates that VA is honoring Veterans with high-quality memorial products that commemorate each Veteran's service and sacrifice to our Nation.

How VA Leadership Uses Results Data

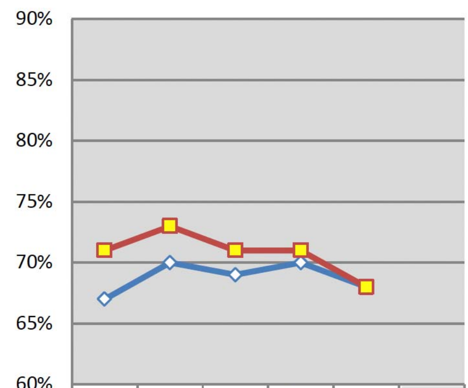
NCA's annual Memorial Products Survey is the source of data for this measure. The survey collects data from family members who have recently received a PMC from VA. These data are shared with NCA managers at Central Office who use the data to improve the quality of PMCs.

Burial Services

Measure

Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	67%	70%	69%	70%	68%	N/Av
Target	71%	73%	71%	71%	68%	TBD

Actual data are as of October 2014
ST = Strategic Target

Results

NCA maintained a level of performance on this measure that was consistent with that of previous years despite adding more than 80,000 newly occupied graves in national cemeteries. To improve performance, NCA is developing new technologies, including a cement "sleeve" that supports the base of upright headstones to ensure uniform height and alignment of all headstones in a burial row.

Impact on Veterans

Desired Direction

The appearance of headstones and markers is of paramount importance to the appearance of national cemeteries as national shrines. The rows of pristine, white headstones that are set at the proper height and correct alignment provide the vista that is the hallmark of many VA national cemeteries.

How VA Leadership Uses Results Data

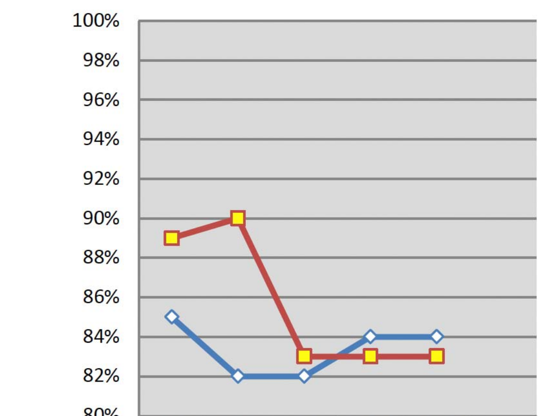
NCA's annual Gravesite Assessment Review is the source of data for this measure. The height and alignment of headstones and markers are assessed according to a standardized methodology to ensure compliance within well-defined criteria. The results of these assessments are shared with NCA Central Office, Memorial Service Network, and cemetery managers. NCA leadership uses the data to determine which cemeteries are most in need of projects to raise, re-align, and reset headstones and markers to ensure that national cemeteries are maintained as national shrines.

Burial Services

Measure

Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	85%	82%	82%	84%	84%	N/Av
Target	89%	90%	83%	83%	83%	TBD

Actual data are as of October 2014
ST = Strategic Target

Results

NCA continued to perform at a high level on this measure despite adding more than 80,000 newly occupied graves in national cemeteries. Weather and other external factors can adversely impact performance in this area from year to year; however, NCA continues to use the results of gravesite assessments to identify the areas where greatest improvement will ensure that headstones, markers, and niche covers are maintained in a clean and dignified manner.

Impact on Veterans

Desired Direction

The appearance of headstones and markers is of paramount importance to the appearance of national cemeteries as national shrines. The rows of pristine, white headstones provide the vista that is the hallmark of many VA national cemeteries.

How VA Leadership Uses Results Data

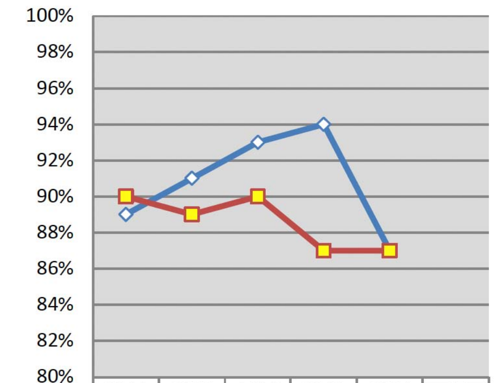
NCA's annual Gravesite Assessment Review is the source of data for this measure. The cleanliness of headstones and markers are assessed according to a standardized definitions and criteria to ensure compliance and consistency within these well-defined criteria. The results of these assessments are shared with NCA Central Office, Memorial Service Network, and cemetery managers. NCA leadership uses the data to determine which cemeteries are most in need of projects to clean headstones, markers, and niche covers to ensure that national cemeteries are maintained as national shrines.

Burial Services

Measure

Percent gravesites that have grades that are level and blend with adjacent grade levels

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	89%	91%	93%	94%	87%	N/Av
Target	90%	89%	90%	87%	87%	TBD

Actual data are as of October 2014

ST = Strategic Target

Impact on Veterans

Desired Direction

The appearance of gravesites in national cemeteries is both an important aspect of maintaining national cemeteries as national shrines and is an important safety feature for the more than 8 million annual visitors at VA national cemeteries.

How VA Leadership Uses Results Data

NCA's annual Gravesite Assessment Review is the source of data for this measure. The grade levels of gravesites are assessed according to a standardized definitions and criteria to ensure compliance within these well-defined criteria. The results of these assessments are shared with NCA Central Office, Memorial Service Network, and cemetery managers. NCA leadership uses the data to determine which cemeteries are most in need of projects to repair sunken graves to ensure that national cemeteries are maintained as national shrines.

Results

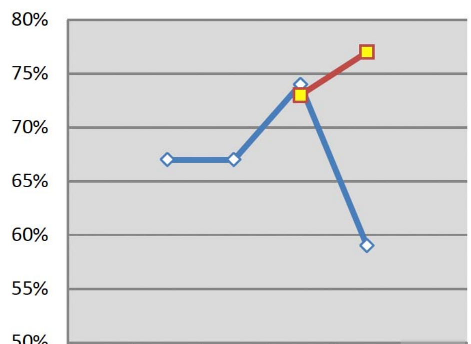
NCA continued to perform at a high level again on this measure in FY 2014. Efforts to use gravesite assessment data to identify and address sunken graves in cemeteries with the greatest need have helped to maintain the appearance of national cemeteries as national shrines and to ensure the safety of family members, friends, and other visitors at national cemeteries.

Other Services

Measure

Percent of visitors to VA's website that indicated that they are satisfied/highly satisfied with information presented

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	N/Av	67%	67%	74%	59%	N/Av
Target	N/Av	N/Av	N/Av	73%	77%	TBD

Actual data are as of September 2014
ST = Strategic Target

Impact on Veterans

Desired Direction

This metric indicates how the outreach efforts of VA assist the Department in determining the Veteran population's ability to help themselves by using the available resource that is provided by the website. By measuring users' satisfaction with ease of access to information presented on the website, VA can determine how to more effectively communicate with Veterans. This measure indicates if information is presented in a user-friendly, Veteran-centered way. If data shows dissatisfaction, adjustments can be made.

Results

During FY 2014, the target was not reached because it was determined through analysis that more than 40 percent of the website visitors use mobile technology to access the website. The website was not optimized for mobile technology at the time, which results in a less than ideal browsing experience. To mitigate this issue, a mobile website redesign was initiated and completed in FY 2014.

How VA Leadership Uses Results Data

Information from this metric is used to provide leadership with a snapshot of how Veterans and their families are using the information from VA.gov. The information measured is significant not just because it allows VA to assess the general efficacy of its websites, but also allows web developers and content managers to focus on areas in need of future improvements. The end result is better communication and engagement with VA's online customers.

Other Services

Measure

Increase percent of Veterans aware of using benefits, reached through advertising and marketing efforts

Performance Trends

	2010	2011	2012	2013	2014	ST
Results	N/Av	N/Av	5%	15%	26%	N/Av
Target	N/Av	N/Av	N/Av	10%	10%	TBD

Actual data are as of September 2014

ST = Strategic Target

Results

VA developed a benefits awareness and education campaign, which was distributed using a two- pronged approach: traditional media (TV and radio) broadcast in 20 targeted communities and digital advertising.

The campaign, which included a website, social media, and video content resulted in: 1) more than 2.7 million people visiting ExploreVA webpages; 2) nearly 650,000 people starting the application process for a service or benefit from VA; and 3) more than 738,000 people signing up to get regular communication from VA on benefits.

The FY 2014 advertising campaign that sought to increase awareness of VA resources for homeless Veterans achieved , 212,975 clicks on Facebook and 1,013,341 YouTube video views. In addition, 1,874 billboards were posted in 59 different cities.

Impact on Veterans

Desired Direction

VA developed a consumer friendly website to educate Veterans regarding their VA benefits, which include online marketing to help connect Veterans to VA eligibility requirements and the application process. The number of calls to the National Call Center for Homeless Veterans remained constant between August 2013 and August 2014 after a 208 percent increase between FY 2011 and FY 2013 -- evidence that homeless outreach efforts are continuing to reach the intended audiences.

How VA Leadership Uses Results Data

Performance metrics provide insights into messages and mediums that most effectively reach Veterans and other stakeholders. VA leaders use homeless outreach data to refine outreach strategies and messages, ensuring that homeless and at-risk Veterans are constantly aware that help is available.

Within the ExploreVA campaign, message delivery methods and medium were tested on a continual basis over the fiscal year. Sophisticated monthly data analysis and continual refinement and adjustment of advertising methods significantly lowered cost per conversion (cost per Veteran applying for benefits) from an initial $40 to $8, resulting in a huge increase in efficiency and savings to the government.

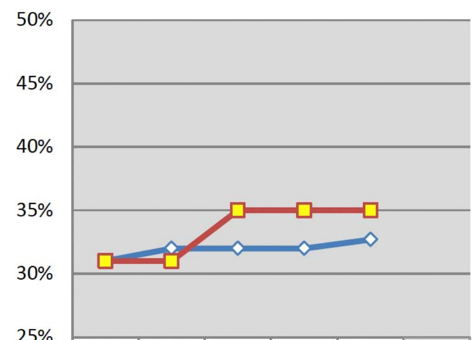
Recommendations resulting from this testing are reported monthly and serve to inform leadership on most effective methods of digital outreach for future tactical and strategic outreach planning.

Other Services

Measure

Percentage of VA employees who are Veterans

Performance Trends



	2010	2011	2012	2013	2014	ST
Results	31%	32%	32%	32%	33%	N/Av
Target	31%	31%	35%	35%	35%	40%

Actual data are as of September 2014
ST = Strategic Target

Impact on Veterans

Desired Direction

Identifies VA's progress toward having a diverse workforce reflective of its customers and committed to ensuring the smooth transition of severely injured and other service-connected disabled Servicemembers to the civilian workforce.

This measure assesses the degree to which VA's workforce reflects customers we serve, which is considered to enhance VA's ability to execute its mission.

Results

Despite great emphasis and increased enterprise focus, the "stretch" target was not reached for FY 2014. VA had several challenges, including the supply of Veterans qualified for medical professional and practitioner positions defined in Title 38 USC [Veterans' Benefits]. Achieving this target going forward may be even more difficult as implementing the Veterans Choice Act leads to an increased number of Title 38 positions. This target also has dependencies on hiring decisions throughout VA.

How VA Leadership Uses Results Data

The measure is used by VA leadership to inform new strategies and initiatives that support increasing the percentage of VA employees who are Veterans in order to ensure VA's workforce is reflective of its customers and to adhere to the intent of Executive Order 13518, *Employment of Veterans in the Federal Government*.

VA Office of the Inspector General (VAOIG)

	2010	2011	2012	2013	2014
Number of reports (audit, inspection, evaluation, contract review, and CAP reports) issued that identify opportunities for improvement and provide recommendations for corrective action	263	301	299	349	310
Number of arrests, indictments, convictions, criminal complaints, pretrial diversions, and administrative sanctions	1,929	1,939	2,683	2,491	2,537
Monetary benefits (dollars in millions) from audits, investigations, contract reviews, inspections, and other evaluations	$1,914	$7,122	$3,477	$3,589	$2,300
Return on investment (monetary benefits divided by cost of operations in dollars)	20 to 1	76 to 1	36 to 1	36 to 1	22 to 1
Percentage of:					
Prosecutions successfully completed	97.0%	99.0%	94.0%	94.0%	94.0%
Recommendations implemented within 1 year to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural changes in VA	86.0%	87.0%	87.0%	81.0%	85.0%
Recommended recoveries achieved from post-award contract reviews	N/Av	100.0%	100.0%	100.0%	100.0%
OIG Customer satisfaction survey scores (based on a scale of 1 - 5, where 5 is high):					
Investigations	4.9	4.9	4.9	5.0	4.9
Audits and Evaluations	4.0	4.4	4.0	3.9	4.2
Healthcare Inspections	4.6	4.6	4.4	4.5	4.3
Contract Review	4.7	4.8	4.7	4.7	4.8

OIG Note—*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 Semiannual Report to Congress, October 1, 2013–March 31, 2014, page 3, http://www.va.gov/oig/publications/semiannual-reports.asp)*

Assessment of Data Quality

With the patient access crisis in 2014, VA's values have come into question. We are dedicated to regaining Veteran' and stakeholder trust, starting with our primary stakeholder and customer – the Veterans themselves. We see this mission of regaining Veteran/stakeholder trust as twofold – both in the care and benefits we provide, as well as trust in our performance reporting. Therefore, we are re-evaluating all of the measures in our portfolio to ensure that these measures can be reported in an open, transparent, and reliable way. Subsequent to the emergence of the access crisis, VA has undertaken significant efforts across the Department to improve the quality of our data. First among these efforts was ensuring that every employee has received training on whistleblower rights and protections while simultaneously establishing and encouraging an atmosphere in which employees feel empowered to raise concerns.

The three VA Administrations – VHA, VBA, and NCA– have unique missions and provide a variety of services to Veterans, however, they are equally committed to providing and using quality data to guide their activities and inform their decisions. What follows are descriptions of each Administration's approach to creating and using sound data.

VHA

In 2014, VA maintained the largest integrated health care system in America and continued to implement many new innovative practices to improve Veterans' access to health care, such as Telehealth and Secure Messaging, and expanding its reach to nearly 6.5 million Veteran users of our services.

Over the past several years, much of VA's success was the result of our conscious adoption of a disciplined approach to clinical performance measurement and the use of feedback to managers and staff to motivate and guide improvement. During the course of FY 2014, VA senior leadership learned that within some of our Veterans Health Administration facilities, VA had a systemic, totally unacceptable lack of integrity. That breach of trust—which involved the tracking of patient wait times for appointments—was irresponsible, indefensible, and unacceptable to the Department.

Upon learning of allegations of staff manipulating Veteran "desired dates" for clinic appointments so that calculated wait times would fall within a 14 day window, VA initiated a nationwide audit of 258 separate points of service, with in-person interviews of over 2100 scheduling staff. This audit identified: 1) significant confusion regarding scheduling policies and practices across our system; 2) widespread acknowledgement that the 14 day standard for appointments was inflexible and unrealistic; 3) inadequate staffing of providers and clerical support at the very sites that were experiencing the greatest surge in patient demand; and 4) pervasive frustration with rigid and obsolete scheduling software. Additionally, VA obtained and analyzed Veteran survey data that indicated that a substantial portion of Veterans felt their access needs were not being adequately met, even though they professed confidence in the quality of our services.

In response to the findings of the national audit, VHA initiated several actions that will be continued through FY 2015 and beyond. These include: 1) suspending the use of the 14 day wait time standard in executive and manager performance plans; 2) switching to the use of Veteran survey data to understand and measure how access to care is perceived by the Veteran; 3) developing and implementing automated integrity checks for the wait times data that are reported to the public; and 4) launching a comprehensive initiative to accelerate care, including the hiring of additional clinical and patient support staff, and expanding purchased care in those markets where internal provider capacity could not meet the needs of Veterans. Existing authorities to obtain services from non-VA providers were significantly enhanced by VACAA, which VA is implementing. Finally, VA has already made short-term enhancements to its existing scheduling software, and launched a major effort to procure a 21st Century scheduling product to meet the needs of Veterans for decades to come.

VHA is resolutely committed to reinvigorating its entire Performance Management Program, starting with the APP ultimately reported on in this document, and progressing through performance plans for its executives and managers. It is restructuring its process of measure governance, and has brought in external experts to help design the process whereby strategic priorities are translated into strategic, tactical, and transactional measures that are realistic, achievable, and have the full buy-in of managers and staff.

VA's intent in these actions is to foster an environment in which all VA employees: 1) feel engaged with the measures that are used to monitor and improve performance; 2) understand the primacy of our core values; and 3) feel comfortable in raising concerns, regardless of their position in the organization. As this is a large scale overhaul of VA's entire program planning, budgeting, performance measurement, and evaluation cycle, VHA anticipates the new system to be fully implemented in FY 2016, but the first phase of this effort will be reflected in revised indicators for the FY 2015 APP.

VBA

VBA maintains a national 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)	27,665	25
Pension (STAR Accuracy Reviews)	988	2
Fiduciary	1,355	4
Education	2,398	4
Vocational Rehabilitation and Employment	9,830	10
Loan Guaranty (Housing)	TBD	15
Insurance	11,040	4

The QA program is administered using a multifaceted approach based on four tiers of national review focusing on: program review, program operations, special focus reviews and rating consistency.

Overview of Quality Assurance Program – Compensation Service and Pension and Fiduciary (P&F) Service

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 and oversight. Program Operations staff members monitor station operations, conduct site visits, identify best practices to assist stations in achieving optimal performance, and ensure consistency in application of policies and procedures nationwide.

The third tier of the QA program consists of special focus reviews. QA 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 QA program focuses on rating consistency. Reviews are conducted on identified statistical outliers to determine root causes of inconsistency.

Summary of Findings and Trends – Compensation Service and Pension and Fiduciary (P&F) Service

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 (BE) 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 BE 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 56 regional offices, and 3 Pension Management Centers ;
- 21 authorization cases from 56 regional offices and 3 Pension Management Centers;
- 21 rating cases processed by the Appeals Management Center ;
- 10 rating cases processed under the IDES program at Providence and Seattle.

To assure accuracy of a STAR finding, a second level review of all cited errors is conducted by select members of the QA staff. Error trend analysis for each station is completed on a quarterly basis. Each regional office, Pension Management Center, 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 July 31, 2014, 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	14,465	90.4 %	13,880	92.6%	678	99.41%	671	99.1%
Notification	14,465	94.7%	13,880	89.5%	671	95.98%	678	97.6%

	Reviewed	Accuracy
Compensation Entitlement (Rating) Issue Based 3-Month Reviews ()May 14-Jul 14)	14,776	95.8%

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 July 2014, BE quality improved to 90 percent compared to 90 percent over the same period in 2013. This category reflected an error rate of 20.5 percent of total BE errors in FY 2013, whereas current data reflects a 23.3 percentage error rate. The A2 (inferred issues) error category showed some improvement from an 11.1 percent error rate in 2013, to a current error rate of 8.7 percent. The D1 (effective dates) error category also showed improvement from a 19 percent error rate in 2013, to a current error rate of 16.9 percent. The B1 (duty to notify) error category showed some decline from a 1.4 percent error rate in 2013, to a current error rate of 4 percent. 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 2012 and 2013 was 98 percent. Accuracy rate for both pension entitlement and maintenance claims for 2014 increased to 99 percent. Our analysis indicates that pension accuracy will remain above 98 percent for 2015. 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 QA 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 QA 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 July 2014 are as follows:

Fiduciary Reviews		
	Reviewed	Accuracy
Entitlement and Protection	3,022	86.07%
Fiduciary Accuracy: 3-Month Reviews	701	82.03%

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. Specifically, the errors are related to the proper development and documentation of the fiduciary designation, welfare and fund usage issues, and fiduciary accountability requirements. For example, errors in the establishment of due dates for field examinations or accountings or incomplete documentation.

P&F Service can attribute some of the decrease in fiduciary quality to the increased sample size implemented with the April 2013 completed cases. Although the increased sample size has resulted in the identification of more errors, and ultimately a decline in national accuracy, the increase has provided a more accurate measurement of quality that will allow for the development of more targeted and specialized training.

Actions Taken to Improve Quality – Compensation Service and P&F 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 3,570 new employees who received Challenge training in 2014 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.

Specialized Adjudication Review Course was developed specifically to focus on improving decision accuracy and raising the skill levels of employees who are not meeting production and/or quality standards. Training was delivered in a centralized, instructor-led environment during a three-week session. Students were selected to attend the training by their regional office and attendance was voluntary. In 2014, a total of 1,108 VSRs, 572 RVSRs and 270 instructors attended the four sessions of SPARC.

Supervisory Technical Analysis of Data 101 was developed to provide technical training on data management for new Veterans Service Center supervisors. Training was delivered during centralized, instructor-led sessions and by experienced field supervisors. The session lasted six days. A total of 73 employees and 14 instructors attended the two sessions.

Advanced Coaches Training 201 was designed to improve the first line supervisors' workload and performance management skills, and focused on quality and production. The training also developed and enhanced new skills to supervise in the virtual environment, which is needed for such new tools as the National Work Queue. AC201 was developed for all first-line supervisors (Coaches and Assistant Coaches) who are directly responsible for ensuring VBA achieves its goals of 98 percent quality and no claims pending over 125 days. Students presented action plans to their Service Center Manager upon completion of the training.

VBA established Quality Review Teams (QRT) in all regional offices in May 2012. These teams evaluate individual employee-level accuracy and perform in-process reviews to eliminate errors at the earliest possible stage in the claims process. In April 2013 VBA created its Quality Review Team Challenge to deliver training to newly assigned Rating Quality Review Specialist.

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. Starting in 2013, the Program Review staff began tracking national quality data from both a claim level and an issue-based level for every regional office.

Another tier of the QA program focuses on rating consistency. Review is conducted on identified statistical outliers to determine root causes of inconsistency.

P&F Service continues to conduct instructor led web-based training (IWT) for newly hired field examiners. A web-based self-study course for journey-level field examiners was deployed in March 2014 and 219 field examiners successfully completed the course. Training on error trends specific to each hub will continue, in addition to monthly teleconferences with local quality reviewers to discuss current error trends and answer questions related to quality improvement and training.

In May 2014, P&F Service deployed the Beneficiary Fiduciary Field System (BFFS) nationwide. BFFS includes mandatory fields and pre-populated diary dates that will assist in providing pertinent information regarding field examination reports and reduce the number of errors typically cited by STAR. A future release of BFFS will include the STAR Quality Review database. The database will provide increased data analysis capabilities for accuracy review and improved tracking of error trends.

P&F Service intends to review the accuracy sampling and reporting process for fiduciary completed cases. This review will include an analysis of sampling size according to the number of beneficiaries associated with each fiduciary hub. Also, P&F Service will review processes to calculate margins of error and appropriately weight accuracy estimates based on the revised sampling methodology. Incorporation of both the sampling methodology and reporting database will allow for real-time review of cases to expedite feedback to the fiduciary hubs.

P&F Service will develop centralized training for legal instruments examiners and improve the existing IWT course for field examiners by providing on-site instruction inclusive of practical exercises and system demonstrations. Topic based training material linked directly to the Training management System (TMS) will also be developed.

In January 2014, P&F Service solicited the fiduciary hubs to complete a survey to review for organizational consistency, and assist in the development of effective training products and tools that will aid in improving national quality. A follow-up survey will be disseminated in January 2015.

Summary of Findings and Trends - Education

Education Service reviewed 2,398 cases in 2014. Based on these reviews, payment accuracy remained 98.8 percent, which is the same rate for the same period in 2013. Paying benefits for an incorrect training time was 30 percent of all payment errors. Failure to process a document was 18 percent of all payment errors. Incorrect effective date determinations were 21 percent of all payment errors. Incorrect determinations of the end date of training were 13 percent of payment errors. These four main causes accounted for 82 percent of all payment errors for FY 2014. The remaining errors were from a wide variety of causes, with only a few instances of each.

The increase of payment accuracy in FY 2014 indicates that training and improved automation systems continue to have 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 2014 quarterly quality results identified error trends and causes. These then were used as topics for refresher training in RPOs. Annual appraisal and assistance visits to the RPOs are also conducted. In 2014, Education Services continued to update the materials available for standardized training for employees. Additionally, Education Service modified automated claims processing functionality to increase the number of Post-9/11 GI Bill supplemental claims are fully automated which reduces the opportunity for human error.

Summary of Findings and Trends - Vocational Rehabilitation and Employment (VR&E)
VR&E completed QA reviews on 9,175 cases for 2014, including Chapter 36 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 2014**	**Actual Score 2014**
Accuracy of Entitlement Determinations	96%	99.3%
Accuracy of Fiscal Decisions	92%	85.4%
Maximum Rehabilitation Gains	90%	91.8%
Accuracy of Outcome Decisions	98%	97.8%
Accuracy of Evaluation, Planning, and Rehabilitation Services	85%	82.7%

In addition to review of cases from each regional office, the STAR conducted site visits at 11 regional offices in 2014, and reviewed an additional 783 cases during these site visits.

Actions Taken to Improve Quality - Vocational Rehabilitation and Employment
The VR&E accuracy scores met or exceeded the target scores for 2014 in two elements: 1) Accuracy of Entitlement Determinations; and 2) Accuracy of Outcome Decisions. The following initiatives have been implemented to try and improve quality:

- 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.
- Training sessions are provided at each regional office during site visits to discuss trends on common errors.
- The STAR Team collaborates with the Training Team after site visit to identify training available to improve service delivery.
- The STAR Team collaborates with the Policy Team to provide feedback on new and existing policies so that clarification can be provided to improve quality of services.
- 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, known as QA Web; 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 the 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 reviewed18,504 cases under its quality review process during 2014.

The housing QA program includes elements beyond the review of cases. The VBA Lender Monitoring Unit performed 14 on-site audits and 37 in-house audits of lenders participating in VA's home loan program. VA audits of lenders during 2014 amounted to $241,240 in liability avoidance via indemnification agreements. VA has also collected $169,643 in 2014 as a result of having indemnification agreements in place.

Contract Assurance (formerly known as Portfolio Loan Oversight Unit) conducts two types of reviews: in-house and on-site. Contract Assurance reviewed 60 billing invoices and completed 60 associated invoice reviews of the portfolio services contractor, as well as 74 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 housing program 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 found during the routine monthly quality reviews. The trend results are published to assist field personnel in identifying common errors identified during the quality review process. Every 18 months, Loan Guaranty conducts site visits at each field station with loan activity. During those site visits, field office compliance and program risks are identified and evaluated. Any negative findings not resolved during on-site visits are to be addressed by field management within the parameters established by the corrective action 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 each 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 held accountable for making egregious loans that go into default within five years from the date of the guaranty and enter into an indemnification agreement with VA, or recover all or part of VA's losses from the original lender in cases where VA paid a third party servicer.

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 monitors the management and marketing of the properties by the property management service provider. These assets are valued at approximately $ 990,388,969. The unit monitors the property management service provider's performance by inspecting properties nationwide to ensure compliance with the contract requirements and also performs on-site case reviews at their operations center.

Summary of Findings and Trends - Insurance

The Insurance program's principal QA 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 91 percent for 2014. 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 2014, the average speed of answer was 15 seconds. The percent of abandoned calls was 0.86 percent, and the percent of blocked calls was 1.93 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 percent. Work products included death claims, awards maintenance, beneficiary designation changes, disability claims, and medical reinstatement applications. In total, the accuracy rate for all 2014 insurance work products was 93 percent.

The timeliness rate for Policyholders Services work products was 93 percent, and 92 percent for Insurance Claims work products. The overall timeliness rate for 2014 insurance work products was 93 percent.

The insurance QA 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 99.7 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 – i.e., 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, "How can we improve our service VA analyzes the responses to determine where process improvements can be made. VA also makes every effort possible to implement customer suggestions where appropriate in order 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.

In 2014, we developed new processing guides for combining 4 percent and 5 percent policy loans. This new process reduces administrative costs for the Insurance Program and results in reduced interest costs for policyholders.

The Insurance Program also systematized its approach for conducting refresher training for Insurance Specialists. The SQC and Performance Review Programs are used to highlight performance gaps and identify related topics for training. Instructors train using standardized lesson plans and provide step-by-step processing samples.

NCA

NCA is committed to ensuring that the burial and memorial needs of Veterans and their eligible family members are met. NCA assesses its success at meeting these needs by measuring the level of reasonable access Veterans have to a burial option at a VA national cemetery or VA-funded State Veterans cemetery, the level of satisfaction of our clients have with VA national cemeteries and memorial products, and the condition of gravesites in national cemeteries.

NCA measures reasonable access to a national or State Veterans cemetery through the use of Veteran population estimates based on the 2010 Census and provided by VA Office of the Actuary. NCA's methodology for determining the percent of the US population that has reasonable access to a burial option has been in place for more than 20 years and has been validated by VA Office of the Inspector General (OIG).

NCA measures client satisfaction through the use of nationwide surveys administered by independent contractors with extensive experience in survey data collection and analytical techniques. Survey results are analyzed and reported at a 95 percent confidence level consistent with recognized sound survey practice.

Results for NCA's annual Survey of Satisfaction with National Cemeteries provide statistically significant results from clients of VA national cemeteries at the national, Memorial Service Network, and cemetery levels. This multifaceted level of analysis enables NCA to recognize and address trends locally, regionally, and nationally to improve the client experience in a wide range of cemetery aspects. The methodology for this survey was originally established in 2001 and has been well developed through several years of experience.

This experience was critical in the development of NCA's Memorial Products Survey in 2010. This survey provides important client feedback on the quality of VA headstones and markers and PMCs. The majority of headstones and markers furnished by NCA are for the graves of Veterans interred outside of VA's national cemetery system. NCA also furnishes more than 600,000 PMCs to the families of deceased Veterans annually. Measuring the level of satisfaction of the recipients of these memorial products is critical to assessing NCA's overall level of customer service.

In 2004, NCA developed standardized criteria for assessing the condition of gravesites in national cemeteries in order to better assess NCA's performance on maintaining national cemeteries as national shrines. This effort led to the development of 3 critical performance measures that assess the proper height and alignment of headstones and markers; the cleanliness of headstones, markers and niche covers; and the proper grade levels of gravesites. These data support NCA's overall measure of client satisfaction with the appearance of national cemeteries as measured on NCA's annual Survey of Satisfaction with National Cemeteries and is an important factor in developing NCA's annual budget requests.

The use of independent contractors to administer NCA's client satisfaction surveys and independent validation of NCA's methodology for determining Veteran burial access attest to the high level of data quality NCA uses to measure the level of service provided to Veterans, their families, and other important NCA stakeholders, such as funeral home directors. Standardized assessment and reporting methodologies and training help to ensure that the data used to assess gravesite conditions are accurate, reliable, complete, and consistently reported. Independent validation by trained, cross-functional teams of NCA Organizational Assessment and Improvement Program subject matter experts ensures the validity of these data. These approaches serve as the foundation for NCA's client focused approach to ensure that the burial needs of Veterans and their eligible family members are met.

Major Management Challenge		Estimated Resolution Timeframe (Fiscal Year)	Page #
No.	Description (Responsible Office)		
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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. However, in the Office of Inspector General's (OIG) review of deficiencies in patient scheduling and lengthy waiting times at the Phoenix Health Care System (HCS), OIG also identified nationwide systemic deficiencies of inappropriate and non-compliant scheduling practices that still persist throughout VHA. These problems and the environmental culture that allowed the issues to proliferate negatively impact the quality of care and result in a lack of data integrity. OIG reviews at a growing number of VA medical facilities have provided insight into the current extent of these inappropriate scheduling practices and confirmed that they are systemic throughout VHA.

VHA faces particular challenges in managing access to care, including ensuring the legitimacy of reported waiting times at its health care facilities nationwide. Further, the effectiveness of clinical care, budgeting, planning, and resource allocations are negatively affected due to the continued yearly uncertainty of the number of patients who seek care from VA. Historically, 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 VA Medical Centers (VAMCs) and Community Based Outpatient Clinics (CBOCs) as well as national inspections and audits, issue-specific Hotline reviews, and criminal investigations. This year, OIG used more than half of its workforce to address wait time and inappropriate scheduling allegations. The following sub-challenges highlight the major issues facing VHA today.

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

VHA provides Veterans with comprehensive primary and specialty medical care; however, VHA continues to face challenges with matching Veterans' demands for specific types of medical care with the appropriate technology, infrastructure, and care providers. This is evident with VHA's difficulty in providing a proper mix of in-house mental health (MH) providers and outpatient MH services as well as integrating purchased care providers seamlessly into the plan of care for Veterans who receive their MH 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 VHA staffing standards for most physician specialist and MH providers, inaccuracies in data reported from the current appointment and consult management systems, and the lack of oversight to compel 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 electronic health record (EHR) that was originally a model for other health care organizations. However, VA's EHR has not been upgraded as necessary to keep pace with competing medical record systems with respect to appointment scheduling and decision support. In addition, VAMCs are permitted to modify certain aspects of the EHR, making it difficult and inefficient to implement national system updates and patches and resulting in diversity of nomenclature. VA's EHR has many outstanding features, but without improved standardization and a clear and workable plan going forward, VA will have increasing difficulty managing the data required by providers and administrators to ensure quality and timely health care for Veterans.

While VHA generally provides good quality medical care to its patients, recent OIG work has routinely reported on clinical outcomes or performance where VHA did not meet expectations and where OIG determined there were opportunities by people and systems to prevent untoward outcomes. To strengthen patient confidence and reduce risk of unexpected outcomes, VA managers must focus on operations oversight to ensure that VAMCs operate in accordance with VA and other applicable standards and that health care is VHA's number one priority. A lack of internal oversight and common business rules has resulted in quality of care deficiencies (poor care coordination, delays in diagnosis and treatment, lapses in patient safety, inadequate staff training, and noncompliance with VA policies) that were reported by OIG this past year. These instances include a patient death in an emergency department after safeguards in the EHR were bypassed, inaccuracies in and lack of follow through on root cause analyses, a patient death by overdose and insufficient monitoring in a substance abuse treatment program, a fragmented and inconsistent infection control program that put patients at risk, and concerns regarding operating room cleanliness. To correct these quality care deficiencies, 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 shortcomings.

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 U.S. 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 Program Response
Estimated Resolution Timeframe: FY 2014/2015
Responsible Agency Official: Under Secretary for Health

<u>Completed Fiscal Year 2014 Milestones</u>

<u>Productivity Standards</u>

Estimated Resolution Timeframe: 2015

Physician productivity standards have been established for 30 specialties representing more than 91 percent of the VHA's physician workforce.

- The standard for each specialty has been set as the FY 2013 mean by Medical Center Complexity Group for each specialty.
- These standards not only cover all physician specialties (including Internal Medicine and Psychiatry), they also include four non-physician specialties (Psychology, Optometry, Podiatry, and Chiropracty).
- These standards have been set for FY 2014 and will be revisited for FY 2015 (with consideration for transitioning to a standard relative to an external benchmark, such as the Medical Group Management Association).
- Only four specialties remain to be implemented: Anesthesiology, Pathology, Emergency Medicine, and Geriatrics.

The Office of Policy and Planning has utilized the Enrollee Health Care Projection Model to project clinical workload (in work Relative Value Units (wRVU)) by facility and by specialty for each of the 30 specialties with productivity standards established for FY 2018.

- These facility- and specialty-specific workload projections are being added to Specialty Productivity- Access Report & Quadrant Tool to provide a future workload trajectory (in wRVU) for guiding resource decisions and integrating operations, budget formulation and execution, and planning.
- Preliminary estimates of staffing requirements for physicians and support staff have been modeled using these Enrollee Health Care Projection Model estimates.

Using the framework and data that VHA put in place to measure physician productivity and staffing, we now use these data to assess capacity.

- The key elements of capacity include: 1) the numbers of clinical providers (physicians and physician extenders), and 2) the specialty-specific productivity expectations (acceptable/achievable levels of productivity) for each of those health care providers. The product of the two represents capacity.
- VHA can increase the number of providers, increase productivity, or increase both to increase capacity.
- Achieving desired levels of productivity for health care providers requires the following: 1) an efficient clinical environment (adequate numbers of exam rooms per provider and efficient clinic space, scheduling support, IT support (automatic appointment reminders for patients to minimize no-shows, etc.), Operating Room availability for surgeons, etc.), and 2) an optimal number and mix of clinic support staff per provider to ensure these providers can practice to the full extent of their license/capability.
- VHA has simulated productivity expectations (moving low performers to the standard) and calculated the appropriate support staff ratios to assist providers to become more productive or maintain productivity, as well as to assist potentially overburdened practices with the necessary physician staffing augmentation.

- These data were used in the assessment of VHA's actions to address national issues about access to care.
- Additionally, VHA used these data to assess for sites at significant risk - inefficient specialty practices (low productivity, poor access) Office of Performance, Efficiency, and Staffing (OPES) staff are actively engaging with these at-risk sites on process improvement.

Audiology Productivity Standard

Estimated Resolution Timeframe: OPES will provide a productivity cube that includes Audiology data by the end of FY 2014.

VHA Audiology Program Office and OPES are collaborating to develop and establish productivity standards for Audiology. OPES will provide a productivity cube that includes Audiology data by the end of FY 2014. OPES is on target to put into development a Rehabilitation Services Productivity Cube that will provide detailed data for Audiologists, as well as other Rehabilitation providers. OPES is responsible for developing the data to assist the program office in establishing policy regarding productivity and staffing.

Electronic Health Record

Estimated Resolution Timeframe: end of FY 2015

VistA Evolution is VA's program to create a seamless medical record for Veterans and modernize the EHR. VistA Evolution's main product is the next generation of VA's EHR system called VistA 4. VistA 4 includes clinical documentation and management features and scheduling functions, among other capabilities. VistA 4 also builds on VistA 3, which is standardization of the core VistA code across facilities.

This effort addresses three of OIG's concerns above: standardizing EHR across facilities with improvements, matching supply of available providers to the demands for health care, and management of narcotic users.

VistA standardization: VA standardized much of VistA code through the gold-disk effort of VistA 3. VHA is undertaking the deployment of standardized packages. The first nine standardization sites were completed in Quarter 1 of FY 2014, and standardization will be complete for all 133 VA medical center VistA instances by late 2015. A waiver program allows sites to get approval to maintain site-specific code that has clinical value. VistA 4 will be centrally deployed, similar to the Computerized Patient Record System versions. While the core code will not be subject to local modifications, tools will be provided for controlled customization within certain parameters. VistA 4's centralized software will also allow centralized control of content. This will allow VA to efficiently distribute and maintain, for example, rules for clinical reminders and decision support. OIT is officially responsible for these efforts with the VHA participation.

Matching demand to available providers: VHA is designing VistA 4 to explicitly address resource management through scheduling, care plans, and activity management. The Medical Appointment Scheduling System is the major acquisition to address scheduling. This new software will provide improved visibility for managers and scheduling clerks into supply and demand for appointments. The system is currently planned for deployment to initial sites by FY 2016 and enterprise-wide deployment complete by FY 2018. OIT is responsible for both projects.

<u>Management of Narcotic Users</u>**:**

In addition to scheduling-software improvements, activity management in the core EHR will help predict and manage clinical based resources. Activity management has two parts: 1) resource management and 2) business-process management. Resource management brings together caregivers, Veterans, Servicemembers and their dependents, material resources, and in the appropriate care settings for diagnostic, therapeutic, or informational tasks. External VA care partners are important members of the care team; therefore, activity management considers and integrates the activities, resource management and communications with these external care team members. Business-process management ensures sequencing of these tasks according to standardized or custom care pathways. Sequencing activities for a given patient across multiple clinical disciplines through a care plan identifies who is doing what, when, and with what resources. Managers will be able to use the outputs of activity management to appropriately allocate resources across time, geography, or virtual modes of interaction. Types of workflows can be evaluated to determine the best productivity and inform future decisions. OIT is primarily responsible with VHA Office of Informatics & Analytics (OIA) participating. Preliminary aspects of activity management will be deployed in FY 2016. Additional functionality will be gradually deployed to full functionality in 2018.

For the management of narcotics, VistA 4 will supplement the aforementioned pharmacy interventions with panel management and population health capabilities. VistA 4 will allow practitioners charged with managing narcotics to customize lists of patients to monitor progress towards goals or increased need and adjust therapy accordingly. OIT is primarily responsible with VHA OIA participating. Patient panel functionality will be deployed with basic functionality in 2016 with increasing functionality through FY 2018.

<u>Operations Oversight</u>

VHA Directive 2009-055, *Staffing Plans*, dated November 2, 2009, established national VHA policy to assist health care facilities in developing formal plans for staffing levels and the proper staff mix in all disciplines to support patient outcomes, clinical effectiveness, and efficiency. The Directive provides a framework for developing, implementing, and reviewing staffing plans. Managers at the point-of-care (facility level) make staffing decisions about the appropriate mix and level of staff required based on:

- Mandated national staffing levels or methodologies;
- Recommendations from the team providing the care or services; and
- Performance measures, patient outcomes, or other indicators or monitors of the accessibility and quality of care provided.

Recent events have shown marked vulnerabilities in the way care is managed and delivered requiring an approach that balances appropriate measurement, with better self-assessment, and focused plan for improving those areas that are underperforming. VHA needs to ensure appropriate levels of staffing and create hiring strategies for staff in regions of the country that are unusually competitive. Further, it will be critical that VHA quickly fill leadership positions at facilities and VISNs and subsequently ensures that new leaders are given the advanced skills to maximize success.

As such, VHA is finalizing a new handbook and directive that will define the policy for monitoring and assessing specialty provider group practice productivity and associated staffing levels. The Assistant Deputy Under Secretary for Health (ADUSH) for Patient Care Services and the ADUSH for Clinical Operations are responsible for the development of the staffing guidelines. The policy outlines general guidelines VHA facilities must follow on a yearly basis. The guidelines require assessing and measuring productivity and staffing, to include performing needs assessments for hiring.

In addition to increased focus on appropriate staffing, VHA is developing a framework that will combine self-assessment with use of key measures to determine facilities that may have a range of vulnerabilities that could put patient care at risk. These facilities will be paired with top performers to help accelerate and sustain improvements.

<u>Use of Narcotic Medications</u>

Estimated Resolution Timeframe: February 28, 2015

VA has taken steps to enhance prescribing and prescription fulfillment processes to prevent harms associated with the use of pain medications. Included among these steps are the following:

- Deployment of an Opioid Safety Initiative which was implemented nationwide in August 2013.
  - Monitoring of patients dispensed opioids
  - Monitoring of concurrent opioid/benzodiazepine prescribing
  - Monitoring of morphine equivalent daily dose
  - Monitoring of urine drug screens for patients on opioids for longer than 90 days

- To support implementation of the OSI, the National Pain Management Program office, in collaboration with other VHA offices including Pharmacy Benefits Management, Primary Care, and MH, has:
  - Developed detailed clinical guidance recommendations in instructional formats for training clinical teams throughout the VHA in safe opioid prescribing practices and the integration of safe, non-opioid, evidence-based pain therapies;
  - Disseminated this guidance, along with other pain management education developed jointly with DoD, through educational programs for VHA's Primary Care Services and Patient Aligned Care Teams (PACT), the VHA Pain Management Program's VISN and facility points of contact, and the VHA's pain Website.
- Deployment and implementation of Overdose Education and Naloxone Distribution in April 2014 to prevent harms from intentional or unintentional opioid overdose
- Successful piloting of an Academic Detailing/Psychotropic Drug Safety Initiative which is scheduled for nationwide implementation in Quarter 4, FY 2014
- Distribution of acetaminophen prescribing education information to the field on June 10, 2014. Education information can be found at the following link: http://www.pbm.va.gov/PBM/vacenterformedicationsafety/vacenterformedicationsafetybulletinsandnewsalerts.asp.
- Deployment and implementation of the Medication Order Check Healthcare Application to the field took place on July 9, 2014. The application is expected to reduce inadvertent prescribing harms such as drug interactions
- An Essential Medication Information Directive has been in concurrence since January 8, 2014. This directive will standardize how medication information is displayed to patients and staff.
- VHA Directive 1005, *Informed Consent for Long-Term Opioid Therapy for Pain*, published on May 6, 2014, establishes policy regarding patient education and informed consent for long-term opioid therapy for pain and policy regarding opioid pain care agreements.
- On March 21, 2014, a briefing on the need for a VA Medication Reconciliation/Patient Medication Overarching Strategy was conducted.

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

In response to allegations of gross mismanagement of VA resources and potential criminal misconduct by VA senior leadership at the Phoenix VA Health Care System (PVAHCS) that arose in April 2014, VHA needed to take immediate steps to ensure all Veterans receive appropriate and timely access to care. OIG identified several patterns of obstacles to care that resulted in a negative impact on the quality of care provided by the PVAHCS. Patients recently hospitalized, treated in the emergency department, attempting to establish care, or seeking care while traveling or temporarily living in Phoenix often had difficulty obtaining appointments. Furthermore, although OIG found that PVAHCS had a process to provide access to an MH assessment, triage, and stabilization, problems were identified with continuity of MH care and care transitions, delays in assignment to a dedicated health care provider, and limited access to psychotherapy services.

As of April 22, 2014, OIG identified about 1,400 Veterans waiting to receive a scheduled primary care appointment who were appropriately included on the PVAHCS electronic wait list (EWL). As work progressed, OIG identified over 3,500 additional Veterans, many of whom were on what was determined to be unofficial wait lists, waiting to be scheduled for appointments but not on PVAHCS's official EWL. These Veterans were at risk of never obtaining their requested or necessary appointments.

Subsequent to publication of the interim report on the initial Phoenix HCS allegations, OIG received approximately 225 allegations regarding the PVAHCS and approximately 445 allegations regarding manipulated wait times at other VA Medical facilities through the OIG Hotline, from Members of Congress, VA employees, Veterans and their families, and the media. VA OIG's Office of Investigations opened investigations at 93 sites of care in response to allegations of wait time manipulations. In particular, OIG focused on whether management ordered schedulers to falsify wait times and EWL records or attempted to obstruct OIG or other investigative efforts.

The national implications associated with the concerns of whether the facility's EWL purposely omitted the names of Veterans waiting for care, and at whose direction, and whether the deaths of any Veterans resulted from delays in care have shaken public confidence in VA's system of health care networks. OIG identified a systemic practice to manipulate performance metrics by intentionally leaving patients off wait lists and manipulating wait list data to better reflect performance on facility reports. OIG also identified a prevalent lack of management attention at the level expected of leaders at VHA medical facilities.

OIG's *Audit of VHA's Mobile Medical Units* assessed VHA's use of MMUs to provide health care access to Veterans in rural areas. This work was requested by the U.S. House of Representatives Committee on Appropriations. OIG found that VHA leadership and program managers knew little about the operations of its MMUs and were not collecting sufficient data to determine whether MMUs improved rural Veterans' health care access. VHA did not know the number, locations, purposes, patient workloads, and general operating costs of the units in this initiative. VHA operated at least 47 MMUs in FY 2013. Medical facilities only captured utilization and cost data in VHA's Decision Support System (DSS) for 6 of the estimated 47 MMUs. Consistent collection of these data could have helped VHA compare MMU utilization and costs with other health care delivery approaches. Such information could have enabled VHA leadership to make assessments and decisions to ensure MMUs provided efficient health care access to Veterans in rural areas. Though sound in concept, this initiative was weakened because VHA leaders did not designate specific program responsibility for MMU management, define a clear purpose for its MMUs, or establish policies and guidance for effective and efficient MMU operations. VHA was unable to demonstrate whether the almost $29 million spent, as well as unknown amounts of expended medical facility funding, had actually increased rural Veterans' health care access, and if it did, to what extent.

VA Program Response
Estimated Resolution Timeframe: ongoing
Responsible Agency Official: Under Secretary for Health

<u>Completed Fiscal Year 2014 Milestones</u>

<u>Access to Care</u>

VA is in the midst of addressing its most serious crisis in more than a generation. As we begin to tackle nationwide challenges for ensuring Veterans have timely access to health care they have earned, our priorities are clear: 1) to get Veterans off wait lists and into clinics, while also fixing our scheduling system; 2) to address VA's cultural issues, which includes holding people accountable for willful misconduct or management negligence, and creating an environment of openness and transparency; and 3) to use our resources to consistently deliver timely, high-quality health care to our Nation's Veterans.

VHA understood the need for immediate action prior to the release of OIG's Interim Report, *Review of Patient Wait Times, Scheduling Practice, and Alleged Patient Deaths at the Phoenix Health Care System,* on May 28, 2014. From May 12, 2014 through June 3, 2014, VHA conducted a nationwide Access Audit of 731 facilities to determine if allegations about inappropriate scheduling practices were isolated instances of improper practices or if broader, more systemic problems existed. Because initial findings from the audit were a strong basis to commence immediate action, on May 23, VHA:

a. Deployed the Accelerating Access to Care Initiative. This initiative identified roughly 100,000 Veterans who were currently experiencing long wait times for their VA health care. VHA immediately began contacting these Veterans to accelerate access to care either at VA facilities or through referral to community providers.
b. Launched the Leading Access and Scheduling Initiative in order to make rapid and definitive changes to ensure integrity in managing Veterans' access to care so we could maintain our focus on providing Veterans timely access to quality health care.

VHA not only responded immediately to the results of the nationwide access audit via Access to Care Initiative and Leading Access and Scheduling Initiative; we also took action to reform access to VA health care including, hiring additional clinical and patient support staff, using temporary staffing measures, deploying Mobile Medical Units, and providing more care by modifying local contracts for community care. In May 2014, when OIG published its Interim Report, providing VA leadership with four recommendations for immediate implementation, we acted on those recommendations immediately.

a. OIG recommended that the "VA Secretary take immediate action to review and provide appropriate health care to the 1,700 veterans we identified as not being on any existing wait list." In response:
   i. VA announced on June 4, 2014, that the Department had reached out to all Phoenix, Arizona-based Veterans identified by the IG as not being on any wait list to immediately begin scheduling appointments for all Veterans requesting care.
   ii. Of those Veterans identified by the IG 1,057 Veterans requested and were scheduled for medical appointments.
   iii. As of October 29, 2014, all 1,057 Veterans have been contacted, scheduled an appointment and either completed their appointment or did not show.
b. OIG recommended that the " VA Secretary review all existing wait lists at the Phoenix Health Care System to identify veterans who may be at greatest risk because of a delay in the delivery of health care (for example, those veterans who would be new patients to a specialty clinic) and provide the appropriate medical care." In response:
   i. As part of the review, VA reached out to more than 5,000 Veterans in Phoenix to coordinate the acceleration of their care. The 1,700 Veterans identified by the OIG are a subset of those 5,000 Veterans.
   ii. Those Veterans included all individuals on the Phoenix VA Health Care System's New Enrollees Appointment Request List , EWL and patients who were waiting greater than 90 days to receive a scheduled appointment.
   iii. Once contact had been made, Phoenix staff scheduled Veterans for appointments based on the Veterans' preference for the timing of their appointments as well as appropriate clinical need.
   iv. Clinical staff attempted to accommodate all needed appointments at the Phoenix VA Health Care System. Where capacity did not exist to provide timely appointments, staff referred patients to non-VA community care in order to provide all Veterans timely access to care.
   v. Since May 15, VA has scheduled 2,300 appointments at the Phoenix VA Health Care System and made 2,713 referrals for appointments to community providers through non-VA care.
c. OIG recommended that the "VA Secretary initiate a nationwide review of veterans on wait lists to ensure that veterans are seen in an appropriate time, given their clinical condition." In addition, on May 21, 2014, former Secretary Shinseki directed the Veterans Health Administration leadership to personally review their processes to ensure VA is doing everything possible to schedule Veteran patients for timely appointments. In response:

i. VA health care facilities nationwide continuously monitor clinic capacity in an effort to maximize VA's ability to provide Veterans timely appointments given their clinical conditions.
ii. Where VA cannot increase capacity, VA is increasing the use of care in the community through non-VA medical care.
iii. Approximately 200,000 new VA appointments nationwide were scheduled for Veterans between May 15 and June 15, 2014.
iv. Additionally, nearly 40,000 individual Veterans have received referrals for their care to private providers in the community in order for Veterans to receive needed care as quickly as possible.
v. Each of VA's facilities continuously reaches out to Veterans waiting greater than 90 days for care to coordinate the acceleration of their care.
vi. Facility clinical staff continuously evaluate Veterans currently waiting for care to determine if the timing of their appointment is medically appropriate given their individual clinical conditions.

d. OIG recommended that the "VA Secretary direct the Health Eligibility Center to run a nationwide New Enrollee Appointment Request report by facility of all newly enrolled veterans and direct facility leadership to ensure all veterans have received appropriate care or are shown on the facility's electronic waiting list." In response:
   i. The Health Eligibility Center, in connection with the Veterans Health Administration Support Services Center, developed a report to identify those individuals currently waiting on the NEAR List.
   ii. As of October 29, 2014, approximately 896 Veterans are on the NEAR list.
   iii. A preliminary analysis of the 61,900 Veterans removed from the NEAR list shows:
   1. 20 percent cancelled their request for an appointment
   2. 11 percent scheduled an appointment
   3. 2 percent were placed on the EWL
   4. 7 percent requested and were referred to other VA services
   5. 7 percent were in the early stages of eligibility and verification
   6. 52 percent are still in process
   7. Of the 52 percent in process, VA has made several attempts to contact those Veterans by phone. After verifying mailing addresses, VA sent certified letters to every Veteran who could not be reached by phone.

On July 23, 2014, the Interim Under Secretary for Health (USH) chartered a special workgroup to reinvigorate VHA's Performance Management Program, starting with the system-level measures used for the Agency's Performance Plan (APP). The workgroup will also provide recommendations for restructuring the process of measure governance, with particular attention to how VHA translates its high level priorities into strategic, tactical, and transactional measures that communicate our priorities and provide feedback for management and operations. VHA's intent is to create an environment in which all VA employees feel engaged with the measures that are used to monitor and improve performance, understand the primacy of Veteran-centered care over "meeting the target," and feel comfortable in raising concerns, regardless of their position in the organization. As this is a large scale overhaul of VHA's entire program planning, budgeting, performance measurement, and evaluation cycle, VHA anticipates the new system to be fully implemented in FY 2016.

Additional short term actions are also underway. VHA has removed all waiting-time based performance measures from VHA Senior Executive performance plans, and is seeking approval from the Office of Management and Budget to remove waiting time measures from VHA's FY 2015 Agency Performance Plan (anticipated completion date: September 30, 2014). As of May 30, 2014, facility and VISN Directors were directed to conduct "Listening Sessions" with front-line staff across all scheduling units to engage them in discussing access, integrity, and the integrity of performance measures. Visits to all scheduling units are expected to be completed by December 2014. As of October 29, 2014, 4,000 site visits have been completed.

Mobile Medical Units

VHA issued a memorandum to all VISN Directors to withhold funding for the purchase of new MMUs or for new resources for current MMUs until a comprehensive assessment is conducted to assess factors, such as the current composition of the MMU fleet, services provided, operational delays and costs, and the impact on rural Veteran's access to health care. VHA anticipates this review to be completed in September 2014. Contingent upon completion of the comprehensive assessment review, VHA will develop and publish MMU policies, objectives, strategy for providing program oversight and guidance for effective and efficient operations of MMUs. VHA will assign responsibility for maintaining operational data on MMUs to ensure the resources can be used as part of VHA's emergency plan. Additionally, VHA will implement a mechanism to ensure MMU-specific operations and financial data are collected in VHA's Decision Support System.

In April 2014, the Office of Finance Managerial Cost Accounting Office (MCAO) sent out guidance to all VA medical centers on how to properly account for MMUs in the DSS. This guidance included instructions on how to acquire a new division number, which is required for proper cost accounting of MMUs. In May 2014, the guidance was redistributed and the facility Directors identified in the OIG report were provided with a status update.

As of September 30, 2014, MCAO reported the following: 1) 42 MMUs require no further action (have acquired division numbers enabling them to be properly accounted for in DSS); 2)23 MMUs pending action in the Veterans Affairs Site Tracking (VAST); 3) division request need to be initiated; and 4) 0 pending clarification. The reason that the total number of MMUs has grown is that MCAO, in collaboration with the staff at VAST, have uncovered a number of sites that had dual MMUs sharing the same division number. The reason that these sites provided for this practice is that the MMUs provided identical clinical services and often shared staff. These sites have been instructed to acquire a separate division number for each MMU, regardless of the services provided and staff that is shared.

OIG Sub-Challenge #1C: Care of Homeless Veterans (VHA)

The need for timely access to appropriate health care for our homeless Veteran population is also a significant challenge. VA has been involved in street outreach, residential and transitional housing services, vocational rehabilitation, access to primary and MH care, counseling for substance abuse and assistance with benefits for those who qualify. One resource available is VHA's Supportive Services for SSVF. Under this program, VA awards grants to private nonprofit organizations and consumer cooperatives that can provide a range of supportive services to eligible very low-income Veteran families. Supportive services include outreach, case management, and assistance in obtaining VA benefits and coordinating other public benefits available in the grantee's area or community. The program is designed to rapidly re-house homeless Veteran families and prevent homelessness for those at imminent risk due to a housing crisis. SSVF grantees can make temporary financial assistance payments on behalf of Veterans to third-party providers to cover rent, utilities, security deposits, moving, transportation, child care, and emergency supplies.

The program has been successful in that it provided services to over 62,000 participants in FY 2013 although it was projected to serve only 42,000 for the entire fiscal year. To date, over 80 percent of those discharged from SSVF have been placed in or saved their permanent housing. OIG's review of the SSVF program indicates that the program has adequate financial controls in place and is working as intended to ensure funds are appropriately expended by grantees to care for the homeless.

However, SSVF program leaders can improve controls to ensure only eligible Veterans and their family members participate in the program. OIG found three of five grantees used outdated area median income limits to determine eligibility and were denied benefits. In addition, four of five grantees did not verify Veterans' discharge status with the required Certificate of Release or Discharge from Active Duty (DD 214), which could have allowed non-Veterans to receive benefits for which they were not eligible. For FY 2013, the SSVF Program awarded about $100 million in grants. Grant funding for FY 2014 has increased to $300 million. VHA needs continued diligence to ensure Veterans and families, who are homeless or at risk of homelessness, are adequately served.

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

Completed Fiscal Year 2014 Milestones

SSVF will provide email notification to all grantees when area median income (AMI) limits are published by HUD. In addition, SSVF will continue to provide guidance on how to find the current AMI in the SSVF Program Guide and through training provided by SSVF Regional Coordinators. On February 21, 2014, the SSVF program office issued HUD's AMI in an email sent to all grantees. The email stated the following:

> "The FY 2014 Area Median Income (AMI) limits were published by HUD at the end of 2013. Grantees should confirm that the AMI limits that they are using are the most current limits. To do this, grantees can go to the HUD User Data Site at http://www.huduser.org/portal/datasets/il/il14/index_il2014.html. They can then click on the gray box for FY 2014 Income Limit Documentation. They can select a state and a county and then click on the next screen button. This will take them to the limits at 30 percent, 50 percent, and 80 percent per household occupants. Grantees are reminded that in order to be eligible for SSVF, a Veteran family must have a gross annual income that is at or below 50percent AMI (which is considered very low-income)."

SSVF issued updated guidance to the field on December 19, 2013, instructing grantees on the SSVF eligibility requirements. Additionally, on December 19, 2013, SSVF conducted a national webinar for all SSVF grantees reviewing eligibility for services. This guidance detailed how grantees can ensure that Veterans are eligible for services. On March 31, 2014, a portion of this guidance was revised to reflect the original application of SSVF program eligibility under the SSVF regulatory definition of Veteran (38 CFR Part 62). VA is reviewing the implications that changes in SSVF eligibility and the application of Veterans under 38 CFR Part 62 might have on homeless and at-risk Veterans and on SSVF grantees. Furthermore, SSVF continues to provide ongoing technical assistance and guidance regarding Veteran eligibility. In addition to written guidance (see Section VI.B. of Program Guide below), SSVF reviewed eligibility during a national conference call in April 2014, in subsequent monthly calls conducted by SSVF staff, and regional meetings held during summer 2014.

The following guidance has been excerpted from the SSVF Program Guide:

> "Veterans eligible for SSVF must also meet the requirements defined for VHA benefits, found at http://www.va.gov/healthbenefits/resources/epublications.asp. To prove a participant's Veteran status, grantees should obtain a copy of the Veteran's Department of Defense (DD) Form 214 Certificate of Release or Discharge from Active Duty (see Section I.D. of Program Guide for definition of DD Form 214) and keep a copy of that form in the Veteran family's file. VA

recommends one or more of the following may be used as verification of Veteran status in lieu of the DD214: a VA Medical Card, HINQ (see below), or proof from VBA of a VA service connected disability.

The Department of Veterans Affairs (VA) utilizes several methods of Veteran eligibility verification:

a. The Health Eligibility Center (HEC) supports VA's health care delivery system by providing centralized eligibility verification and enrollment processing services.
b. Hospital Inquiry System (HINQS) is used by VA Medical Centers to query VBA's compensation and pension BDN to secure information on C&P entitlements and eligibility.
c. Veteran Information Solution (VIS) is a web-based application that provides a consolidated view of comprehensive eligibility and benefits utilization data from across VBA.

To request verification through an existing VIS or HINQS user, grantees can call a designated staff at the local VA medical center with VIS access. Some facilities work out a call process with the VHA registration staff. Grantees unfamiliar with either of these processes may contact their SSVF Regional Coordinator for assistance."

In addition, grantees have been instructed that documents needed to confirm eligibility can also be obtained online through the following resources:

- E-benefits enrollment: https://www.ebenefits.va.gov/ebenefits-portal/ebenefits.portal
- Online application for VHA services: https://www.1010ez.med.va.gov/sec/vha/1010ez
- DD214 online: http://www.archives.gov/veterans/military-service-records/

VA will ensure compliance with AMI guidelines and eligibility requirements through annual monitoring visits conducted by VA Regional Coordinators and contract staff as well as periodic audits conducted by VA's Financial Services Center. Additionally, in order to further ensure compliance, the SSVF Program Office will continue to conduct training on these topics in the first quarter of FY 2015.

OIG CHALLENGE #2: BENEFITS PROCESSING
-Strategic Overview-

Persistent large inventories of pending claims for compensation benefits pose a continuing challenge for Veterans Benefits Administration (VBA). As of September 2014, this inventory of claims is 515,621, with a backlog of 241,991 claims pending over 125 days. This backlog is attributed to an increase in the disability claims workload, in part due to returning Iraq 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 as well as court decisions, technology issues, workload management, and staffing concerns also contribute to VBA's benefits processing challenges.

In efforts to address this backlog, VBA has adopted numerous 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 Benefit Offices, provisional ratings for claims over two years old, expedited rollout of Disability Benefits Questionnaires, and mandatory overtime for claims raters. Efforts to reduce the backlog of claims waiting to be processed have resulted in VBA actions to reprioritize workloads and reallocate staff from other programs.

OIG reported VBA continues to experience challenges in ensuring its 56 VA Benefit Offices comply with VA regulations and policies and deliver consistent operational performance. Some initiatives to reduce the claims backlog were put in place without adequate controls. OIG continues to report the need for enhanced policies and procedures, training, oversight, quality reviews, and other management controls to improve the timeliness and accuracy of VBA's disability claims processing. OIG reports issued in 2014 highlight continued VBA challenges in managing the claims backlog and ensuring accuracy in disability benefits processing.

Delivering timely and accurate benefits is central to VA's mission. VBA is responsible for oversight of the nationwide network of VA Benefit Offices that administer a range of Veterans benefits programs, including compensation, pension, education, home loan guaranty, vocational rehabilitation and employment, and life insurance. These programs are estimated to pay out over $73 billion in claims to Veterans and their beneficiaries in FY 2015, and comprise approximately half of VA's total budget.

OIG conducts inspections of VA Benefit Offices on a three-year cycle to examine the accuracy of claims processing and the management of Veterans Service Center (VSC) operational activities. After completion of the inspections, reports are issued to each VA Benefit Office Director on the inspection results. These inspections address the processing of high-risk claims such as TBI and temporary 100 percent disability ratings. In FY 2013, OIG initiated the second cycle of reviews of all VA Benefit Offices. Furthermore, OIG is also performing separate reviews focused on two of VBA's major initiatives related to accuracy of electronic processing of claims using VBMS and effectiveness of provisional decisions under the Special Initiative to Process Rating Claims Pending Over 2 Years. For example, at the end of June 2013, VBA reported 516,922 rating claims pending in its backlog, including 1,258 rating claims pending over two years. For that same time frame, OIG estimated that 7,823 provisionally-rated claims had been removed from the inventory although they were still waiting for final decisions. These 7,823 provisionally-rated claims represent less than 2 percent of VBA's reported backlog; however, they represent over 12 percent of the claims completed under the special initiative.

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

VA Benefit Office staff faced challenges providing accurate decisions on Veterans' disability claims. For our inspections, OIG sampled claims with certain medical disabilities considered to be at higher risk of processing errors, thus results do not necessarily represent a VA Benefit Office's overall accuracy in processing disability claims. Claims processing that lacks compliance with VBA procedures could increase the risk of improper payments to Veterans and their families.

From October 2013 through June 2014, OIG inspected 16 VA Benefit Offices and reported on their performance in 5 claims areas:

- Temporary 100 percent disability evaluations for service-connected conditions requiring surgical or medical treatment.
- TBI.
- Special Monthly Compensation (SMC).
- Systematic Analyses of Operations (SAO).
- Benefits Reductions.

OIG determined VA Benefit Office staff did not correctly process 35 percent of the total 977 claims sampled primarily due to a lack of oversight and training. Specifically, VA Benefit Office staff incorrectly processed:

- 52 percent of 359 temporary 100 percent disability evaluations, resulting in nearly $3 million in improper payments within this sample of national claims.
- 18 percent of 326 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.
- 37 percent of 292 claims involving SMC and ancillary benefits.

VBA's management of temporary 100 percent disability evaluations is considered ineffective and as a result OIG sees significant risks of improper payments. In OIG's June 2014 report, *Follow-up Audit of VBA's 100 Percent Disability Evaluations,* the objective was to determine whether VBA took sufficient action to implement Recommendation Seven from the prior 2011 OIG report. The recommendation was to "Conduct a review of all temporary 100 percent disability evaluations and ensure each evaluation has a future exam date entered in the Veterans' electronic records." OIG previously reported in the 2011 *Audit of 100 Percent Disability Evaluations* that VBA was not correctly evaluating and monitoring 100 percent disability evaluations. At that time, OIG projected that VA Benefit Office staff did not correctly process 100 percent disability evaluations for about 27,500 (15 percent) of 181,000 Veterans. The 27,500 disability evaluations included over 9,900 Veterans with temporary 100 percent disability evaluations without future exam dates entered in the electronic record. Without improved management of these claims, VBA could overpay Veterans a projected $1.1 billion in the next five years.

As of January 2014, VBA identified over 8,300 temporary 100 percent disability evaluations for VA Benefit Offices to review; however, 7,400 (88 percent) had not been reviewed. Further, OIG estimated 3,100 (42 percent) of these Veterans had received almost $85 million in improper benefit payments since January 2012 because their claims lacked adequate medical evidence. OIG remains concerned about VBA's financial stewardship of these claims and projects that without action, VBA could continue making unsupported payments to Veterans totaling about $371 million over the next five years. The most recent OIG follow-up audit reported a $456 million ($85 million plus $371 million) total impact to the Government. This projection was reduced to $222.6 million for reporting purposes because the 2011 projection and report included all benefits before December 31, 2015.

The pressure to reduce the backlog has had a negative and sometimes unintended impact on other aspects of claims processing. On April 19, 2013, VBA began a special initiative to process all claims pending for two years or more. VA Benefit Office staff were to issue decisions on all these within 60 days if there was sufficient evidence to make a decision. As such, a new "provisional" rating category was established. VBA applied this initiative to all claims received on or before July 1, 2011. VBA identified a total of 62,600 claims under this initiative. However, VBA's provisional rating policy was not fully effective in meeting the special initiative goals. In comparison with the existing intermediate ratings policy, provisional ratings provided some claims decisions faster, but did not allow benefits to be granted more quickly. Further, by removing provisionally-rated claims from the backlog, VBA misrepresented its workload statistics and progress toward backlog elimination.

OIG takes exception to VBA's procedures in its provisional ratings policy because it focused on providing decisions that removed these claims from the pending inventory. VBA considered claims to be complete upon issuance of provisional ratings in spite of Veterans still awaiting final ratings decisions. Further, VA Benefit Offices did not prioritize finalization of provisionally-rated claims once they were no longer considered part of the backlog. OIG estimated 6,000 Veterans with provisional ratings were awaiting final decisions as of January 2014. VBA did not always ensure electronic system controls were functioning as intended to remind of the need for future actions to finalize these provisional ratings. VBA also did not accurately identify all provisionally-rated claims that needed to be tracked and managed through to finalization. Because of this lack of controls, some Veterans may never have received final rating decisions if not for OIG's review.

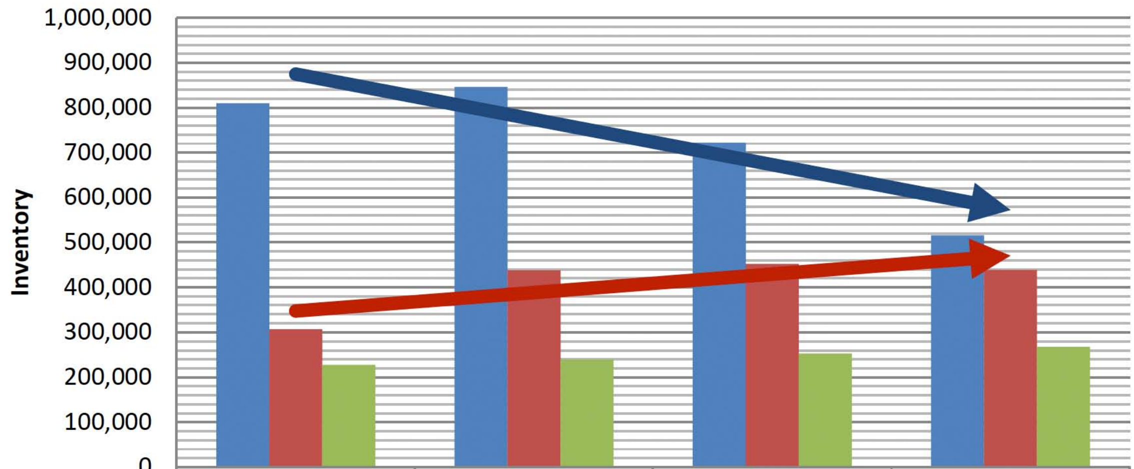
VBA also did not accurately process 77 (32 percent) of 240 rating decisions issued under the special initiative. Generally, these errors occurred because VA Benefit Offices felt pressured to complete these claims within VBA's 60-day deadline. OIG estimated VA Benefit Office staff inaccurately processed 17,600 of 56,500 claims, resulting in $40.4 million in improper payments during the special initiative period.

There is a correlation between the special initiative and recent VBA statistics that the claims backlog is decreasing. The backlog has actually decreased by 17 percent since the end of FY 2011. However, claims not counted in the inventory (non-inventory rating) are increasing—by a staggering rate of almost 51 percent during the same period. VBA's special initiative to reduce the number of claims pending over two years or more provides an example of how, if not why, this is happening. In essence, when claims were reviewed under this initiative, claims that were ready-to-rate (having sufficient evidence on file) were completed and granted, or denied. Claims awaiting certain evidence were given a provisional rating, for which the criteria are quite complicated. These claims were electronically coded to "be reviewed and rated in 365 days" and taken off the inventory. VBA sent notification to the Veterans, advising of the 'provisional' ratings and requesting the evidence needed to support their claims. However, these claims were no longer treated as pending claims. Thus, the inventory of pending claims dropped while claims in the non-inventory category increased.

Figure 1 illustrates the shift in the claims processing workload for about the last three years.

Figure 1. VBA Workload Data

(as of January 31, 2014)



	End of FY2011 (30 Sep 11)	End of FY2012 (30 Sep 12)	End of FY2013 (30 Sep 13)	End of FY2014 (30 Sep 14)
Rating	810,455	846,590	722,013	515,621
Non-Rating	306,848	438,141	452,214	439,095
RO Appeals	227,609	239,999	252,253	267,857

A key point of interest is the increased appeals inventory resulting from VBA's focus on eliminating the claims processing backlog. OIG is committed to performing more work in this area until a clear and decisive accounting of the claims workload is available and the processes are transparent to VA decision–makers.

Further, OIG is concerned that the pressure to complete claims under the special initiative has led to a high number of errors. Claims are typically reviewed by VBA's internal quality control staff at the VA Benefit Office, as well as a sample of claims reviewed by the Systematic Technical Accuracy Review (STAR) team. However, work under the special initiative was expected to be completed within 60-days at the direction of the Under Secretary. As such, VA Benefit Office management advised that the quality of the decisions made in processing these claims was not assessed. VA Benefit Office staff also advised OIG that neither internal quality reviews nor STAR reviews were undertaken for claims processed as part of this special initiative until after the initiative was completed. The pressure to meet the 60-day deadline led to incorrect processing of as many as one-third of the claims processed under the special initiative. Errors included insufficient evidence to make a decision, incorrect evaluation of a Veteran's disabilities, incorrect effective dates for payment, not deciding on all issues in the claim, and not properly notifying the Veteran of a decision. Despite the fact that the special initiative resulted in over 62,000 claims processed in 2 months, the net gain might not be what was expected.

Another aspect of VBA's challenge to ensure accurate claims payments is ensuring Veterans are not concurrently compensated when performing their Reservist or National Guard obligations. Federal regulations prohibit Reservists and National Guard members from concurrently receiving VA compensation or pension benefits along with military reserve pay, also known as "drill pay." OIG determined VBA did not timely process VA benefits offsets when drill pay was earned concurrently. According to VBA, higher priorities, such as processing compensation claims, took precedence over processing offsets. VBA also lacked an adequate tracking mechanism, a current cost-benefit analysis, and SAO reviews of the drill pay offset process. VBA's rate of unprocessed offsets reported in OIG's 1997 audit was almost the same as the rate in the current review. Therefore, VBA has not processed hundreds of millions of dollars in offsets since OIG's previous report. VBA could recover millions in improper payments using the offset process. OIG's 2014 audit estimated that VBA could recover approximately $623.1 million in improper payments.

VA Program Response
Estimated Resolution Timeframe: 2015
Responsible Agency Official: Under Secretary for Benefits

<u>Completed 2014 Milestones</u>

As part of its largest transformation in history to fundamentally redesign and streamline the way it delivers benefits and services, VBA is now electronically processing over 90 percent of its claims inventory in a new digital environment, VBMS. Combined with such initiatives as increased brokering of claims, centralized mail, access to the Social Security Administration's Government Services Online system, electronic service treatment records, and mandatory overtime, VBA completed a record-breaking 1.3 million disability rating claims in FY 2014, compared to the previous record of 1.17 million claims in FY 2013. In conjunction with recent training, such as the Specialized Adjudication Review and Supervisory Technical Analysis of Data courses, claim-level accuracy increased from 83 percent in June 2011 to 90.4 percent as of September 30, 2014; accuracy is 96 percent at the issue-level.

Although VBA focused on its priority goal to eliminate the disability rating claims backlog for Veterans who have been waiting the longest, and is achieving record-breaking levels of production, VBA did not ignore non-rating claims. VBA continued to complete more non-rating work each year; however, as more rating claims are processed, non-rating receipts increase. VBA completed 2.7 million end products beyond the record breaking rating-related work accomplished in FY 2014, an increase of approximately 170,000 over FY 2013. VBA is now handling non-rating workload such as dependency claims by using contractors, National Call Centers, and the Rules-Based Processing System, which automatically processes such claims.

As of September 30, 2014, VBA's pending workload included: 515,621 claims awaiting a rating decision, 439,095 non-rating claims, and 267,857 appeals at regional offices.

VBA's "Oldest Claims" initiative was launched in April 2013 and ended on November 8, 2013. During this timeframe, VBA rendered over 500,000 rating decisions to Veterans who had been waiting the longest for a decision on their claim. Of those, about 14,800 (less than 3 percent) of the decisions rendered during this timeframe were "provisional" rating decisions. Of these decisions, 10,277 (71 percent) granted service connection for at least one condition.

On June 2, 2014, VBA directed a complete review of all provisional rating decisions to be concluded by September 1, 2014, or at least one year after the provisional rating was issued (whichever was later), unless additional evidence needed to correctly decide the claim remained outstanding. With the exception of five cases pending at the Board of Veterans' Appeals, regional office Quality Review Teams reviewed all provisional decisions to determine if the ratings were completed properly, if a final rating was warranted, or if further development was necessary.

VBA updated the Traumatic Brain Injury Training and Performance Support System (TPSS) module, which is required for all rating personnel assigned to Special Operations, Appeals, or Quality Review Teams. In July 2014, VBA reminded RO personnel when to rate co-morbid mental disorders separately from other TBI residuals.

In December 2013, VA corrected a defect in the Special Monthly Compensation Calculator that impacted the basic rate in cases at the SMC R1 and higher level.

VBA redistributed resources to focus on processing drill pay waivers and offsets. In May 2014, VBA modified the existing internal controls Systematic Analysis of Operations (SAO) requirement for regional offices to also include an analysis of drill pay matching activities to better monitor these reviews, identify existing or potential problems, and evaluate the effectiveness of any corrective actions taken. All regional offices will complete this on their standard, annual SAO completion schedule.

VBA implemented an aggressive plan to ensure appropriate action is taken on all temporary 100 percent disability evaluations either within 180 days of their inclusion on the temporary 100 percent report, or upon the maturation of the future examination indicator that is established when VA awards a Veteran a temporary 100 percent evaluation.

OIG Sub-Challenge #2B: Improving the Management of VBA's Fiduciaries (VBA)
OIG substantiated allegations of mismanagement at VBA's Eastern Area Fiduciary Hub, including systemic misuse of beneficiary funds. The Fiduciary Program oversees the benefits paid to Veterans, or family members, who are incapable of handling their financial affairs either because of injury, disease, infirmities of advanced age, or being under 18 years of age. Under the program, VA appoints a fiduciary (individual or entity) to receive and disburse VA benefits on behalf of the beneficiary. As of August 2013, the

Fiduciary Program reported providing oversight of fiduciaries responsible for more than 150,000 beneficiaries. Field examinations are 'spot-checks' by VBA officials to ensure beneficiaries are being cared for as expected and that fiduciaries are doing their jobs as required.

OIG noted VBA leaders failed to take the required actions when misuse of beneficiary funds was identified. OIG determined VBA staff was negligent in its oversight of the fiduciaries' misuse of funds. Further, actions (when taken) were not within standards—in some cases VBA took no action when misuse occurred. As a result, VA could be responsible for repayment of approximately $944,000 to the affected beneficiaries.

In addition, OIG substantiated VBA had a large backlog of pending field examinations, specifically at this Fiduciary Hub. More than 11,000 (69 percent) of 16,000 pending field examinations had not been completed within the 45 days established in its timeliness standards. As a result, the general health and well-being of beneficiaries are placed at increased and unnecessary risk. OIG also identified more than 3,200 pieces of mail that had yet to be processed and exceeded processing timeliness standards at this Fiduciary Hub. Some of these documents were time-sensitive and critical to the Veterans' receipt of the proper health care and benefits. Delays in processing the 3,200 pieces of mail ranged from 11 to 486 workdays, with an average delay of 30 workdays. Without effective management of incoming mail, those receiving VA benefits could be negatively affected.

VBA beneficiary funding managed by the Fiduciary Program are at risk for fraud based on program weaknesses. From April 1, 2009, to March 31, 2014, OIG conducted 146 investigations involving fiduciary fraud and arrested 79 fiduciaries and/or associates. OIG investigations highlight program vulnerabilities that are exploited by unscrupulous individuals at the expense of VA beneficiaries.

Three recent examples illustrate the effective approach OIG has in combating fiduciary fraud by pursuing prosecution and court-ordered restitution against those individuals diverting funds intended for VA beneficiaries. In the first example, an OIG investigation revealed that a VA-appointed fiduciary diverted for his own use $8,208 of his father's VA benefits. In April 2013, after pleading guilty to charges relating to his theft, the subject was sentenced to 20 months' incarceration and ordered to pay $8,208 in restitution. In the second example, an OIG investigation revealed that a VA-appointed fiduciary, while employed with a professional financial services company, diverted $17,000 in funds intended for the Veteran. The fiduciary was arrested and in February 2014 agreed to a pretrial diversion agreement requiring repayment of $17,000 in restitution to the Veteran. In the last example, an OIG investigation revealed that a VA-appointed fiduciary diverted $26,108 of a Veteran's funds for his own personal use. The subject was indicted, arrested, and in December 2013, agreed to a pretrial diversion agreement requiring him to pay $26,108 in restitution to the Veteran.

VA Program Response
Estimated Resolution Timeframe: 2015
Responsible Agency Official: Under Secretary for Benefits

Completed 2014 Milestones

VBA has made significant changes to the fiduciary program to improve the services it provides to beneficiaries who cannot manage their VA benefits. VBA improved the processing of fiduciary matters when it deployed a new fiduciary workload management system, the Beneficiary Fiduciary Field System (BFFS), in May 2014. BFFS provides the ability to track, manage, and report on the status of misuse of benefits by fiduciaries throughout the entire process, from allegation through debt collection. VBA centrally monitors the information in BFFS to ensure oversight of fiduciaries and confirm field compliance with program policies and procedures.

In FY 2014, VBA took steps to improve the identification and prevention of misuse of beneficiary funds. VBA developed new misuse training designed for the specific responsibilities of field employees. This mandatory training course will be deployed during the first quarter of FY 2015. BFFS automates the misuse protocol and ensures that field personnel address all steps in the standardized process. In addition, in November 2013, VBA implemented new procedures (VBA Fiduciary Misuse Debt Processes) to ensure that field employees initiate debt collection from fiduciaries who misuse the benefits they were entrusted to protect. VBA also made it easier to track fiduciary debts in both the Centralized Administrative Accounting Transaction System (CAATS) and the Financial Management System. The new BFFS system includes data fields to monitor and report on debt establishment, payments received, and reissued benefits. BFFS provides this data regarding fiduciary activities occurring after deployment of the system, and fiduciary program personnel will use it to compile and maintain misuse case reports.

In February 2014, VBA deployed an “Accounting Wizard,” which it later incorporated in BFFS, for Legal Instrument Examiners to use when auditing accountings. The tool improves accounting auditing accuracy, reduces common processing errors, and improves efficiency by automatically generating correspondence and accounting packages.

VBA has implemented a plan for field examiners at the Eastern Area Fiduciary Hub (EAFH) to process both initial appointment and fiduciary-beneficiary field examinations timely. In March 2014, the EAFH implemented a plan to eliminate its backlog of field examinations by the end of FY 2015. The EAFH also created new standard operating procedures to process all incoming hub mail based on the date of its initial receipt at VA.

In its first major update to the fiduciary regulations since the 1970s, VA prescribed new rules for all aspects of the program's administration, specifically the rights of beneficiaries and the roles of VA and fiduciaries. On January 3, 2014, VA published the proposed regulations in the Federal Register (79 Fed.Reg.429). Final regulations are under development, and VA anticipates completion by the end of December 2014.

In FY 2014, VBA established promulgation teams in the Fiduciary Hubs. These teams issue final decisions regarding beneficiaries' ability to manage their VA benefits, initiate monthly benefit payments to fiduciaries on behalf of beneficiaries, and release beneficiaries' retroactive payments to their fiduciaries. This new process ensures timely release of benefits to beneficiaries and eliminates hand-offs between VBA's Pension Management Centers, Veterans Service Centers, and Fiduciary Hubs.

OIG Sub-Challenge #2C: Improving Access to Benefits for Rural Veterans (NCA)

Congress expressed concerns that NCA is not adequately serving the Nation's Veterans residing in rural areas. Some concerns included identifying the number and geographical areas where rural Veterans are unserved, assessing gaps in service between rural and urban Veterans, recommending appropriate policy on new national cemeteries to serve rural areas, and developing a national map showing locations and number of unserved Veterans. NCA's Rural Veterans Burial Initiative does not adequately identify the number and percentage of Veterans residing in rural areas who do not have reasonable access to a burial option.

OIG determined that prior to the planned NCA Rural Veterans Burial Initiative, NCA was not providing reasonable access to a burial option for approximately 302,000 (34 percent) of about 888,000 rural Veterans in the initiative's 8 targeted states. When completed, NCA's Rural Veterans Benefits Initiative was expected to decrease the total number of unserved rural Veterans by nearly 120,000 (40 percent) to about 182,000 in these 8 states.

OIG's review indicated NCA could not adequately identify the number and percentage of unserved Veterans who reside in rural areas because it uses a methodology that identifies Veterans residing within a 75-mile radius of a national, VA-funded state or tribal organization Veterans' cemetery, and does not classify Veterans as rural, urban, or any other designation. In addition, NCA leadership lacked a specific performance measurement that evaluated NCA's progress towards increasing service to rural Veterans. As a result, NCA cannot evaluate the level of service provided to Veterans and their families residing in rural areas throughout the eight targeted states and the entire Nation. Without this specific Veteran population information, NCA cannot adequately report to Congress and other stakeholders its performance serving rural Veterans.

VA Program Response
Estimated Resolution Timeframe: 2015
Responsible Agency Official: Acting Under Secretary for Memorial Affairs

Completed 2014 MMC Milestones

With the establishment of 13 new national cemetery facilities currently planned, NCA will serve 96 percent of the Veteran population with access to a burial option. While NCA cannot quantify the percent of the Veteran population that may be identified as rural, it is clear that a substantial number of rural Veterans have been and will be provided access to a burial option using our current methodology of locating cemeteries in areas of greatest need based on county level Veteran population. In order to provide more specific Veteran population information, NCA concurred with all three recommendations in the OIG report and began work in late FY 2014 to address these recommendations. NCA is developing new analytical tools, including a new database, which will enable NCA to "drill down" and better identify and analyze the level of service VA provides to veterans in rural areas. These tools will also enable NCA to develop performance measures specific to the level of service provided to rural veterans and to develop a national map that shows the distribution of rural veterans who are considered to be served by a burial option within a reasonable distance of their residence. VA expects to complete the work to address these recommendations by the middle of FY 2015.

Planned FY 2015 Milestones with Estimated Completion Quarter

1) Develop a methodology to identify the number and percentage of served and unserved rural veterans throughout the Nation – First Quarter FY 2015
2) Produce a national map showing the areas and number of served and unserved rural veterans – First Quarter FY 2015
3) Establish performance goals for the percentage of rural and urban veterans served – Second Quarter FY 2015

OIG Sub-Challenge #2D: Management and Administration of Education Benefits (VBA)

Since its inception, the Post 9/11 G.I. Bill education assistance program has been difficult for VA to manage successfully. OIG evaluated VBA's administration of Post 9/11 G.I. Bill monthly housing allowance and book stipend payments. There are significant risks in the program due to its size and the amount of the budget for education benefits delivery. During calendar year 2013, VBA paid about $5.4 billion in housing allowances and book stipends to approximately 789,000 students. OIG found students generally experienced payment processing delays in their housing allowance and book stipends. In addition, VBA improperly paid book stipends that were not collected from students after they withdrew from courses. Thus, OIG estimated students annually experience about $60.8 million in payment processing delays and about $41 million in improper or inaccurate payments.

Inaccurate filings from the students caused significant delays; however, VBA did not effectively monitor schools to ensure they timely submitted accurate enrollment information. VBA staff processing errors and computation problems in the automated claims processing system also caused inaccurate payments.

VA Program Response
Estimated Resolution Timeframe: 2015
Responsible Agency Official: Under Secretary for Benefits

Completed 2014 Milestones

Since deploying the Long Term Solution end-to-end automation feature for processing education claims in September 2012, VBA significantly improved the timeliness of Post-9/11 GI Bill payments. Prior to this deployment, VBA faced timeliness challenges during the 12-month period ending March 31, 2013, covered by the OIG report. During FY 2014, Veterans received their Post-9/11 GI Bill payments and eligibility determinations quickly as original claims were processed in an average of of 16.7 days and supplemental claims in an average of 5.9 days. VBA reviewed 43 cases that OIG identified with improper payments, as defined by the Improper Payments Elimination and Recovery Act, and took action to appropriately recover these debts.

VBA addressed the timeliness of enrollment submissions by schools by determining and establishing a timeliness standard for submitting initial enrollment certifications. The approved standard was published in the School Certifying Official (SCO) Handbook and is reviewed during compliance visits with the SCO. In addition, on August 20, 2014, VBA's quarterly webinar reiterated the availability and importance of the online SCO training and the importance of schools submitting timely and accurate enrollment certifications.

VBA reviewed the current methodology for quality reviews to determine the feasibility to track and report by document type. A new methodology has been identified to track enrollment documents by type within the sample population. VBA will implement the new methodology beginning FY 2015.

In addition, VBA issued a training reminder to the education liaison staff to regularly update school information in the Web Enabled Approval Management System and include accurate full-time equivalency information in the schools' profiles. During the week of August 4, 2014, VBA also addressed this topic during a training conference.

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. VA's failure in some instances to ensure accurate payments to Veterans through its range of compensation, education, and medical service programs is one way in which improper payments occur. VA could also improve accuracy in initiating and monitoring Workers' Compensation Program (WCP) claims to return employees to work when they are medically able. 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.

For the 15th consecutive year, OIG's independent auditors provided an unqualified opinion on VA's FYs 2013 and 2012 consolidated financial statements (CFS). VA has demonstrated improvement in one aspect of its financial stewardship. VA took sufficient corrective action to eliminate the one significant deficiency concerning undelivered orders that was cited the previous year. However, the auditors identified one material weakness: information technology security controls, a repeated condition. The auditors also provided to VA management officials several observations and recommendations concerning internal control weaknesses that did not rise to the level of significant deficiency or material weakness for purposes of the Independent Auditors' Report issued on November 26, 2013. OIG considers the observations and recommendations to be informative, significant, and worthy of management's attention and corrective action. The independent auditors will follow up on these internal control and compliance findings and evaluate the adequacy of corrective actions taken during the FY 2014 audit of VA's consolidated financial statements.

OIG Sub-Challenge #3A: Compliance with the Improper Payments Elimination and Recovery Improvement Act (OM)

OIG conducted the FY 2013 review of VA's compliance with the Improper Payments Elimination and Recovery Act (IPERA). VA reported $1.1 billion in improper payments in its FY 2013 Performance and Accountability Report (PAR). OIG's assessment of VA's compliance with IPERA for FY 2013 is based on FY 2012 data as reported by VA. OIG found VA met five IPERA requirements for FY 2013 by publishing a PAR, performing risk assessments, publishing improper payment estimates, providing information on corrective action plans, and reporting on its payment recapture efforts. VA also implemented a new risk assessment process in FY 2013 across all of its programs.

VA did not comply with two of seven IPERA requirements for FY 2013. VHA reported a gross improper payment rate of greater than 10 percent for one program and did not meet reduction targets for two programs. This represents an improvement over FY 2012 when VA did not comply with four of the seven IPERA requirements. Nonetheless, OIG identified areas for improvement in VBA's IPERA reporting. VBA underreported improper payments for its Compensation program. Test procedures for the Compensation program and one Education program also did not include steps needed to identify all types of improper payments. OIG recommended the Under Secretary for Health (USH) implement the corrective action plan included in the PAR to reduce improper payments for the State Home Per Diem (SHPD) Program, and develop achievable reduction targets for that and Beneficiary Travel programs. OIG also recommended the Under Secretary for Benefits (USB) ensure thorough procedures for testing sample items used to estimate improper payments for the Compensation and Post 9/11 G.I. Bill programs.

VA Program Response
Estimated Resolution Timeframe: December 2016
Responsible Agency Official: Under Secretary for Benefits and Under Secretary for Health

VHA's Chief Business Office (CBO) has started to implement the corrective action plan included in the 2013 Performance Accountability Report to reduce improper payments for the SHPD program. A new database was established to capture and retain Veteran admission and payment documentation. Veterans Affairs Medical Center staff were consulted to mitigate application (10-10SH) and other documentation errors to ensure compliance with SHPD program requirements. Audit staff was increased by five personnel to measure improper payments. A system-wide electronic tracking tool has been implemented, which calculates the daily cost of care and validates payment accuracy.

Deployment of an automated 10-10SH application to ensure completion of required fields and enhance transmission is still in progress. Revision of the SHPD program handbook to facilitate standardization of program requirements is also in progress.

VBA re-evaluated and expanded the number of Compensation payment attributes tested for FY 2014 improper payment reporting (FY 2013 data testing), which resulted in a more thorough test plan. VBA improved QA measures, which included multiple levels of supervisory review and validation of identified improper and random proper payments prior to submission.

VBA's Education Service reviewed the current methodology for quality reviews to determine the feasibility to track and report by document type. A new methodology has been identified to track enrollment documents by type within the sample population. Education Service will implement the new methodology beginning in FY 2015. Additionally, VBA issued a training reminder to the education liaison staff to regularly update school information in the Web Enabled Approval Management System, which includes accurate full-time equivalency information in the schools' profiles. During the week of August 4, 2014, VBA also addressed this topic during a training conference.

OIG Sub-Challenge #3B: Ensuring Accurate Initiation and Effective Monitoring of Workers' Compensation Program Claims (VHA)

VHA has not improved its Workers' Compensation Program (WCP) claims management since OIG's prior audits. OIG identified issues with claims initiation and monitoring similar to those disclosed in the 2004 and 2011 audit reports. Specifically, WCP case files lacked initial or sufficient medical evidence to support connections between claimed injuries and medical diagnoses. As such, OIG estimated VHA inaccurately initiated about 56 (7 percent) of 793 WCP claims. In spite of the 2011 recommendations, VHA still lacked standard guidance and a clear chain of command to ensure compliance with WCP statutory requirements and VA policy. As a result, VHA risks paying unnecessary costs for inaccurately initiated claims.

WCP claims also were not consistently monitored to timely return employees to work. VHA WCP specialists did not consistently monitor files, make job offers, or take actions to detect fraud. This occurred because of inadequate oversight, misinterpretation of requirements, and a lack of staff. VHA also lacked a fraud detection process. As a result, VHA risks continuing improper payments to ineligible claimants. OIG projected 489 (61.7 percent) of 793 active claims were inadequately monitored. Overall, OIG estimated VHA could reduce WCP costs over the next 5 chargeback years by about $11.9 million through improved claims initiation and $83.3 million by increasing efforts to return medically-able staff to work. In total, opportunities exist for VHA to reduce WCP costs by about $95.2 million with improved claims management. OIG also identified $2.3 million in unrecoverable payments.

OIG recommended the USH ensure clear oversight, standard guidance, adequate staff, and fraud detection procedures to improve VHA's WCP case management.

VA Program Response
Estimated Resolution Timeframe: May 2015
Responsible Agency Official: Under Secretary for Health

<u>Completed Fiscal Year 2014 Milestones</u>

Initial documentation of case files is being fully addressed by actions described here. In July 2013, VHA National Workers' Compensation Program (the program office) and the Center for Engineering and Occupational Safety and Health developed and published the VHA Workers' Compensation (WC) Guidebook, which includes processes and procedures to help VHA VISN and facility WCP staff effectively implement, staff, and manage a local WCP. The VHA WC Guidebook contains sections on *Basic Requirements of a Claim, WCP Staff Responsibility*, and *Questionable Claims*, which outline the required steps to evaluate the validity of a claim. In April 2014, the Program Office trained facility WCP staff on Case File Management and File Maintenance focused on case file documentation standards. In July 2014, the program office developed a Program Bulletin to provide instruction and a case file review checklist to assist the facility WCP staff understand documentation standards and provide a tool to ensure required documents are present in a case file.

VHA developed processes and monitors to consistently track timely return to work. The VHA WC Guidebook also contains sections on *Return to Work* and *Permanent Job Offers*, which outline the required steps to appropriately return injured employees to work. In October 2013, the program office established a standard operating procedure (SOP) and implemented a Memorandum of Understanding (MOU) to initiate a Quality Case Management (QCM) process to evaluate local WCP activities including claims initiation, initial case management, appropriateness of claims, controversies and disputes; and return-to-work processes. Deficiencies are addressed with the local WCP staff responsible for the work. Training is provided during case review meetings and through communications such as Program and Technical Bulletins communicated to all WCP staff. In July 2014, the program office conducted two WC Case Review Lync Meetings with local WCP staff on effective return-to-work processes.

Responsibility for policy, planning, training, and oversight and compliance of the VHA National WCP is delegated to the program office. In FY 2013, the program office developed a standardized protocol to perform oversight through site visits of local WCPs and through the QCM MOU. In FY 2014, the program office conducted 14 site visits, trained VISN WCP Coordinators in the site visit process and funded two additional site visits in each VISN. Ten additional site visits have been conducted by VISN WCP Coordinators. In FY 2014, the program office conducted a staffing analysis and identified VHA facilities that are not meeting the 1:1200 Fully-time Employee Equivalent (FTEE) ratio outlined in the Human Resources Delivery Model (HRDM) 2010 approved by the Under Secretary for Health. The program office discusses staffing during each WCP site visit and periodically monitors local WCP staffing vs. employee FTEE.

The VHA WC Guidebook also refers local WCP staff to the "Office of Inspector General's (OIG) Protocol Package For Veterans Integrated Service Network Workers' Compensation Program Case Management and Fraud Detection" (OIG Report: 9D2-G01-002, Publication Date: April 14, 1999) as the standard for evaluating cases for potential fraud and referring cases to OIG. This report can be accessed at the following link: http://www.va.gov/oig/52/reports/1999/9D2-G01-002.pdf. In FY 2014, the program office developed a streamlined checklist for local WCP staff to evaluate characteristics of potential fraud.

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, including 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 and VA Acquisition Regulation, and the lack of effective oversight increase the risk that VA may award contracts that are not in the best interest 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.

VA uses a Strategic Capital Investment Plan (SCIP) to prioritize its major construction, minor construction, non-recurring maintenance, and lease projects. SCIP's objective is to produce an annual consolidated list of capital projects that significantly reduce identified performance gaps in Veterans' access, workload and utilization, safety, space, and facility conditions over a 10-year period. SCIP is used to ensure that VA's strategic performance planning efforts address the needs of VA's three Administrations—VHA, VBA, and NCA.

The OIG has completed reviews that disclosed a pattern of ineffective VA capital planning and asset management. OIG reports have shown that VA has not effectively executed authorized construction and lease projects to ensure they are completed on-time and within budget. For example, VA lacks assurance that it is timely and cost-effectively acquiring health care facilities to serve the needs of its Veteran population. Further, VA has not effectively managed the capital asset planning process to ensure that minor construction projects are not combined or otherwise significantly changed after approval.

OIG Sub-Challenge #4A: Improving Health Care Center Leasing (OALC, VHA)

In October 2013, OIG reported in its *Review of VA's Management of Health Care Center Leases* that VA's management of timeliness and costs in the Health Care Center (HCC) lease procurement process was ineffective. As of August 2013, only four of seven leases had been awarded and no HCCs had been built, despite VA's target completion date of June 2012. Congress authorized approximately $150 million for the HCC facility activations. OIG found the following deficiencies:

- Lack of Guidance – VA did not meet the aggressive milestones it set for HCC activation and occupancy due to a lack of specific guidance for this new initiative. The existing VA handbook did not cover lease projects with such high annual costs as those of the new HCCs.
- Inaccurate Milestones – VA used identical milestones for completing the seven HCCs even though the projects varied in size and budget. VA planned 32 total months for completing the seven HCCs, with annual lease costs ranging from $3.8 million to $16.2 million. Also, VA used a two-step process that separated land acquisition and contractor selection into different phases and should have lengthened each overall lease acquisition by 8 to 9 months.
- Lack of Documentation – Documentation was unavailable to support whether VA adequately assessed the feasibility of accomplishing the HCCs in the aggressive 32-month time frame promised. Given the lack of progress to date and the inadequate planning documentation, it will take far more time than Congress anticipated for VA to award and activate the seven leases.
- Lack of Central Tracking – VA could not provide accurate information on HCC spending into April 2013. According to VA officials, central cost tracking was not in place to ensure transparency and accurate reporting on all HCC expenditures. During OIG audit work, VA officials provided various estimates, ranging from about $4.6 million to $5.1 million, on the costs to prepare for HCC lease awards, but there was not sufficient evidence to provide reasonable assurance that this figure represents a complete accounting of HCC costs. Until effective central cost tracking is instituted, expenditures to acquire the HCC leases will remain unclear.

OIG made recommendations to establish adequate guidance for management of the procurement process of large-scale build-to-lease facilities, provide realistic and justifiable timelines for HCC completion, ensure HCC project analyses and key decisions are supported and documented, and establishment of central cost tracking to ensure transparency and accurate reporting on HCC expenditures.

VA's Program Response
Estimated Resolution Timeframe: 2014
Responsible Agency Official: Principal Executive Director, OALC/Under Secretary for Health, VHA

<u>Completed Fiscal Year 2014 Milestones</u>

Beginning in FY 2015, all leases including Health Care Center leases, regardless of expansion amount, are required to be submitted through SCIP process. This Department-wide SCIP process was developed to improve the capital planning process with the goal of improving the delivery of services and benefits to Veterans, of investing in VA's future, and of improving the efficiency of operations. This process integrates various capital investment planning efforts in VA for all of the following: 1) Major Construction, 2) Minor Construction, 3) Leasing, which includes all new or renewal medical, non-medical, program office leases [of any annual cost and/or square footage], Vet Centers [regardless of the funding source or their delegated authorities], 4) VHA Non-Recurring Maintenance, 5) NCA Non-Recurring Maintenance, 6) Enhanced-Use Leasing, and 7) Sharing or other formal Agreements.

Non-capital solutions to gaps are also included in the process requiring a brief description in the Strategic Capital Assessment and a designation of that type of solution in the Action Plan only. The end result is a long-range plan of capital investments and resource levels needed that are based on gaps identified at the corporate level (top-down) and at the local level (bottom-up) across the Department. SCIP is fully integrated into VA Planning, Programming, Budgeting, and Evaluation process. This strategic planning approach conforms to established 2015 budget deadlines. The SCIP process is robust, transparent, and data-driven, resulting in a fully integrated prioritized listing of all proposed capital investments that are tied to the VA Strategic Plan. This process is designed to capture the full extent of VA infrastructure and service gaps and the resources needed to address the deficiencies and gaps. Planning is based on finding the ideal way to deliver services while considering the reality of current locations. The SCIP process employs two main components: action plans – which include a gap analysis, strategic capital assessment, and long-range capital plan – and business cases. Strategic capital assessments and long-range capital plans are evaluated by senior VA officials. Projects approved for 2015 require business cases for prioritization purposes.

In addition to the SCIP process, VHA directed VA Medical Center Chief Engineers to request Lease Accounting Classification Codes for all SCIP approved leases for purposes of central cost tracking and reporting on HCC expenditures.

VA is in the process of updating Veterans Affairs Handbook 7815, Acquisition of Real Property by Lease and by Assignment from the General Services Administration, to provide the most current guidance available for the leasing process and it is anticipated it be published by the end of Fiscal Year 2014.

OALC evaluated the project schedules and re-baselined them, creating Integrated Master Schedules (IMSs) that provide realistic timeframes to accompany lease milestones. These time lines were first presented in the VA Fiscal Year 2014 Budget submission and will continue to be refined. These schedules include the flexibility for one-step or two-step procurements with all associated milestones. The LBOPCDG will also contain lease milestones and the formalization of the process for selecting a one-step vs two-step procurement already being used for prospectus projects. VA will develop project-specific IMSs that utilize the milestone durations and will adhere to these from procurement inception until the first patient is seen.

Publication of the LBOPCDG may be delayed pending the final outcome of the lease delegation of authority to include any new required processes or procedures.

OIG Sub-Challenge #4B: Improving Oversight of Minor Construction Projects (VHA)

In OIG's December 2012 report *Review of VHA's Minor Construction Program*, OIG reviewed the organizational structure, procedures, and financial controls VHA used to manage its minor construction projects. OIG reported that VHA's Minor Construction Program lacked adequate internal controls for oversight of individual projects as a means of ensuring proper use of minor construction funds. OIG found that VHA did not ensure that medical facility funding was consistently used to supplement minor construction projects. In addition, VHA did not ensure adequate monitoring of minor construction project schedules and expenditures.

VHA integrated design and construction work for 7 of 30 minor construction projects into 3 combined projects that exceeded the $10 million minor construction spending limit. As a result, OIG reported that VHA violated the Anti-Deficiency Act in five of seven projects. OIG also found that 3 of 30 projects were inappropriately supplemented with medical facility funds and project monitoring was ineffective. A third combined project was in the process of being awarded; however, when the OIG notified VHA of a potential Anti-Deficiency Act violation, VHA suspended these projects during the award process. This improper use of minor construction funding occurred because Office of Capital Asset Management and Support (OCAMS) and VISN officials did not effectively oversee project execution and OCAMS fully funded individual projects prior to medical facilities developing contract solicitations for design and construction.

Once funding was provided to medical facilities, OCAMS and VISNs were dependent on the facilities to self-report changes in project scope during the contract solicitation process. This resulted in OCAMS and VISNs not being fully aware of project scope changes in the contract solicitation process for design and construction. According to an OCAMS official, VHA was strongly encouraged to outsource design and construction contract management to the U.S. Army Corps of Engineers (USACE) at medical facilities where contracting resources were scarce. USACE managed 13 of the 30 projects reviewed.

Typically, after OCAMS officials approved minor construction projects, USACE managed project execution. USACE was responsible for integrating the design and construction of five of the seven minor construction projects identified as being improperly combined into two major construction projects. According to VHA officials, OCAMS maintained no control over project scope once funding was allotted and did not even review the construction contract solicitation prepared by the USACE's contracting officer. Further, at one VA medical facility, project engineers responsible for the facility's minor construction projects did not have copies of the USACE contracts signed on the medical facility's behalf. This condition heightened construction risks and limited oversight and control of construction costs and change orders.

OIG's report on medical facility funding and minor construction projects also disclosed that 3 of the 30 minor construction projects reviewed were supplemented with medical facility funding. These three projects received $24.4 million in minor construction and $14.6 million from medical facility funds. When adding funding from both appropriations together, two of the three projects exceeded the $10 million spending limit for minor construction projects. VA medical facilities did not follow non-recurring maintenance (NRM) policy limiting the use of medical facility funding to supplement minor construction projects and limiting renovation projects to $500,000. OCAMS provided guidance in September 2008 and again in September 2010 to VA medical facilities on the allowable uses of minor construction and NRM funds based on draft handbooks that had not been officially issued.

These draft handbooks defined the limits of minor construction projects and expanded NRM to include projects that renovated and modernized existing facility square footage between $500,000 and $10 million. OCAMS and VISN officials did not routinely monitor minor construction project schedules and financial performance. Rather, OCAMS assigned responsibility to VA medical facility project engineers to monitor the projects and notify OCAMS if significant changes occurred or additional project funding was required. The draft minor construction program handbook required OCAMS to create Minor Program Review Teams to perform quarterly reviews of project schedules and financial performance at selected sites. However, OIG found no evidence that the Minor Program Review Teams were formed or that internal program reviews were performed. As a result, VHA lacked the ability to effectively identify projects with cost overruns, significant schedule slippages, or significant construction scope changes in a timely manner and take corrective actions when necessary.

OIG recommended the USH publish Minor Construction Program policy, develop procedures to ensure projects are executed within their approved scope, and determine whether other combined minor construction projects violated the Anti-Deficiency Act. VHA also needed to implement a mechanism to ensure medical facility funding is not used to supplement minor construction projects, ensure program reviews are performed, and strengthen project tracking reports. Without effective capital asset management, VA officials have not been able to ensure authorized leased projects are completed timely and within budget, minor construction projects are not combined or otherwise significantly changed after approval, leased facilities are the right size and the right location to ensure they are fully utilized once completed, or authorized lease projects are completed timely and within budget. Until these issues are addressed, VA will continue to lack assurance that it is timely and cost-effectively acquiring health care facilities to serve the needs of Veterans.

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

Completed Fiscal Year 2014 Milestones

In November 2012, VHA Office of Capital Asset Management Engineering and Support (OCAMES) published VHA Handbook 1002.02, *Minor Construction Program*, which establishes the procedures and responsibilities for the management of the Minor Construction Program.

In the past two years, OCAMES has expanded its service to VHA facilities by establishing the compliance team of engineering personnel to assist the Capital Support section in performing site visits and working closely with facilities on construction projects. To ensure minor construction projects are executed within their approved scope, VHA's OCAMES has begun reviewing all minor construction design or construction funding transaction requests, comparing the latest design or construction documents to approved scopes of work based on the approved application or change in scope memo prior to funding transaction request approval.

In addition, beginning in fiscal year 2014, the OCAMES added a new Veterans Integrated Service Network (VISN) Director Performance Measure to ensure that Project Tracking Reports are updated monthly, as appropriate. These reports are also being shared with VISN Capital Asset Managers on a monthly basis to ensure a proactive stance in managing outlier issues and missing data.

OCAMES ensures medical facility funding is not used to supplement minor construction projects. This has been done by a team approach with the Minor Construction Program Manager and the Capital Support section, which routinely review high risk minor construction projects greater than $9.5 million, NRM and Clinical Specific Initiative (CSI) projects with similar titles, and minor construction projects contracted to the Army Corps of Engineers. If augmentation is identified, appropriate corrective actions are instructed to the VISN and medical center staff. If appropriation or authorization violations appear to have occurred, the OCAMES Director sends the report to Office of General Counsel (OGC) for an official opinion and follow-up action.

With respect to Office of Inspector General Report 12-03346-69, *Review of the Minor Construction Program* (December 2012), OCAMES staff reviewed the seven potentially problematic minor construction projects to assess whether projects were combined into major construction projects. As a result of this review, OCAMES has worked with OGC, VISN and facility staff to provide guidance and consultation to ensure that six of the seven projects identified did not exceed the $10 million Minor Construction threshold. VHA identified that a violation on one of the projects did occur, and will take appropriate action.

OIG CHALLENGE #5: INFORMATION MANAGEMENT
-Strategic Overview-

The use of information technology (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 Executive in Charge of Information and Technology, VA's Office of Information and Technology (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 the FY 2013 CFS audit, OIG's 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 CFS, 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: Develop 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 personally identifiable information (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 CFS audit supports OIG's annual Federal Information Security Management Act (FISMA) assessment. During FY 2013, VA continued to implement its Continuous Readiness in Information Security Program to ensure continuous monitoring year-round and establish a team responsible for resolving the IT material weakness. In August 2013, VA also implemented an IT Governance, Risk and Compliance Tool to improve the process for assessing, authorizing, and monitoring the security posture of the agency. As 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 in 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, these controls require time to mature and show evidence of their effectiveness. Accordingly, OIG continues 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. OIG continues to find control deficiencies in Security Management, Access Controls, Configuration Management, and Contingency Planning. Most importantly, OIG continues to identify significant technical weaknesses in databases, servers, and network devices that support transmitting financial and sensitive information between VAMCs, VA Benefit Offices, and Data Centers. This is a 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.

As such, the FY 2013 FISMA audit report discussed control deficiencies in four key areas: (1) configuration management controls, (2) access controls, (3) change management, and (4) 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 6,000 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 2013 FISMA report provided 30 current recommendations to the Executive in Charge of 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 35 outstanding recommendations. Overall, OIG 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 2013 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 2014 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 2014 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 two 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

EHRs and internal Internet protocol addresses, among certain VAMCs and CBOCs 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 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 aware of VA's information security requirements. As a result of these deficiencies, VA sensitive data is at risk of inappropriate disclosure or misuse.

An effective information security program and adequate system security controls also includes limiting employee or contractor access to sensitive information to only that which is needed to accomplish the mission and perform his or her job. For example, a scheduling clerk whose duties involve contacting a Veteran to verify or schedule an appointment may require only the patient's name, phone or email contact information, and the date and nature of the appointment to schedule an appointment and notify the Veteran. OIG has initiated multiple criminal investigations of VA employees who are suspected of having sold sensitive personal information about Veteran patients to which they had access to individuals who used this information to file bogus electronic tax returns and obtain fraudulent refunds. To date, 10 individuals have been arrested, 12 individuals have been indicted, and 7 individuals have been convicted regarding schemes in which the identities of Veterans were stolen from VA. These cases have resulted in over $5.7 million in fraudulent tax returns. VA data managers need to be cognizant of the potential for misuse of sensitive information and limit its access by VA employees to the minimum necessary to conduct business. VA also has a duty to ensure proper handling and destruction of VA documents containing PII to ensure that these documents are not exposed to the possibility of theft. OIG has provided one management implication notification to VA management on this issue.

VA's Program Response
Estimated Resolution Timeframe: 2015
Responsible Agency Official: Executive in Charge and Chief Information Officer

Completed 2014 MMC Milestones:

OIT continued efforts to improve VA's information security program and system security controls throughout 2014 by addressing findings in the 2013 Federal Information Security Management Act (FISMA) Report regarding configuration management, access controls, change management, and service continuity controls. VA has made progress in managing Plans of Action and Milestones (POA&Ms), in part, by our continuing initiatives such as the Governance, Risk, and Compliance (GRC) tool, Agiliance RiskVision OpenGRC (RiskVision), which establishes effective processes for evaluating information security controls through continuous monitoring across the VA network. This tool automatically ties risk assessments to POA&Ms and system security plans, resulting in a more comprehensive understanding of VA's security posture.

Regarding the OIG finding that significant technical weaknesses were identified in databases, servers, and network devices that transmit sensitive information, VA is now working to modernize security standards on servers and network devices. This past quarter the Chief Information Security Officer issued a memorandum requiring the use of Defense Information Systems Agency (DISA) Standard Technical Guides (STIGs) and the United States Government Configuration Baseline (USGCB) baseline.

VA purchased encryption software licenses with the anticipation of encrypting both desktop and laptop computers. VA has deployed Windows 7 with encryption across the enterprise, and was also the first government agency to implement CERT Intrusion Prevention Security Services (IPSS), also known as Einstein III, which provides monitoring and prevention against cyber threats.

OIG asserted that inconsistent application of vendor patches could jeopardize the data integrity and confidentiality of VA's information. While VA acknowledges that patches are sometimes applied differently, depending upon each system's unique functionality, it is important to point out that VA only deploys patches that are determined not to pose operational threats to our mission delivery of patient care and services to Veterans while ensuring maximum protection of Veterans' data.

To address the finding that VA needs to improve its performance monitoring to ensure controls are operating as intended, we have shifted to real-time continuous monitoring, allowing us to assess demand and address any significant risk to our systems and devices. For example, we are starting to leverage automated scanning results and continuous monitoring data when evaluating system and network security risk and when making risk decisions for the VA enterprise. VA also implemented Trusted Internal Connections (TIC) to enhance monitoring and awareness of external connections.
In response to the finding that employee and contractor access to sensitive information should be limited only to that which is needed for job duties, VA continues to implement, follow, and enforce Elevated Privilege Review which grants access for sensitive information only to users who need it for their job duties. Employees are required annually to sign the Rules of Behavior and complete information security and privacy awareness training.

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–Emergency Department Staffing and Patient Safety Issues, VA San Diego Healthcare System, San Diego, California
9/3/2014 | 14-00271-265 | Summary |

Healthcare Inspection–Follow-up Review of the Pause in Providing Inpatient Care VA Northern Indiana Healthcare System, Fort Wayne, Indiana
8/28/2014 | 13-00670-262 | Summary |

Review of Alleged Patient Deaths, Patient Wait Times, and Scheduling Practices at the Phoenix VA Health Care System
8/26/2014 | 14-02603-267 | Summary |

Healthcare Inspection–Deficiencies in the Caregiver Support Program, Ralph H. Johnson VA Medical Center, Charleston, South Carolina
8/21/2014 | 14-00991-255 | Summary |

Healthcare Inspection–Coordination and Delivery of Medical Care Concerns, VA Black Hills Health Care System, Fort Meade, South Dakota
8/20/2014 | 14-01467-256 | Summary |

Healthcare Inspection–Improper Closure of Non-VA Care Consults, Carl Vinson VA Medical Center, Dublin, GA
8/12/2014 | 14-03010-251 | Summary |

Healthcare Inspection–Quality of Care and Staff Safety Concerns at the Huntsville Community Based Outpatient Clinic, Huntsville, Alabama
7/17/2014 | 14-01322-215 | Summary |

Healthcare Inspection–Alleged Medication Cart Deficiencies and Unsafe Medication Administration Practices, Atlanta VA Medical Center, Decatur, Georgia
7/16/2014 | 14-02396-212 | Summary |

Healthcare Inspection–Reporting of Suspected Patient Neglect, Central Alabama Veterans Health Care System, Tuskegee, Alabama
7/16/2014 | 14-02903-211 | Summary |

Healthcare Inspection–Alleged Mismanagement in the Cardiac Catheterization Laboratory, VA Maryland Health Care System, Baltimore, Maryland
7/15/2014 | 13-02892-217 | Summary |

Healthcare Inspection–Alleged Surgical Care Issues, Malcom Randall VA Medical Center, Gainesville, Florida
7/14/2014 | 14-00992-210 | Summary |

Healthcare Inspection–Potential Exposure to Creutzfeldt-Jakob Disease, VA Connecticut Healthcare System, West Haven, Connecticut
7/1/2014 | 13-04520-201 | Summary |

Healthcare Inspection–Substandard Care of a Lupus Patient at the Albany CBOC and Carl Vinson VA Medical Center, Dublin, Georgia
7/1/2014 | 14-00467-202 | Summary |

Healthcare Inspection–Medication Management Issues in a High Risk Patient, Tuscaloosa VAMC, Tuscaloosa, Alabama

6/25/2014 | 13-02665-197 | Summary |

Healthcare Inspection–Resident Supervision in the Operating Room, Ralph H. Johnson VA Medical Center, Charleston, South Carolina

6/23/2014 | 14-00637-199 | Summary |

Healthcare Inspection–Quality of Care and Staffing Concerns, Salem VA Medical Center, Salem, Virginia

6/23/2014 | 13-03604-198 | Summary |

Healthcare Inspection–Follow-Up of Mental Health Inpatient Unit and Outpatient Contract Programs, Atlanta VA Medical Center, Decatur, Georgia

6/19/2014 | 12-03869-187 | Summary |

Healthcare Inspection–Alleged Preventive Maintenance Inspection Deficiencies, Northern Arizona VA Health Care System, Prescott, Arizona

6/9/2014 | 13-04592-179 | Summary |

Healthcare Inspection–Quality of Care Concerns, Hospice/Palliative Care Program, VA Western New York Healthcare System, Buffalo, New York

6/9/2014 | 13-04195-180 | Summary |

Healthcare Inspection–Community Living Center Patient Care, Gulf Coast Veterans Health Care System, Biloxi, Mississippi

5/28/2014 | 14-01119-168 | Summary |

Interim Report: Review of VHA's Patient Wait Times, Scheduling Practices, and Alleged Patient Deaths at the Phoenix Health Care System

5/28/2014 | 14-02603-178 | Summary |

Healthcare Inspection–GI Fellowship Program Issues, New Mexico VA Health Care System, Albuquerque, New Mexico

5/23/2014 | 14-00612-167 | Summary |

Healthcare Inspection–Podiatry Clinic Staffing Issues and Delays in Care, Central Alabama Veterans Health Care System, Montgomery, Alabama

5/19/2014 | 13-04474-157 | Summary |

Audit of VHA's Mobile Medical Units

5/14/2014 | 13-03213-152 | Summary |

Healthcare Inspection–VA Patterns of Dispensing Take-Home Opioids and Monitoring Patients on Opioid Therapy

5/14/2014 | 14-00895-163 | Summary |

Healthcare Inspection–Improper Procurement and Billing Practices for Anesthesiology Services, George E. Wahlen VA Healthcare System, Salt Lake City, Utah

5/6/2014 | 13-01819-133 | Summary |

Healthcare Inspection–Alleged Excessive Wait for Emergency Care and Staff Disrespect, VA Southern Nevada Healthcare System, Las Vegas, Nevada

4/30/2014 | 14-01104-134 | Summary |

Healthcare Inspection–Questionable Cardiac Interventions and Poor Management of Cardiovascular Care, Edward Hines, Jr. VA Hospital, Hines, Illinois

4/8/2014 | 13-02053-119 | Summary |

Healthcare Inspection–Administrative Irregularities, Leadership Lapses, and Quality of Care Concerns, VA Central Iowa Health Care System, Des Moines, Iowa

3/31/2014 | 13-02073-106 | Summary |

Healthcare Inspection–Unexpected Patient Death in a Substance Abuse Residential Rehabilitation Treatment Program, Miami VA Healthcare System, Miami, Florida
3/27/2014 | 13-03089-104 | Summary |
Alleged Adverse Outcomes and Access Issues in Diagnostic Imaging Services, North Florida/South Georgia Veterans Health System, Gainesville, Florida
3/20/2014 | 13-00853-100 | Summary |
Audit of VA's Hearing Aid Services
2/20/2014 | 12-02910-80 | Summary |
Healthcare Inspection–Environment of Care Deficiencies in the Operating Room, VA Connecticut Healthcare System, West Haven, Connecticut
2/18/2014 | 13-03747-76 | Summary |
Healthcare Inspection–Alleged Patient Safety Concerns in the Operating Room, VA Maine Healthcare System, Augusta, Maine
2/12/2014 | 13-03624-58 | Summary |
Healthcare Inspection–Alleged Lapses in Communication and Poor Quality of Care, Charlie Norwood VA Medical Center, Augusta, Georgia
2/12/2014 | 13-03178-70 | Summary |
Healthcare Inspection–Quality of Care, Management Controls, and Administrative Operations, William Jennings Bryan Dorn VA Medical Center, Columbia, South Carolina
2/6/2014 | 13-00872-71 | Summary |
Healthcare Inspection–Quality of Care Issues, San Juan VA Medical Center, San Juan, Puerto Rico
12/30/2013 | 13-01956-37 | Summary |
Healthcare Inspection–Emergency Department Length of Stay and Call Center Wait Times, VA Eastern Colorado Health Care System, Denver, Colorado
12/23/2013 | 13-03862-35 | Summary |
Healthcare Inspection–Alleged Chemotherapy Delay and Excessive Emergency Department Length of Stay, Jesse Brown VA Medical Center, Chicago, Illinois
12/9/2013 | 13-00488-26 | Summary |
Healthcare Inspection–Alleged Computed Tomography Scan Delays and Timekeeping Abuses, Dayton VA Medical Center, Dayton, Ohio
11/20/2013 | 12-04061-18 | Summary |
Healthcare Inspection–Alleged Improper Opioid Prescription Renewal Practices, San Francisco VA Medical Center, San Francisco, California
11/7/2013 | 13-00133-12 | Summary |
Healthcare Inspection–Audiology Staffing, Consult Management, and Access to Care, Sheridan VA Healthcare System, Sheridan, Wyoming
11/5/2013 | 13-03670-13 | Summary |
Healthcare Inspection–Emergency Department Patient Deaths' Memphis VAMC, Memphis, Tennessee
10/23/2013 | 13-00505-348 | Summary |

Congressional Testimony 9/17/2014
Statement of Richard J. Griffin Acting Inspector General Office of Inspector General Department of Veterans Affairs Before The Committee On Veterans' Affairs United States House of Representatives Hearing On "Scheduling Manipulation And Veteran Deaths In Phoenix: Examination of the OIG's Final Report" More

Congressional Testimony 9/17/2014
Oral Statement of Richard J. Griffin Acting Inspector General Office of Inspector General Department of Veterans Affairs Before The Committee On Veterans' Affairs United States House Representatives Hearing On "Scheduling Manipulation And Veteran Deaths In Phoenix: Examination of the OIG's Final Report" More

Congressional Testimony 6/9/2014
Statement of Richard J. Griffin Acting Inspector General Office of Inspector General Department of Veterans Affairs Before the Committee On Veterans' Affairs United States House of Representatives Oversight Hearing On "Data Manipulation And Access To VA Healthcare: Testimony From GAO, IG, and VA" More

Congressional Testimony 5/29/2014
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 United States House of Representatives Hearing on "Defined Expectations: Evaluating VA's Performance in the Service Member Transition Process" More

Congressional Testimony 5/15/2014
Statement of Richard J. Griffin Acting Inspector General Office of Inspector General Department of Veterans Affairs Before Committee On Veterans' Affairs United States Senate Hearing On "The State of VA Health Care" More

Congressional Testimony 5/15/2014
Oral Statement of Richard J. Griffin Acting Inspector General Office of Inspector General Department of Veterans Affairs Before Committee On Veterans' Affairs United States Senate Hearing On "The State of VA Health Care" More

Congressional Testimony 4/9/2014
Statement of John D. Daigh, Jr., M.D. Assistant Inspector General For Healthcare Inspections Office of Inspector General Department of Veterans Affairs Before Committee on Veterans' Affairs United States House Of Representatives Hearing On "A Continued Assessment of Delays in VA Medical Care and Preventable Veteran Deaths" More

OIG CHALLENGE #2: BENEFITS PROCESSING

Review of Alleged Data Manipulation at the VA Regional Office Houston, TX
9/30/2014 | 14-04003-298 | Summary |

Review of Alleged Data Manipulation at the Los Angeles VA Regional Office
9/18/2014 | 14-03736-273 | Summary |

Audit of VBA's Efforts to Effectively Obtain Veterans' Service Treatment Records
8/28/2014 | 14-00657-261 | Summary |

Review of Alleged Mail Mismanagement at VBA's Baltimore VA Regional Office
7/14/2014 | 14-03644-225 | Summary |

Review of VBA's Special Initiative To Process Rating Claims Pending Over 2 Years
7/14/2014 | 13-03699-209 | Summary |

Audit of NCA's Rural Veterans Burial Initiative
7/14/2014 | 13-03468-203 | Summary |

Audit of Post-9/11 G.I. Bill Monthly Housing Allowance and Book Stipend Payments
7/11/2014 | 13-01452-214 | Summary |

Follow-Up Audit of VHA's Workers' Compensation Case Management
7/7/2014 | 11-00323-169 | Summary |

Follow-up Audit of VBA's 100 Percent Disability Evaluations
6/6/2014 | 14-01686-185 | Summary |

Audit of VBA's Management of Concurrent VA and Military Drill Pay Compensation
6/3/2014 | 13-02129-177 | Summary |

Review of Alleged Mismanagement of VBA's Eastern Area Fiduciary Hub
5/28/2014 | 13-03018-159 | Summary |

Audit of the Quick Start Program
5/20/2014 | 12-00177-138 | Summary |

Interim Report - VBA's Efforts to Effectively Obtain Service Treatment Records and Official Military Personnel Files
5/15/2014 | 14-00657-144 | Summary |

Audit of VHA's Supportive Services for Veteran Families Program
3/31/2014 | 13-01959-109 | Summary |

Congressional Testimony 7/14/2014
Statement of Linda A. Halliday Assistant Inspector General for Audits and Evaluations Office of Inspector General Department of Veterans Affairs Before The Committee on Veterans' Affairs United States House Of Representatives Hearing On "Evaluation Of The Process To Achieve VBA Goals" More

Congressional Testimony 12/4/2013
Statement of Sondra F. McCauley Deputy 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 United States House Of Representatives Hearing On "Adjudicating VA's Most

Complex Disability Claims: Ensuring Quality, Accuracy, And Consistency On Complicated Issues" More

OIG CHALLENGE #3: FINANCIAL MANAGEMENT

VA's Federal Information Security Management Act Audit for Fiscal Year 2013
5/29/2014 | 13-01391-72 | Summary |

FY 2013 Review of VA's Compliance With the Improper Payments Elimination and Recovery Act
4/15/2014 | 13-02926-112 | Summary |

Independent Review of VA's FY 2013 Performance Summary Report to the Office of National Drug Control Policy
2/11/2014 | 14-00257-67 | Summary |

Independent Review of VA's FY 2013 Detailed Accounting Submission to the Office of National Drug Control Policy
2/10/2014 | 14-00258-66 | Summary |

Audit of VA's Consolidated Financial Statements for FY's 2013 and 2012
11/27/2013 | 13-01316-22 | Summary |

OIG CHALLENGE #4: PROCUREMENT PRACTICE

Review of Alleged Unauthorized Commitments Within VA
5/21/2014 | 13-00991-154 | Summary |

Audit of the Non-Recurring Maintenance Program
5/7/2014 | 13-00589-137 | Summary |

Audit of VHA's Engineering Service Purchase Card Practices at the Ralph H. Johnson VAMC, Charleston, SC
4/17/2014 | 13-02267-124 | Summary |

Review of the Lease Awarded to Westar Development Company, LLC for the Butler, Pennsylvania Health Care Center
3/31/2014 | 13-02697-113 | Summary |

Review of VA's Management of Health Care Center Leases
10/22/2013 | 12-04046-307 | Summary |

Congressional Testimony 11/20/2013

Statement of Linda A. Halliday Assistant Inspector General For Audits And Evaluations Office of Inspector General Department of Veterans Affairs Before The Committee On Veterans' Affairs United States House of Representatives Hearing On "Building VA's Future – Confronting Persistent Challenges in VA's Major Construction and Lease Programs" More

Congressional Testimony 10/30/2013

Statement of Richard J. Griffin Deputy Inspector General Office of Inspector General Department of Veterans Affairs Before the Committee On Oversight And Government Reform United States House of Representatives Hearing on VA Conferences in Orlando, Florida More

OIG CHALLENGE #5: INFORMATION MANAGEMENT

VA's Federal Information Security Management Act Audit for Fiscal Year 2013

5/29/2014 | 13-01391-72 | Summary |

Audit of VA's Pharmacy Reengineering Software Development Project

12/23/2013 | 12-04536-308 | Summary |

High-Risk Areas Identified by the U.S. Government Accountability Office (GAO)

The U.S. Government Accountability Office (GAO) evaluates VA's programs and operations. In February 2013, GAO issued an update to its High-Risk Series (GAO-13-283). The GAO-identified High-Risk Areas (HRAs) that are specific to VA as well as government-wide are summarized below. In response to each of the HRAs, the Department has provided the following:

- ***Estimated resolution timeframe (fiscal year)*** for VA to eliminate each HRA
- ***Responsible Agency Official*** for each HRA
- ***Completed 2014 milestones*** in response to the HRA
- ***Planned 2015 milestones*** along with ***estimated completion quarter***

High-Risk Area		Estimated Resolution Timeframe (Fiscal Year)	Page #
No.	Description		
GAO 1	**Improving and Modernizing Federal Disability Programs (VBA lead, BVA to provide additional input regarding appeals)**	**2016**	**129**
GAO 2	**Strategic Human Capital Management: A Government-wide High-Risk Area (HRA)**	**2015**	**133**
GAO 3	**Managing Federal Real Property: A Government-wide High-Risk Area (OM-OAEM)**	**2015**	**135**
GAO 4	**Protecting the Federal Government's Information Systems and the Nation's Cyber Critical Infrastructures (OI&T)**	**2015**	**137**
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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 Department of Veterans Affairs (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

<u>Completed 2014 Milestones</u>

In fiscal year (FY) 2014, the Veterans Benefit Administration (VBA) entered the stabilization and assessment phase of its multi-year transformation. VBA continued to leverage the capabilities of its electronic applications (e.g., VBMS and Veterans Relationship Management (VRM) etc.) by adding increased functionality to process claims. The eBenefits Portal added additional means to facilitate electronic filing of claims to further expedite the transition to a paperless environment. The SEP provided VSOs with secure messaging, access to services of DoD, on demand help, and claims status information. These actions and initiatives support VBA efforts to improve the timeliness and accuracy of claims processing.

VBA has made significant progress toward eliminating the claims backlog (any rating claim older than 125 days) and improving accuracy. As of July 21, 2014, VBA:

- Reduced backlog from its peak of 611,000 in March 2013 to 270,000– a 56 percent reduction in 16 months
- Reduced inventory from the peak of 884,000 in July 2012 to 558,000– a 37 percent reduction
- Without sacrificing quality, claim-level accuracy increased from 83 percent in June 2011 to 91 percent; at the issue-level, accuracy is 96 percent
- Completed 171,000 more claims FYTD than at the same time in FY 2013.

VBA continues to make progress in updating the entire VA Schedule of Rating Disabilities (VASRD) to ensure that all body systems and the evaluation criteria for their associated disabilities meet current standards of medical science. VBA has conducted working groups for all 15 body systems. Draft regulations are available for all the revised systems, and they are presently at various levels of concurrence within VA.

VBA continued to provide Quality Review Team (QRT) Challenge Training for new and existing QRT members. This Challenge program was designed to promote consistency in error detection, reporting between local and national quality reviewers, and mentoring of claims processors after errors are detected. In addition, consistency studies for QRTs, Veterans Service Representatives (VSRs), and Rating Veterans Service Representatives (RVSRs) were conducted monthly with the results discussed during the Monthly Quality Calls.

VBA conducted refresher training for VSRs and RVSRs called the Special Adjudication Review Course (SPARC). Each three-week, instructor-led SPARC training session focused on VSRs and RVSRs who required additional training to increase their proficiency and accuracy. New Veterans Service Center supervisors attended Supervisory Technical Analysis of Data, a new one-week, in-person national technical training curriculum to improve field production and quality through better research and analysis of data, decision making, and workload management.

The Private Medical Records (PMR) program, which uses contractors to obtain private treatment records, continued to demonstrate success at its 10 pilot stations by electronically receiving health care provider responses in an average of 12 days. The program also began integration with the centralized mail program to further align it with claims modernization goals.

In FY 2014, VA and DoD transitioned to the electronic transmission of certified, complete Service Treatment Records (STRs) from DoD's Healthcare Artifacts and Images Management Solution to VBA's VBMS. DoD no longer sends paper STRs to VA.

In FY 2014, over 5,000 VBA employees received access to the Social Security Administration's (SSA's) Government-to-Government Services Online (GSO) system. GSO is a web-based tool used to request and transmit medical records through a secure electronic messaging system.

To simplify burial benefit payments, VBA amended its burial benefits regulations effective July 7, 2014. The amended regulations permitted VA to automate certain burial allowance payments to most surviving spouses of record, pay flat-rate burial and plot or interment allowances that are equal to the maximum benefit authorized by law, and establish priority of payments to certain survivors and estate representatives. VBA has also automated certain Dependency and Indemnity Compensation benefits to the Veteran's surviving spouse of record, to expedite payments to surviving spouses during one of their greatest times of need. The automation of certain burial and DIC payments was successfully deployed nationwide on July 7, 2014.

VA also worked with the Internal Revenue Service and SSA to implement upfront income verification using Federal tax information. VBA now automatically matches new pension claims with the most recent three years of Federal tax information maintained in IRS and SSA records. The ability to verify a claimant's income at the time of application permitted VBA to discontinue the annual eligibility verification reporting requirement for as many as 150,000 pension beneficiaries. This automation improved program integrity, reduced improper payments, reduced claimant burden, and positioned the pension program for rules-based processing.

VA delivered more enhanced functionality to its electronic claims processing tool, VBMS, while supporting a higher volume of claims.

The VRM program used information technology to enhance secure access points for Veterans and stakeholders and improved customer service, accuracy, and transparency of data. VBA deployed the new Beneficiary Fiduciary Field System to improve tracking and case management of fiduciary cases.

VBA, in partnership with the Board of Veterans' Appeals (the Board), continued to participate in joint training to aid in standardizing adjudication across the VA benefits system. VBA and the Board expect such interactive training to lead to future reduction in the number of avoidable remands.

In February 2014, VBA and the Board submitted to Congress a Strategic Plan to Transform the Appeal process. VA's Appeals Transformation Plan proposed a series of short- and long-term integrated people, process, and technology initiatives designed to deliver a final agency decision as soon as possible under the governing law. VA's plan focuses on employee training, tools, and assignment of work; streamlining the appeal process; and implementing modern technology solutions in systems that are already under development.

The Board increased video teleconference (VTC) hearings, which reduced Veteran hearing wait times by as much as 100 days and saved the Government travel dollars. The number of VTC hearings reached 54 percent in FY 2014, which represented a 74 percent increase in just the past five years.

<u>Planned 2015 Milestones with estimated completion quarter</u>

As part of the ongoing VASRD update project, VBA expects to have the remaining 11 body systems at the most advanced level of concurrence and ready as proposed rules for publication in the Federal Register by the end of FY 2016. (Q4-2016)

QRT Challenge Training will continue to include several weeks of combined classroom training as well as on-the-job training. Challenge Training for new VSRs and RVSRs will continue throughout FY 2015. (Q4)

The PMR program will be deployed nationally while fully integrating with the centralized mail program. (Q1)

VA is creating business requirements to simplify and automate plot/interment payments. (Q4)

VBA is developing a new post-award audit process that will replace the traditional income verification match, to ensure those receiving pension benefits continue to be eligible. VBA is developing an implementation plan that will include milestones for measuring progress. (Q2)

The strategic direction set for the VBMS initiative capitalizes on efficiencies and quality improvements gained during FY 2014. Planned system functionality for FY 2015 will allow claims processors to focus on more difficult claims by reducing the time required to process less complex claims, enabling VA to meet the goal of processing all claims within 125 days at 98 percent accuracy. (Q4)

Additional software releases for VBMS will support the National Work Queue initiative and improve the claims process workflow. To the extent possible, automated workflow capabilities will assist in improving the accuracy and timeliness of electronic claims. (Q1)

Implementation of the National Work Queue will facilitate national workload management to improve VBA's overall production capacity by allowing VBA to prioritize and distribute the workload across regional offices. (Q3)

The VRM Program Management Office will continue to enhance secure access points for Veterans and stakeholders and improve customer service, accuracy, and transparency of data. (Q4)

VBA and the Board will continue to partner on joint training efforts throughout FY 2015 to increase efficiencies in appeals processing throughout the Department. Active engagement with stakeholders, including VSOs and Congress, on ways to further modernize the VA appeals process will also continue in FY 2015. Finally, the Board will continue the trend of holding at least 50 percent of hearings by VTC by the end of FY 2015, thereby saving hearing wait time for Veterans and their families. (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 2014 Milestones

VA Employee Development and Engagement – To close skills gaps in VA's mission critical, leadership and key positions, VA focused on expanding its use of eLearning, resulting in 97 percent of course completions being accomplished through web-based, virtual instructor led training (vILT), and video conference programs. The number of hours spent in virtual training rose from 52 percent to 69 percent during FY 2014. Eighty-one percent of VA employees in mission critical and key occupations participated in a competency-based training program. VA partnered with the University of North Carolina Kenan-Flagler Business School to conduct Senior Executive Strategic Leadership Course II designed to improve the Senior Executive's strategic decision-making, critical thinking, and ability to lead and drive change. VA also strengthened its infrastructure for employee engagement by creating the Employee Engagement and Human Capital Analysis Service to develop a work environment conducive to optimal performance.

Talent Acquisition - VA revitalized its recruitment efforts with a focus on providing advice and guidance to hiring managers on recruitment outreach and hiring solutions for entry level positions; developed career paths; and built pipeline resources through student employment fellowship programs. VA fully implemented the use of the automated hiring system USA Staffing to electronically rate and rank applicants VA consistently hired Veterans in less than 29 calendar days on average through noncompetitive appointments. Veteran hiring in FY 2014 outpaced FY 2013 by approximately 20 percent building on the prior year by over 38 percent. The Veteran Employment Services Office (VESO) contacted/assisted 105,321 Veterans in employment readiness; case managed 265 current Veteran VA employees with retention issues; conducted 301

VA For VETS presentations, reaching 8,753 Veterans; participated in 236 Career Events, reaching 61,367 Veterans. The Office of Diversity & Inclusion led programs that resulted in the 5th consecutive increase of VA's Diversity Index, a measure of aggregate workforce diversity by race, ethnicity, and gender, as compared to the Relevant Civilian Labor Force.

<u>Planned 2015 Milestones with estimated completion quarter (all milestones to be completed Q4)</u>

- Develop new SES courses to improve decision-making and critical thinking;
- Assess and update Leadership and Managerial training in alignment with the Department's needs;
- Provide career guidance access (i.e. access to career maps, competency requirements, training recommendations and resume writing and interviewing tools and training) through MyCareer@VA portal to over 340,000 VA employees and unlimited potential employees external to VA;
- Fully deploy HR●Smart, a state-of-the-art human resource solution to replace VA's 51-year-old-legacy system and provide enhanced functionality and access to benefits and compensation;
- Improve the hiring process by identifying/reducing outliers that extend the time to hire – completing 70 percent of the Title 5 competitive hires within OPM's 80 day "end to end" hiring model;
- Expand Veteran outreach capabilities resulting in an increase in the number of Veterans on board at VA; and
- Assess the current state of employee engagement and deploy a range of programs in FY 2015 to improve supervisory skills and training for engagement.

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 (FPS) has struggled to effectively target limited resources for protecting federal facilities.

VA's Program Response
Estimated Resolution Timeframe: 2015
Responsible Agency Official: Director, Office of Asset Enterprise Management

Completed 2014 Milestones

VA continues to enhance the SCIP Automated Tool with additional features such as directly linking property disposal/reuse or lease termination with submitted capital projects. This enables VA to ensure it is properly planning for reductions in vacant or underutilized assets as noted by GAO. In addition, VA began to collect more detailed facility condition data through SCIP, allowing differentiation between critical and non-critical infrastructure systems.

VA completed its first full fiscal year of efforts under the Freeze the Footprint (FTF) policy, including producing its first annual agency evaluation. One major achievement related to FTF and better space utilization was the release of an administrative office space standard and detailed implementation guidance. This standard was used with great success at VA Central Office (VACO) campus, resulting in the termination of more than 74,000 square feet of lease space in the Washington, DC area VACO portfolio.

Planned 2015 Milestones with estimated completion quarter

VA will continue to enhance the SCIP process and tools, including improved linkages between budget formulation and project execution. This includes tracking projects being executed for FTF impacts and impact on VA's facility condition data. In addition, continuously improving cost estimating for SCIP projects will be a focus, with more automated tools to assist in estimating and closer relationships between SCIP submitted projects and cost estimating data (Q3).

VA will continue to focus on FTF and overall improvements in space utilization in the portfolio. Specific focus will be put on streamlining the disposal process for unneeded assets, which benefits the overall VA portfolio as well as FTF. VA will continue managing the current FTF plan, while also planning for the next generation of FTF, with long term plans being developed for implementing the recently released space standard (Q4).

GAO High-Risk Area 4: Protecting the Federal Government's Information Systems and the Nation's Cyber Critical Infrastructures (OI&T)

(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: 2015
Responsible Agency Official: Deputy Chief Information Officer for Information Protection and Risk Management

Completed 2014 Milestones

In 2014, the Office of Information and Technology (OI&T) continued its vigilant protection of VA's information systems and cyber critical infrastructures. OI&T provided continuous around-the-clock monitoring of VA's network through the VA Network and Security Operations Center (VA-NSOC), which protects, responds to, and reports threats to information systems. VA implements security for application systems and networks as specified by the Federal Information Security and Management Act and the National Institute of Standards and Technology (NIST), which require that the cyber systems most critical to supporting the mission and functions of VA are properly protected. VA-NSOC prevents 1.7 million viral infections and examines over 1.29 billion web requests annually. 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) continued to implement a contingency and disaster recovery process, which is compliant with NIST standards 800-34 and 800-84. OBC also continued to implement a QA review of completed plans and tests to ensure that these processes are monitored and updated as appropriate.

OI&T is a full participant in the VA Integrated Operations Center (IOC), and has developed a Geographic Information Systems (GIS) 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. In May 2014, VA implemented Web content filtering restrictions to prevent outbound and inbound communications to countries that pose a significant risk, a new policy stemming from a recommendation by the OIG. VA has also been working to centralize security services for the enterprise under VA's Network Security Operations Center (VA-NSOC), which has added a number of tool suites and capabilities to help monitor our critical cyber infrastructure, identify threats and vulnerabilities, defend, and protect VA systems and devices. VA has implemented continuous monitoring and leverages automated scanning results and continuous monitoring data when evaluating system and network security risks, and when making risk decisions for the VA enterprise. VA has also implemented the Trusted Internal Connections initiative to enhance monitoring and awareness of external connections.

<u>Planned 2015 Milestones with estimated completion quarter</u>

In 2015, OBC plans to continue to implement our cyber-critical infrastructure protection program consistent with federal guidance and NIST standards, as well as our ongoing initiatives focused on training and educating staff on cyber security issues and best practices. The information contingency plans and disaster recovery plans for all VA systems are being reviewed and updated as necessary to ensure the systems most critical to the accomplishment of VA mission and functions have valid plans in place in order to respond to any disruptions to our cyber infrastructure.

Estimated completion quarter – FY 2015 (Q4)

APPENDIX

The Appendix lists selected reports pertinent to the high-risk areas discussed. However, the Appendix is not intended to encompass all GAO work in a particular 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. Washington, D.C.: August 31, 2012.

Information Security: Weaknesses Continue Amid New Federal Efforts to Implement Requirements. GAO-12-137. Washington, D.C.: October 3, 2011.

EVALUATIONS AND RESEARCH

Program Evaluations

Background: In January 2014, VHA started the effort of aligning existing performance measures with the programs in the FPI. At the conclusion of this effort, approximately 583 measures, which are monitored and tracked by VHA, were aligned to the FPI programs. Although these metrics are used for performance management activities in different forums, they do not address all elements of a program. Current efforts are underway to evaluate each metric for utility and relevance. While limited program evaluation activities are performed in VHA, they are directed to discrete initiatives within a program, and are not conducted in a standardized manner across the organization. On July 9 and 10, 2014, VHA Senior Leadership held a Performance Management Session in order to initiate program evaluation efforts. As a result, a comprehensive program evaluation framework is being developed.

Discussion: The vision for an integrated program performance evaluation framework includes a logical system for performance measurement, performance management using scorecards, and program evaluation to ensure a tangible and lasting effect on the lives of Veterans.

1) **Performance measurement-** utilizing a logical framework, and enabling the capture of data representing a level of performance for a particular activity, process, or program. By defining the elements of the logic model, VHA will be able to trace the performance of a particular program or investment to understand how it should help us advance the mission. This model will help create a direct line of sight between resources, VHA actions, and impact on the Veteran.
2) **Performance management framework-** structure based on a score card system that will help managers draw conclusions about progress and results in order to enable decision-makers take the actions needed to change programs in order to drive results in the future.
3) **Program Evaluation**- review of selected programs using a holistic and systematic study to understand whether, how well, and/or why it is (or is not) working.

Performance Measurement	Performance Management	Program Evaluation
What is the level of performance?	What can we do (right now) about the level of performance?	Why is the level of performance what it is?

This comprehensive framework, which will be phased in over the next two years, will provide an overview of VHA programs to implement a performance evaluation capability in the organization which will ultimately create full accountability and better management of resources in favor of our Veterans.

Research and Development

Access to Care

Research supports the VA goal of ensuring equal and timely access to quality care for all Veterans. VA Medical and Prosthetic Research plays a critical role in understanding health system and other barriers that affect access to care, and in developing and evaluating new initiatives to improve access, reduce disparities for certain Veteran populations (e.g., rural, minority, women), and improve health outcomes.

Research findings published in 2014 found that Telehealth innovations are effective in improving access and outcomes, particularly for rural Veterans. A study of 22 VA community-based outpatient clinics found that implementing telemedicine-based collaborative care in small rural clinics lacking on-site psychiatrists and psychologists increases the percentage of Veterans who take the medications they are prescribed, and improves treatment response rates. Additionally, video conferencing to provide cognitive processing therapy for posttraumatic stress disorder (PTSD) to Veterans in rural areas was found to be as effective as face-to-face treatment, and significantly reduced PTSD symptoms and improved treatment compliance and patient satisfaction.

Other recent research is directed at improving timely access to care. In 2014, VA researchers used Geographic Information Systems to analyze geographic access to acute stroke care at VA medical centers and costs associated with augmenting VA services with private sector care. This research provided strategic recommendations to VA on the locations of VA facilities capable of delivering acute-stroke care, as well as the use of potential alternate strategies such as tele-stroke care or outsourcing to community stroke centers where VA medical center resources are lacking.

Important ongoing research is aimed at better defining and understanding Veteran preferences and perceptions of access and barriers to care – for rural Veterans and also for women Veterans. New clinical and technological innovations are also being tested to improve access to evidence-based MH care in rural areas, as well as specialty care through the Specialty Care Access Network-Extension for Community Healthcare Outcomes (SCAN-ECHO). These projects directly inform VA policy and can help guide development of effective outreach programs to improve access to both primary care and specialty services.

Homelessness

In 2009, VA initiated a Five Year Plan to End Homelessness Among Veterans, an effort being strongly supported by VA researchers, who are learning the best ways to develop, organize, and deliver services that provide optimal outreach and care to homeless and at-risk Veterans. Many VHA Office of Research and Development (ORD) investigators are partnering with VA's National Center on Homelessness Among Veterans, ensuring that findings from these studies will be disseminated quickly and achieve maximum impact.

Recent study findings from ORD have helped VA in the following ways:

- Developing a brief survey of homeless patients' experiences in primary care. It was administered to homeless people across 3 VA facilities and 1 non-VA Program, and the results were published in 2014.
- Standardizing tools for providers to help Veterans with serious mental illness who are at risk of homelessness become engaged in VA services.
- Developing a measure to better understand the severity of homelessness for Veterans in order to determine the services that are needed.
- Learning how to assist local VA homelessness coordinators with the implementation of Housing First and the coordinated provision of VA services.
- Informing and testing the development of strategies using VA databases to better predict risk for homelessness among Veterans and intervening with them before they become homeless.
- By supporting and studying the impacts of the national implementation of integrated care for homeless Veterans via the rollout of the homeless patient-aligned care team (H-PACT) model in over 30 VA sites.

ORD research currently underway is expected to add to our knowledge on treating smoking cessation and substance use among homeless Veterans, factors that predict community integrations among homeless Veterans with serious mental illness, and using peers to help homeless Veterans access health care services.

Gulf War Veterans' Illness

Gulf War Veterans exhibit a number of health problems, the most troublesome of which is a chronic multisymptom illness (CMI) that presents with such varied symptoms as fatigue, musculoskeletal pain, cognitive difficulties, gastrointestinal problems, sleep difficulties, respiratory symptoms, and skin problems. In response to this complex health issue, VA is supporting research aimed at treating these symptom sets in Gulf War Veterans.

Specialized resistive exercise training is being used to treat musculoskeletal pain and neurological problems. Each Veteran's brain is being studied by using magnetic resonance imaging (MRI) during the exercise sessions to determine if MRI can be used as a marker for improvements in a patient's health. Repetitive transcranial magnetic stimulation (rTMS) is being used in a different study to treat the pain centers of the brain and thereby alleviate pain. There is also a clinical trial using two therapeutic drugs that treat pain symptoms. It is anticipated that this multifaceted approach will be successful in treating Gulf War Veterans. Another therapeutic drug treatment using a steroid that is normally present in the brain was designed to treat neurologic problems, pain, and fatigue. The relationship between fatigue and mitochondrial function in muscle cells will be studied in two projects involving exercise and follow-up laboratory tests. For cognitive problems, one treatment uses light-emitting diodes (LEDs) shining red or infrared light on a patient to increase blood flow in his/her brain, and another study will teach problem-solving therapy to help Gulf War Veterans recover lost memory and reasoning skills.

Before being approved for funding, these research projects were evaluated by a panel of experts in the appropriate subject areas to ensure that they have a solid scientific and medical basis, that they have a good chance for success, and that the safety of each patient will never be compromised.

Multi-Site Clinical Trials

Clinical research is critical to supporting state-of-the-art health care. Randomized clinical trials, in particular, have been recognized as the "gold standard" for providing evidence towards this goal. VA conducts a range of clinical trials from early phase studies to test new therapies to multi-site clinical trials that produce definitive findings to guide and change practice. Through its Cooperative Studies Program (CSP), an internationally recognized quality-based clinical research network, VA has completed several landmark studies. These studies include: an examination of ZostaVax, a shingles vaccine, that is now widely used for individuals 60 years or older, and the Clinical Outcomes Utilizing Revascularization and Aggressive Drug Evaluation (COURAGE) trial, which found that intensive medical therapy has similar rates of death and heart attacks compared to invasive "bypass" surgery. Recently, CSP completed a clinical trial of over 600 patients with Alzheimer's disease to determine if vitamin E (alpha tocopherol), memantine, or both, can slow progression of mild to moderate Alzheimer's disease. Findings published in the *Journal of the American Medical Association* indicated that participants receiving vitamin E had a delay in clinical progression compared to ones receiving placebo.

In addition to these studies, CSP has several large on-going clinical trials, including the Colonoscopy vs. Fecal Immunochemical Testing in Reducing Mortality from Colorectal Cancer (CONFIRM) trial. This trial is comparing different screening processes for colorectal cancer and seeks to enroll 50,000 participants. As of September 30, 2014, greater than 42 percent of the desired number of participants had been enrolled. When completed, it will be the largest study of its kind and help to inform whether different screening methods have any impact on colorectal cancer-related death.

Posttraumatic Stress Disorder

In FY 2014, VA Research initiated major research efforts to improve the diagnosis and treatment for PTSD. One effort is the joint DoD–VA Consortium to Alleviate PTSD (CAP). DoD and VA will provide $45 million over five years to jointly support research to advance PTSD diagnosis, prevention, and treatment for Servicemembers and Veterans. CAP will provide cutting-edge clinical treatment trials and studies examining the biology of PTSD for active-duty military and Veterans. The consortium's initiatives include efforts to learn more about the biology and physiology of PTSD development and treatment response. This information will inform diagnosis, prediction of disease outcome, and new or improved treatment methods.

Another major effort is a multisite study to compare two known effective PTSD therapies—Cognitive Processing Therapy and Prolonged Exposure —head to head. The outcomes of this study (Comparative Effectiveness Research in Veterans With PTSD, or CERV-PTSD) will tell us if one treatment is superior overall and will also provide information about which treatment is best for different populations (e.g. women vs. men, combat vs. non-combat PTSD, and older vs. younger Veterans).

A third effort is comparing two different ways to help unemployed Veterans get back to work (Veterans Individual Placement and Support Towards Advancing Recovery, or VIP-STAR). This study will evaluate the effectiveness of Individual Placement & Support (IPS). Currently, transitional work programs (TWP) are the standard vocational rehabilitation approach. TWPs focus on training, instruction, or practice in a protected, but not real-world, work setting before the Veteran takes on a competitive job. IPS, in contrast, helps people obtain and maintain community-based competitive employment in their chosen occupation and provides supported training. The goal of the study is to determine whether IPS provides a better platform to the Veteran becoming a steady worker than transitional work programs.

Progress in Million Veteran Program

In 2006, VA formally launched the VA Genomic Medicine Program to examine the potential of emerging genomic technologies to optimize medical care for Veterans. A key goal of the program is to advance health care for Veterans through the application of personalized medicine, or the incorporation of personal genetic information into clinical decision-making. The development of a leading-edge genomics research program within VA, known as the Million Veteran Program (MVP), will enable genomic discoveries that can translate to improvements in the health care of Veterans as well as the Nation. MVP is partnering with Veterans receiving care in the VA Healthcare System to collect genetic samples and health information. The program's goal is to enroll one million Veteran volunteers to study the relationship between genes, lifestyle factors, military exposure, and disease. The program is on track to establish one of the world's largest genomic and health information resources. As of September 30, 2014, 312,861 Veterans had enrolled in MVP, and more than 417,290 Veterans had completed the first step in participation - a Baseline Survey. By the end of FY 2014, many different types of genomic data were generated on more than 202,000 samples. These genomic data will be used in two large ongoing projects to better understand the genetics of functional disability in Schizophrenia and Bipolar Disorder, as well as the genetics of PTSD in Veterans.

Traumatic Brain Injury

TBI is one of the signature wounds of the recent wars. TBI disrupts the normal function of the body's most complex organ and can result in several co-occurring conditions that disrupt cognition, sensory and motor function, and MH. VA has launched a number of initiatives in recent years to improve the health of Veterans with TBI.

1) VA dramatically increased funding in TBI, which has led to important findings in the areas of diagnostics, prognostics, and health care delivery.
    a. VA investigators have been at the forefront of translating new technologies into practice. One study recently found that exposure to blast was sufficient to cause damage to the white matter tracts (the brain's information superhighway), even when the Veteran did not report having clinical symptoms of TBI. This research will lead to more sensitive diagnostics and understanding of repetitive mild TBI.
    b. Posttraumatic epilepsy is known to occur after moderate and severe brain injury. VA investigators recently found that mild TBI increases the rate of seizures that were caused, not by epilepsy, but in response to emotional or mental stress. This work will lead to better seizure management in Veterans with psychogenic seizures.
    c. VA's Quality Enhancement Research Initiative (QUERI) focuses on rapidly translating research findings into patient care. A Polytrauma and Blast-Related Injury QUERI Coordinating Center has been established to promote evidence based "best practices" in care and thereby support the rehabilitation, psychological adjustment, and community reintegration of Veterans affected by TBI and other injuries.

VA is a key member of Federal interagency initiatives that have focused on improving the MH of Veterans. This includes the Chronic Effects of Neurotrauma Consortium (CENC), which is jointly funded by VA and DoD. This consortium will provide critical information on the mechanisms that can cause progressive long-term dysfunction in Veterans with repetitive mild TBI, an understudied area of research. The first projects to be funded under this joint initiative will investigate the long-term brain health of Veterans with repetitive mild TBI and utilize an animal model to determine the causes of an abnormal type of protein (known as Tau) that builds up in the brain after injury.

Letter from the Chief Financial Officer

November 12, 2014

Entrusted to serve our Nation's 23 million living Veterans, as well as memorialize those who have died, the Department of Veterans Affairs (VA) must be transparent and accountable to Veterans and our broad community of stakeholders. To that end, I am pleased to report that VA received its 16th consecutive unqualified ("clean") audit opinion on the Department's consolidated financial statements. The enclosed audit provides an assessment of the Department's detailed financial information and our stewardship of taxpayer resources in support of our mission, fulfilling President Lincoln's charge to care for those "who shall have borne the battle" and their families.

VA staff worked diligently on remediation of its one remaining material weakness, "Information Technology (IT) Controls," however, this will remain a material weakness in 2015. VA received two significant deficiencies. One is for "Financial Reporting," driven in part by the age of VA's legacy financial management system; the other is for "Accrued Operating Expenses." Additionally, while there is no change in Total Net Position, the FY 2013 VA financial statements have been restated, with adjustments being made to Cumulative Results of Operations and Unexpended Appropriations as of September 30, 2012. Further information regarding the restatement can be found in Note 24 of the financial statements.

We also received other external validation of the Department's ongoing efforts to ensure sound financial management. VA's Franchise Fund is expected to receive its 17th successive unqualified audit opinion on its 2014 consolidated financial statements. In addition, the Supply Fund received an unqualified opinion in 2013 and anticipates another unqualified opinion in 2014.

The Department is committed to meeting financial management goals that include eliminating improper payments, strengthening internal controls, as well as enhancing data and analysis. In the improper payment area, we continued to build on the significant progress made last year, seeking to leverage every Veteran dollar and comply with the Improper Payments Elimination and Recovery Improvement Act (IPERIA). In 2014, the IPERIA governing board, comprised of senior accountable officials and program managers throughout VA, oversaw the remediation of all of the Inspector General's 2013 findings. VA staff continues to focus on identifying the root causes of improper payment and developing corrective actions to eliminate them in the future.

In 2014, VA launched a major initiative focused on the use of sophisticated data analytics to improve decision-making, reduce risk exposure, and discover valuable operational insights. The use of data analytics to identify VA financial activities with risk for fraud, improper payment, or noncompliance with VA policy, procedures and regulations was demonstrated in a proof-of-concept on VA-wide travel data. Our continued focus on data quality and governance is critical to support data-driven decision-making.

VA also made the successful transition to E-Gov Travel Service, the newest version of a government-wide, web-based, travel management service. We accelerated our implementation by 4 months, thereby avoiding a $1 million per month shared managed service fee. We are also pleased to announce that our E-Invoicing initiative was recognized in 2014 by the Tungsten Corporation with both the “Supplier Engagement Award” and the “Green Award.” These awards recognize an organization that converted the highest number of suppliers from paper to electronic invoicing during the previous year.

Pursuant to guidance in the 2014 Omnibus Bill, VA successfully closed out the Recovery Act program. For USAspending.gov, VA continues to report all required contract, grant, loan, and other assistance program spending that totaled $142 billion in FY 2014. Additionally, VA bettered the travel spending reduction target established by the Office of Management and Budget, implementing memorandum M-12-12, “Promoting Efficient Spending to Support Agency Operations.”

Recognizing the importance of continuous improvement, VA is proud of its financial management accomplishments during the past year and is committed to ensuring on-going stewardship of resources entrusted to it by Congress and the American people. While there is work to be done, financial management achievements in 2014 reflect the dedication and hard work of staff throughout the Department. Thank you to all who helped made the 2014 achievements in VA financial management possible. I invite you to read about our program and financial management achievements for FY 2014 in the attached report.

Helen Tierney

Consolidated Financial Statements

DEPARTMENT OF VETERANS AFFAIRS				
CONSOLIDATED BALANCE SHEETS (dollars in millions)				
AS OF SEPTEMBER 30,		**2014**		**2013**
				Restated (Note 24)
ASSETS				
INTRAGOVERNMENTAL				
Fund Balance with Treasury (Note 3)	$	57,887	$	39,048
Investments (Notes 5 and 19)		7,827		8,564
Accounts Receivable, Net (Note 6)		40		41
Other Assets		352		540
TOTAL INTRAGOVERNMENTAL ASSETS		**66,106**		**48,193**
PUBLIC				
Cash (Note 4)		5		8
Investments (Note 5)		178		178
Accounts Receivable, Net (Note 6)		2,631		2,040
Direct Loans and Loan Guarantees, Net (Note 7)		1,838		2,147
Inventories and Related Property, Net (Note 8)		49		71
General Property, Plant and Equipment, Net (Note 9)		22,283		21,976
Other Assets		20		26
TOTAL PUBLIC ASSETS		**27,004**		**26,446**
TOTAL ASSETS	**$**	**93,110**	**$**	**74,639**
Heritage Assets (Note 10)				
LIABILITIES				
INTRAGOVERNMENTAL				
Accounts Payable	$	290	$	258
Debt (Note 11)		697		756
Other Liabilities (Note 15)		1,300		1,414
TOTAL INTRAGOVERNMENTAL LIABILITIES		**2,287**		**2,428**
PUBLIC				
Accounts Payable		11,740		10,807
Liabilities for Loan Guarantees (Note 7)		8,908		7,933
Federal Employee and Veterans Benefits Liabilities (Note 13)		2,009,364		1,977,020
Environmental and Disposal Liabilities (Note 14)		789		823
Insurance Liabilities (Note 17)		9,145		9,854
Other Liabilities (Note 15)		4,759		4,260
TOTAL PUBLIC LIABILITIES		**2,044,705**		**2,010,697**
TOTAL LIABILITIES		**2,046,992**		**2,013,125**
Commitments and Contingencies (Note 18)				
NET POSITION				
Unexpended Appropriations – All Other Funds (Note 24)		36,398		21,211
Cumulative Results of Operations – Funds from Dedicated Collections (Note 19)		1,008		843
Cumulative Results of Operations – All Other Funds (Note 24)		(1,991,288)		(1,960,540)
TOTAL NET POSITION		**(1,953,882)**		**(1,938,486)**
TOTAL LIABILITIES AND NET POSITION	**$**	**93,110**	**$**	**74,639**

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,	2014	2013
NET PROGRAM COSTS BY ADMINISTRATION (Note 21)		
Veterans Health Administration		
Gross Cost	$ 64,997	$ 60,317
Less Earned Revenue	(3,811)	(3,767)
Net Program Cost	61,186	56,550
Veterans Benefits Administration		
Gross Cost		
Program Costs	88,037	83,919
Veterans Benefits Actuarial Cost, Excluding Changes in Actuarial Assumptions (Note 13)	54,400	99,200
Less Earned Revenue	(1,237)	(1,549)
Net Program Cost	141,200	181,570
National Cemetery Administration		
Gross Cost		
Program Costs	310	305
Veterans Benefits Actuarial Cost, Excluding Changes in Actuarial Assumptions (Note 13)	-	(100)
Less Earned Revenue	-	-
Net Program Cost	310	205
Indirect Administrative Program Costs		
Gross Cost	1,831	2,087
Less Earned Revenue	(292)	(507)
Net Program Cost	1,539	1,580
NET PROGRAM COSTS BY ADMINISTRATION BEFORE CHANGES IN VETERANS BENEFITS ACTUARIAL LIABILITY ASSUMPTIONS	**204,235**	**239,905**
CHANGES IN ACTUARIAL LIABILITY ASSUMPTIONS (Note 13)		
COMPENSATION:		
Changes in Discount Rate Assumption	(37,400)	39,600
Changes in COLA Rate Assumption	15,400	(11,800)
Changes in Disability Claims Rates	-	70,400
Changes in Other Assumptions	-	15,700
TOTAL COMPENSATION	(22,000)	113,900
BURIAL:		
Changes in Discount Rate Assumption	(100)	100
Changes in Other Assumptions	-	100
TOTAL BURIAL	(100)	200
NET (GAIN)/LOSS FROM ACTUARIAL LIABILITY ASSUMPTIONS	**(22,100)**	**114,100**
NET COST OF OPERATIONS (Note 21)	**$ 182,135**	**$ 354,005**

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, 2014

	Funds from Dedicated Collections (Note 19)	All Other Funds	Eliminations	2014 Consolidated Total
Cumulative Results of Operations				
Beginning Balance	$ 843	$ (1,960,540)	$ -	$ (1,959,697)
Budgetary Financing Sources				
Appropriations Used	-	149,628	-	149,628
Nonexchange Revenue	-	9	-	9
Donations and Forfeitures of Cash and Cash Equivalents	27	-	-	27
Transfer In/Out Without Reimbursement	(3,038)	3,173	-	135
Other Financing Sources (Nonexchange)				
Donations and Forfeitures of Property	40	1	-	41
Transfers In/Out Without Reimbursement	-	14	-	14
Imputed Financing	-	2,169	-	2,169
Other	-	(471)	-	(471)
Total Financing Sources	(2,971)	154,523	-	151,552
Net Cost/(Benefit) of Operations	(3,136)	185,271	-	182,135
Net Change	**165**	**(30,748)**	**-**	**(30,583)**
Ending Balance – Cumulative Results	1,008	(1,991,288)	-	(1,990,280)
Unexpended Appropriations				
Beginning Balance	-	21,211	-	21,211
Budgetary Financing Sources				
Appropriations Received	-	166,963	-	166,963
Appropriations Transferred In/Out	-	138	-	138
Other Adjustments	-	(2,286)	-	(2,286)
Appropriations Used	-	(149,628)	-	(149,628)
Total Budgetary Financing Sources	-	15,187	-	15,187
Total Unexpended Appropriations	**-**	**36,398**	**-**	**36,398**
Total Net Position	**$ 1,008**	**$ (1,954,890)**	**$ -**	**$ (1,953,882)**

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, Restated (Note 24)

	Funds from Dedicated Collections (Note 19)	All Other Funds (Note 24)	Eliminations	2013 Consolidated Total (Note 24)
Cumulative Results of Operations				
Beginning Balances	$ 745	$ (1,725,997)	$ (200)	$ (1,725,452)
Adjustment: Correction of Error	-	(22,028)	-	(22,028)
Beginning Balances, as adjusted	745	(1,748,025)	(200)	(1,747,480)
Budgetary Financing Sources				
Appropriations Used (Note 24)	-	139,901	-	139,901
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)	144,367	200	141,788
Net Cost/(Benefit) of Operations	(2,877)	356,882	-	354,005
Net Change	**98**	**(212,515)**	**200**	**(212,217)**
Ending Balance – Cumulative Results	843	(1,960,540)	-	(1,959,697)
Unexpended Appropriations				
Beginning Balances	-	3,931	200	4,131
Adjustment: Correction of Error	-	22,028	-	22,028
Beginning Balances, as adjusted	-	25,959	200	26,159
Budgetary Financing Sources				
Appropriations Received	-	137,298	-	137,298
Appropriations Transferred In/Out	-	133	-	133
Other Adjustments	-	(2,278)	(200)	(2,478)
Appropriations Used (Note 24)	-	(139,901)	-	(139,901)
Total Budgetary Financing Sources	-	(4,748)	(200)	(4,948)
Total Unexpended Appropriations	**-**	**21,211**	**-**	**21,211**
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

COMBINED STATEMENT OF BUDGETARY RESOURCES (dollars in millions)

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgetary	Non-Budgetary Credit Reform Financing Account
Budgetary Resources (Note 22)		
Unobligated Balance, brought forward, October 1	10,901	5,167
Recoveries of Prior Year Unpaid Obligations	2,510	-
Other Changes in Unobligated Balance	(297)	(96)
Unobligated Balance from Prior Year Budget Authority, net	13,114	5,071
Appropriations	169,136	-
Borrowing Authority	-	126
Spending Authority from Offsetting Collections	4,862	5,253
Total Budgetary Resources	**$ 187,112**	**$ 10,450**
Status of Budgetary Resources		
Obligations Incurred	$ 160,666	$ 2,921
Unobligated Balance, end of year:		
Apportioned	7,305	-
Unapportioned	19,141	7,529
Total Unobligated Balance, end of year	26,446	7,529
Total Status of Budgetary Resources	**$ 187,112**	**$ 10,450**
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, brought forward, October 1	27,644	346
Obligations Incurred	160,666	2,921
Outlays (gross)	(157,604)	(2,925)
Recoveries of Prior Year Unpaid Obligations	(2,510)	-
Other Adjustments	9	-
Unpaid Obligations, end of year	$ **28,205**	**$ 342**
Uncollected Payments:		
Uncollected Payments Fed Sources, brought forward, October 1	(2,094)	-
Change in Uncollected Pymts Fed Sources	189	-
Uncollected Payments, Fed Sources, end of year,	$ **(1,905)**	**$ -**
Memorandum entries:		
Obligated Balance, start of year	$ 25,550	$ 346
Obligated Balance, end of year	26,300	342

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DEPARTMENT OF VETERANS AFFAIRS
COMBINED STATEMENT OF BUDGETARY RESOURCES (dollars in millions) (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgetary	Non-Budgetary Credit Reform Financing Account
Budget Authority and Outlays, net		
Budget Authority, gross	$ 173,998	$ 5,379
Actual Offsetting Collections	(5,066)	(5,342)
Change in Uncollected Customer Payments from Federal Sources	189	-
Budget Authority, net	**$ 169,121**	**$ 37**
Outlays, gross	$ 157,604	$ 2,925
Actual Offsetting Collections	(5,066)	(5,342)
Outlays, net	152,538	(2,417)
Distributed Offsetting Receipts	(3,418)	(46)
Agency Outlays, net	**$ 149,120**	**$ (2,463)**

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
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)	-
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.

Notes to Consolidated Financial Statements

For the Years Ended September 30, 2014 and 2013, (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 (CFO) Act 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 understanding 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 Statement of Budgetary Resources are included in the Required Supplementary Information (RSI) section on the Schedule of Budgetary Activity shown by major account. The Combined SBR is prepared on a combined basis, not a consolidated basis and therefore, does 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 consists 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 consists of: benefits revenue from reimbursement of education benefit programs by the Department of Defense (DoD); insurance revenue 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 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 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 section 'Status of Fund Balance with Treasury' in the Note 3 table 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 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 VA field stations. Treasury processes all other cash receipts and disbursements. Occasionally, cash includes cash held by non-federal trusts. 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 2029), 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 2014 and 2013, 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 $1 million or greater. Buildings are depreciated on a straight-line basis over estimated useful lives of 25 to 40 years. Equipment is depreciated on a straight-line basis over its useful life, usually 5 to 20 years.

Internal use software is also subject to the $1 million 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 are 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 repair 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 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 repair 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 disclosures on deferred maintenance and repairs of G-PP&E and heritage assets see 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 WIP 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 has the authority to 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.

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 2014.

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 2014 and 2013 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 4.0 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 2.5 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 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 $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 2014 and 2013, the interest rates ranged from 3.5 percent to 5.0 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 2014, a discount rate of 4 percent (2.5 percent for USGLI), along with the appropriate accrual factor, was used. For 2013, 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 known material 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, Cost-of-Living Adjustment (COLA), and the other economic assumptions. For 2014, 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.

Commitments and 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 resolution 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, Commitments and 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.

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 FBWT; 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,		
	2014	**2013**
Fund Balance with Treasury	$ 118	$ 116
Intragovernmental Accounts Receivable	1	1
Public Accounts Receivable	73	71
Total Non-Entity Assets	$ 192	$ 188

3. Fund Balance with Treasury

Fund Balance with Treasury as of September 30,		2014		2013
Entity Assets				
Trust Funds	$	91	$	87
Revolving Funds		8,360		6,060
Appropriated Funds		48,850		32,386
Special Funds		407		349
Other Fund Types		61		50
Total Entity Assets		57,769		38,932
Non-Entity Assets				
Other Fund Types		118		116
Total Non-Entity Assets		118		116
Total Entity and Non-Entity Assets	$	57,887	$	39,048
Reconciliation of VA General Ledger Balances with Treasury				
Balance per VA General Ledger	$	52,992	$	40,145
Reconciled Differences, Principally Timing		4,792		(1,167)
Unreconciled Differences		103		70
Fund Balance with Treasury	$	57,887	$	39,048
Status of Fund Balance with Treasury				
Unobligated Balance				
Available	$	7,267	$	6,898
Unavailable		25,071		7,405
Obligated Balance Not Yet Disbursed		25,085		24,333
Deposit /Clearing Account Balances		464		412
Fund Balance with Treasury	$	57,887	$	39,048

4. Cash

Cash as of September 30,		2014		2013
Canteen Service	$	2	$	2
Agent Cashier Advance		3		6
Total Cash	$	5	$	8

5. Investments

Investment Securities										
as of September 30, 2014										
		Cost	**Amortization Method**		**Amortized (Premium)/ Discount**	**Interest Receivable**	**Investments, Net**		**Market Value**
Intragovernmental Securities (Note 19)									
Non-Marketable: Special Bonds	$	7,700	N/A	$	-	60	7,760	$	7,760
Treasury Notes		67	Effective Interest		(1)	1	67		67
Total	$	7,767		$	(1)	61	7,827	$	7,827
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, 2013									
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

6. Accounts Receivable, Net

Accounts Receivable, Net as of September 30,		2014		2013
Intragovernmental Accounts Receivable, Net	$	40	$	41
Public Accounts Receivable				
Medical Care	$	2,655	$	2,343
Contractual Adjustment and Allowance for Loss Provision		(1,113)		(1,023)
Net Medical Care		1,542		1,320
Compensation and Pension		1,281		1,071
Allowance for Loss Provision		(564)		(727)
Net Compensation and Pension		717		344
Education Benefits		419		380
Allowance for Loss Provision		(150)		(109)
Net Education Benefits		269		271
Other		124		127
Allowance for Loss Provision		(21)		(22)
Net Other		103		105
Total Public Accounts Receivable		4,479		3,921
Total Contractual Adjustment and Allowance for Loss Provision		(1,848)		(1,881)
Public Accounts Receivable, Net	$	2,631	$	2,040

The Total Contractual Adjustment and Allowance for Loss Provision as a percentage of Total Public Accounts Receivable was approximately 41 percent and 48 percent at September 30, 2014 and 2013, respectively. The Medical Care Contractual Adjustment and Allowance for Loss Provision as a percentage of Total Medical Care related accounts receivable was approximately 42 percent and 44 percent at September 30, 2014 and 2013, respectively.

Included in the Medical Care Contractual Adjustment and Allowance for Loss Provision is an Allowance for Contractual Adjustment of $697 million and $611 million or approximately 55 percent and 56 percent, respectively of MCCF third party receivables of $1.27 billion and $1.09 billion at September 30, 2014 and 2013, 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 44 percent and 68 percent at September 30, 2014 and 2013, respectively. The Education Benefits Allowance for Loss Provision as a percentage of Total Education Benefits and Readjustment Benefit Overpayment-related accounts receivable was approximately 36 percent and 29 percent at September 30, 2014 and 2013, 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; and 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, which includes 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. Some drivers for the reestimated capital required are as follows:

1. Service-connected home loans are a larger proportion of new home loan guarantees in 2014. Purchase home loans, however, are a smaller proportion of new home loan guarantees in 2014. Service-connected home loans have lower funding fee rates compared to purchase home loans and generate less collection for the government.

2. A lower projected recovery rate in 2015 for existing home loans. The lower recovery rate generates less property sales proceeds, or recoveries on defaulted loans.

3. Interest expense on additional cash set aside to cover future mortgage losses. Additional cash is set aside because of more service-connected refinance home loans and the ower home loan recovery rate.

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, 2014

	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)	$ 5	6	-	-	$ 11
Insurance Policy Loans	345	8	-	-	353
Total Loans Receivable and Related Foreclosed Property and Insurance Policy Loans, Excluding Direct Loans Obligated After 1991, Net					$ 364

	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	$ 512	19	58	27	$ 616
Total Loans Receivable and Related Foreclosed Property and Insurance Policy Loans from Direct Loans, Net					$ 980

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

Direct Loans Disbursed

The total amount of new direct loans disbursed for the years ended September 30, 2014 and 2013, was $4.8 million and $2.2 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 2014. 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,	2014	2013
Interest Differential	$ (2)	$ (1)
Defaults	1	-
Subtotal	(1)	(1)
Interest Rate Reestimates	3	(11)
Technical Reestimates	(25)	(33)
Total Direct Loan Subsidy Expense	$ (23)	$ (45)

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	(35.68%)
Defaults	6.76%
Fees	(1.26%)
Other	1.05%

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 2014, the subsidy rate is (24.13) percent for Veterans Housing Direct – Vendee Loans, (5.00) percent for Veterans Housing Direct – Acquired Loans, and (16.75) percent for Native American Direct. 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. 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		
	2014	2013
Beginning balance of the allowance	$ (56)	$ (24)
Subsidy expense for direct loans disbursed during the reporting years by component:		
Interest subsidy costs	(2)	(1)
Default costs (net of recoveries)	1	-
Total of the above subsidy expense components	(1)	(1)
Adjustments:		
Foreclosed property acquired	(11)	(7)
New Loans	-	2
Loans written off	(3)	(5)
Subsidy allowance amortization	2	16
Change in reestimate approved by OMB	32	7
Total Adjustments	20	13
Ending balance of the allowance before reestimates	(37)	(12)
Subsidy reestimates by component		
Interest rate reestimate	3	(11)
Technical/default reestimate	(25)	(33)
Total of the above reestimate components	(22)	(44)
Ending balance of the allowance	$ (59)	$ (56)

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 the 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, 2014

	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)	$ 28	-	5	3	$ 36
Defaulted Guaranteed Loans - Post-1991 Guarantees	5	-	-	817	822
Total Loans Receivable and Related Foreclosed Property from Loan Guarantees					$ 858

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

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 a 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, 2014 and 2013.

Real Estate Owned				
as of September 30,				
		2014		**2013**
Opening Balance	$	1,048	$	1,016
Acquisitions Direct Loans	$	30	$	20
Acquisitions Guaranteed Loans	$	1,528	$	1,508
Gain/Loss on Sale	$	(368)	$	(436)
Proceeds from Sale	$	(1,649)	$	(1,260)
Property Management Expense	$	257	$	200
Ending Balance	$	846	$	1,048

As of September 30, 2014 and 2013, the number of residential properties in VA's inventory was approximately 8,180 and 11,100, respectively. For 2014 and 2013, the average holding period from the date properties were conveyed to VA until the date properties were sold was approximately 9 months for both years. The number of properties for which foreclosure proceedings are in process was approximately 29,900 and 18,800 as of September 30, 2014 and 2013, respectively.

Guaranteed Loans				
as of September 30,				
		2014		**2013**
Guaranteed Loans Outstanding:				
Outstanding Principal of Guaranteed Loans, Face Value	$	389,272	$	339,245
Amount of Outstanding Principal Guaranteed	$	101,506	$	89,227
Loan Principal Collections, New Guaranteed Loans	$	(756)	$	(1,452)
Termination of Outstanding Principal Guaranteed, Face Value	$	(36,793)	$	(74,123)
New Guaranteed Loans Disbursed:				
Outstanding Principal of Guaranteed Loans, Face Value	$	86,819	$	128,194
Amount of Outstanding Principal Guaranteed	$	22,043	$	32,359
Number of New Loans Disbursed		386,872		570,646
Liabilities for Pre-1992 and Post-1991 Loan Guarantees, Excluding Loan Sale Guarantees (Present Value Method)	$	8,753	$	7,559

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,		2014		2013
Defaults	$	1,384	$	1,897
Fees		(1,404)		(2,032)
Subtotal		(20)		(135)
Interest Rate Reestimates		58		167
Technical Reestimates		367		1,421
Total Guaranteed Loan Subsidy Expenses	$	405	$	1,453

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	1.41%
Fees	(1.43)%

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 2014 was (.02) percent. In the table below, the current year and prior year upward reestimate was principally caused by a higher proportion of new refinance loan guarantees and unanticipated increase claim payment rates for some older loan guarantees with steady improvements in housing market conditions.

Schedule for Reconciling Loan Guarantee Liability Balance				
Beginning Balance, Changes and Ending Balance				
		2014		2013
Beginning balance of the liability	$	7,559	$	5,445
Subsidy expense for guaranteed loans disbursed during the reporting years by component:				
Default costs (net of recoveries)		1,384		1,897
Fees and other collections		(1,404)		(2,032)
Total of the above subsidy expense components		(20)		(135)
Adjustments:				
Fees received		1,366		1,494
Foreclosed property		(352)		(243)
Claim payments to lenders		(940)		(1,123)
Interest accumulation on the liability balance		162		149
Change in reestimate approved by OMB		332		384
Total Adjustments		568		661
Ending balance of the liability before reestimates		8,107		5,971
Subsidy reestimates by component				
Interest rate reestimate		58		167
Technical/default reestimate		367		1,421
Total of the above reestimate components		425		1,588
Ending balance of the liability	$	8,532	$	7,559

Schedule for Reconciling Pre-1992 Loan Guarantee Liabilities				
Beginning Balance, Changes and Ending Balance				
		2014		2013
Beginning balance of the liability	$	208	$	189
Claims		(1)		(11)
Foreclosed Properties		(1)		(4)
Veteran Liability Debts		20		29
Amortization of Liability Balance		(4)		5
Total	$	222	$	208

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 has the authority to 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 2014, the total loans sold amounted to $14.2 billion. VA recognized no loan sale proceeds or gain or loss on sale of loans during 2014. The components of the outstanding balance for guaranteed loans sold are summarized in the table below:

Outstanding Balance of Loan Sale Guarantees - Guaranteed Loans Sold as of September 30,	**2014**	**2013**
Outstanding Balance Guaranteed Loans Sold, Start of Year	$ 1,597	$ 1,808
Payments, Repayments, and Terminations	(182)	(211)
Outstanding Balance Guaranteed Loans Sold, End of Year	$ 1,415	$ 1,597

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,	**2014**	**2013**
Defaults	$ -	$ -
Fees	-	-
Other	-	-
Subtotal	-	-
Interest Rate Reestimates	2	30
Technical Reestimates	(13)	23
Total Loan Sale-Guaranteed Subsidy Expense	$ (11)	$ 53

Schedule for Reconciling Loan Sale Guarantee Liability Balances		
Beginning Balance, Changes and Ending Balance	**2014**	**2013**
Beginning balance of the liability	$ 166	$ 116
Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
Default costs (net of recoveries)	-	-
Fees	-	-
Total of the above subsidy expense components	-	-
Adjustments:		
Claim payments to lenders	(24)	(29)
Interest accumulation on the liability balance	9	46
Change in reestimate approved by OMB	14	(20)
Gain on Loan Sales	-	-
Total Adjustments	(1)	(3)
Ending balance of the liability before reestimates	165	113
Subsidy reestimates by component		
Interest rate reestimate	2	30
Technical/default reestimate	(13)	23
Total of the above reestimate components	(11)	53
Ending balance of the liability	$ 154	$ 166

Program Totals

Total Loans Receivable and Related Foreclosed Property, Net		
as of September 30,		
	2014	**2013**
Total Direct Loans	$ 980	$ 1,080
Total Guaranteed Loans	858	1,067
Total Loans Receivable and Related Foreclosed Property, Net	$ 1,838	$ 2,147

Total Subsidy Expense		
for the years ended September 30,		
	2014	**2013**
Total Direct Loans	$ (23)	$ (45)
Total Guaranteed Loans	405	1,453
Total Loan Sales	(11)	53
Total Subsidy Expense	$ 371	$ 1,461

Total Liabilities for Loan Guarantees		
as of September 30,		
	2014	**2013**
Total Loan Guarantee Liability	$ 8,532	$ 7,559
Total Pre-1992 Loan Guarantee Liability	222	208
Total Loan Sale Guarantee Liability	154	166
Total Liabilities for Loan Guarantees	$ 8,908	$ 7,933

Administrative Expense
Administrative expense for direct and guaranteed loans for the fiscal years ended September 30, 2014 and 2013, was $160 million and $151 million, respectively.

8. Inventories and Related Property, Net

Inventories as of September 30,		2014		2013
Held for Current Sale	$	49	$	71
Total Inventories	$	49	$	71

9. General Property, Plant and Equipment

General Property, Plant and Equipment as of September 30, 2014

		Cost		Accumulated Depreciation /Amortization		Net Book Value
Land and Improvements	$	1,345	$	(298)	$	1,047
Buildings		27,253		(15,035)		12,218
Equipment		4,371		(2,568)		1,803
Other Structures and Capital Leases		3,941		(2,153)		1,788
Internal Use Software		1,033		(784)		249
Construction Work in Progress		4,855		-		4,855
Internal Use Software in Development		323		-		323
Total Property, Plant, and Equipment	$	43,121	$	(20,838)	$	22,283

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

Depreciation and amortization expense totaled $1.7 billion and $2.1 billion in 2014 and 2013, respectively. Loss on disposition of assets totaled $476 million and $100.2 million in 2014 and 2013, 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 2014 and 2013, 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 has 1,633 multi-use Heritage Assets that are included in General PP&E (and not a part of the count shown below). These multi-use Heritage Assets are being utilized as administration, operation, engineering and maintenance buildings.

VA expensed $7.9 million and $7.1 million of heritage asset costs associated with acquisition, construction, renovation and/or modification of VA-owned personal property and buildings and structures declared as heritage assets for the years ended September 30, 2014 and 2013, respectively.

Heritage Assets in Units **as of September 30,**	**2013 Balance**	**2014 Additions**	**2014 Withdrawals**	**2014 Balance**	**(Unaudited) Condition**
Art Collections	24	-	(11)	13	A
Buildings and Structures	604	-	(42)	562	A/U
Monuments/Historic Flag Poles	1,202	91	-	1,293	A
Other Non-Structure Items	390	125	-	515	A
Archaeological Sites	9	-	(5)	4	A
Cemeteries	*164	-	-	*164	A
Total Heritage Assets in Units	2,393	216	(58)	2,551	

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,	2013 Beginning Balance	2013 Net Borrowing	2013 Ending Balance	2014 Net Borrowing	2014 Ending Balance
Loan Guaranty Debt					
Debt to the Treasury	$ 837	$ (88)	$ 749	$ (58)	$ 691
Debt to the Federal Financing Bank	5	-	5	-	5
Total Loan Guaranty Debt	842	(88)	754	(58)	696
Direct Loans Debt – Vocational Rehabilitation Program					
Debt to the Treasury	1	1	2	(1)	1
Debt to the Federal Financing Bank	-	-	-	-	-
Total Direct Loans Debt	1	1	2	(1)	1
Total Debt					
Debt to the Treasury	838	(87)	751	(59)	692
Debt to the Federal Financing Bank	5	-	5	-	5
Total Debt	$ 843	$ (87)	$ 756	$ (59)	$ 697

At September 30, 2014 and 2013, 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 2014 ranged from 1.65 to 2.75 percent and 2.74 to 3.49 percent for debt issued in 2013. The interest rates on all outstanding debt issued ranged from 1.00 to 7.59 percent in 2014 and 2.01 to 7.59 percent in 2013. Interest expense was $27 million for 2014 and $40 million for 2013.

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 2014 and 2013. The interest rate on all outstanding debt issued is 1.00 percent in 2014 and 1.00 percent in 2013. Interest expense was $37 million for 2014 and $41 million for 2013.

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 2014 or 2013. 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,		2014		2013
Workers' Compensation (FECA)*	$	2,728	$	2,680
Annual Leave		1,987		1,908
Judgment Fund		1,692		1,397
Environmental and Disposal Liabilities		789		823
Veterans Compensation and Burial		2,007,100		1,974,800
Insurance		1,442		1,352
Amounts due to Non-Federal Trust		134		141
Total	$	2,015,872	$	1,983,101

* The actuarial estimate for workers' compensation provided by DOL was computed using an interest rate of 3.46 percent for wage benefits and 2.86 percent for medical benefits to discount the projected annual benefit payments as of September 30, 2014 and 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.

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 $464 million and $460 million at September 30, 2014 and 2013, 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,				
		2014		**2013**
Civil Service Retirement System	$	714	$	527
Federal Employees Health Benefits		1,318		1,267
Federal Employees Group Life Insurance		4		4
Total Imputed Expenses-Employee Benefits*	$	2,036	$	1,798

*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

Eligible Veterans who die or are disabled during active military service-related causes, as well as their dependents, receive compensation benefits and are provided a burial flag, headstone/marker, and grave liner 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,				
		2014		**2013**
Workers' Compensation (FECA)	$	2,264	$	2,220
Compensation		2,002,600		1,970,200
Burial		4,500		4,600
Total Federal Employee and Veterans Benefits Liabilities	$	2,009,364	$	1,977,020

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, 2014 and 2013, was $102.8 billion and $97.5 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, 2014 and 2013, 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 2005 to 2014 and 2004 to 2013 for September 30, 2014 and 2013, 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 0.40 percent to 4.39 percent and from 1.81 percent to 4.35 percent as of September 30, 2014 and 2013, respectively. These spot rates produced a single weighted average discount rate of 4.29 percent and 4.20 percent as of September 30, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013, was 2.61 percent and 2.57 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, 2014.

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 reconciliation table that follows the narrative below shows that the total cost for 2014 of $97.6 billion decreased $180.3 billion over 2013 expense of $277.9 billion. The decrease was primarily attributable to VBA's continued efforts to reduce the backlog of pending claims, including the large number of claims from eligible Veterans with preexisting conditions that were added to the list of presumptive conditions. The higher disability claims rates are based on emerging experience from initial and reopened claims for the new presumptive conditions related to Agent Orange. VA recognized these effects primarily in September 2013 and the liability balance has not changed significantly as of September 30, 2014. Also contributing to the reduction in costs year over year, was an increase in the single weighted average discount rate to 4.29 percent in 2014 from 4.20 percent in 2013. This change resulted in a decrease in costs associated with the reported liability compared to a decrease in the single weighted average discount rate to 4.20 percent in 2013 from 4.31 percent in 2012; which resulted in an increase in the 2013 liability.

Reconciliation of Veterans Compensation and Burial Actuarial Liabilities For the Year Ended September 30,						
		Compensation		Burial		TOTAL
Liability at October 1, 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**
Expense:						
Interest on the Liability Balance**		82,700		200		82,900
Actuarial (Gain)/Loss from Current Year Activity						
Changes in Experience (Veterans Counts, Status)**		36,800		-		36,800
Changes in Assumptions:						
Changes in Discount Rate Assumption		(37,400)		(100)		(37,500)
Changes in COLA Rate Assumption		15,400		-		15,400
Net (Gain)/Loss from Changes in Assumptions		(22,000)		(100)		(22,100)
Prior Service Costs (Adjustment to Benefits)**		-		-		-
Total Expense		97,500		100		97,600
Less Amounts Paid**		(65,100)		(200)		(65,300)
Net Change in Actuarial Liability		32,400		(100)		32,300
Liability at September 30, 2014	$	**2,002,600**	$	**4,500**	$	**2,007,100**

* The sum of these changes represents Veterans Benefits Actuarial Cost, Excluding Changes in Actuarial Assumptions on the Statement of Net Cost for 2013.
** The sum of these changes represents Veterans Benefits Actuarial Cost, Excluding Changes in Actuarial Assumptions on the Statement of Net Cost for 2014.

14. Environmental and Disposal Liabilities

VA had unfunded environmental and disposal liabilities in the amount of $789 million and $823 million as of September 30, 2014 and 2013, 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. As of September 30, 2014, the liablities for friable and non-friable asbestos removal was $150 million and $461 million, respectively.

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.

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,

		2014		2013
Deposit and Clearing Account Liabilities	$	268	$	681
Accrued Expenses - Federal		13		16
Deferred Revenue		52		17
Custodial Liabilities		74		71
Credit Reform Act Subsidy Reestimates*		246		21
Accrued VA Contributions for Employee Benefits		183		148
Total Other Intragovernmental Funded Liabilities	$	836	$	954

* 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,

		2014		2013
Accrued FECA Liability	$	458	$	453
Unfunded Employee Liability		6		7
Total Other Intragovernmental Unfunded Liabilities	$	464	$	460
Total Other Intragovernmental Liabilities	$	1,300	$	1,414

Other Public Funded Liabilities

as of September 30,

		2014		2013
Accrued Funded Annual Leave	$	21	$	20
Accrued Expenses		168		68
Accrued Salaries and Benefits		747		609
Capital Lease Liability		11		8
Other		(5)		109
Total Other Public Funded Liabilities	$	942	$	814

Other Public Unfunded Liabilities

as of September 30,

		2014		2013
Accrued Unfunded Annual Leave*	$	1,987	$	1,908
Amounts due to non-Federal trust		134		141
Other		4		-
Judgment Fund-Unfunded**		1,692		1,397
Total Other Public Unfunded Liabilities	$	3,817	$	3,446
Total Other Public Liabilities	$	4,759	$	4,260

* 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 $11 million and $8 million as of September 30, 2014 and 2013, respectively. Capital leases consist primarily of information and computer technology, medical equipment, office equipment and real property. The capital lease liabilities are classified as 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, 2014	Cost	Accumulated Amortization	Net Book Value
Real Property	$ 17.7	$ (16.1)	$ 1.6
Equipment	39.4	(28.9)	10.5
Leased Property Under Capital Lease	$ 57.1	$ (45.0)	$ 12.1
Amortization Expense		$ 3.8	

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	

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, 2014, VA had 1,936 real property leases in effect consisting of approximately 23 million square feet and base annual minimum rental obligations of approximately $616 million. Of the operating real property leases, VHA accounts for 85.3 percent, VBA accounts for 10.4 percent, Indirect Administrative Program offices account for 4.1 percent and NCA accounts for the balance. These real property leases generally have lease terms ranging from one year to fifty years and all operating leases are funded annually by appropriation of funds by Congress. Approximately 69 percent of the real property leases have an initial lease term of five years or less; approximately 24 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 years and more. Certain leases contain renewal, termination and cancellation options.

Approximately 85 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 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 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 cancellable and non-cancellable OAs with GSA. GSA OAs can be cancellable with varying periods of notice required (generally four to six months). For OAs executed after October 2011, periods of occupancy are 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-cancellable, 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 cancellation 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, 2014. VA normally occupies leased real property for the entire initial lease term without exercising cancellation and termination options. As a result, the operating lease commitment table that follows includes real property leases over the noncancellable 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 2014 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 2014 operating lease rental costs were $658 million for real property rentals and $148 million for equipment rentals. The 2013 operating lease costs were $634 million for real property rentals and $167 million for equipment rentals.

Excluded from the following table are leases of properties that have expired as of September 30, 2014, 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 2014 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
2015	$ 208	$ 373	$ 581	$ 148
2016	171	351	522	148
2017	163	328	491	148
2018	151	306	457	148
2019	117	273	390	148
2020 and Thereafter (in total)	358	1,888	2,246	-
Total Future Lease Payments	$ 1,168	$ 3,519	$ 4,687	$ 740

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 current 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 55 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, 2014 and 2013, 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; the Veterans Reopened Insurance (VRI) program, which covers Veterans who served during World Wars I, II, and the Korean Conflict eras; the Service-Disabled Veterans Insurance (S-DVI) program; and the Veterans Mortgage Life Insurance (VMLI) program, which covers severely disabled Veterans and are open to new issues. VMLI is part of the Veterans Insurance and Indemnities (VI&I) fund.

In addition, VA supervises the Servicemembers Group Life Insurance (SGLI) and the Veterans Group Life Insurance (VGLI) programs, which provides 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 Veterans 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 families 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 4 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, 2014

Program	Insurance Death Benefits	Death Benefit Annuities	Disability Income & Waiver	Reserve Totals
NSLI	$ 4,448	$ 57	$ 27	$ 4,532
USGLI	2	2	-	4
VSLI	1,408	6	11	1,425
S-DVI	575	6	777	1,358
VRI	155	1	1	157
VI&I	213	-	-	213
Subtotal	$ 6,801	$ 72	$ 816	$ 7,689
Unearned Premiums				49
Insurance Dividends Left on Deposit and Related Interest Payable				1,346
Dividends Payable to Policyholders				59
Unpaid Policy Claims				2
Insurance Liabilities reported on the Consolidated Balance Sheet				9,145
Less Liability not Covered by Budgetary Resources				(1,442)
Liability Covered by Budgetary Resources				$ 7,703

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

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 5,739,444 and 5,894,490 policy holders with a face value of $1.3 trillion for both 2014 and 2013. The face value of the insurance provided by Prudential and its reinsurers represents 99 percent of the total insurance in-force for both 2014 and 2013. The number of policies represents the number of active policies remaining in the program as of the end of each fiscal year.

	2014 Policies	2013 Policies	2014 Face Value	2013 Face Value
Supervised Programs (UNAUDITED)				
SGLI Active Duty	1,461,000	1,504,000	$ 563,681	$ 582,115
SGLI Ready Reservists	753,500	761,500	253,499	261,262
SGLI Post Separation	91,000	100,000	33,798	37,431
SGLI Family - Spouse	1,037,000	1,055,000	102,200	104,071
SGLI Family - Children	1,972,000	2,048,000	19,720	20,480
TSGLI*	-	-	221,450	226,550
VGLI	424,944	425,990	66,002	64,418
Total Supervised	5,739,444	5,894,490	$ 1,260,350	$ 1,296,327
Administered Programs				
NSLI	438,252	509,337	$ 5,462	$ 6,297
VSLI	130,637	140,336	1,847	1,955
S-DVI	260,895	251,497	2,725	2,620
VRI	17,492	20,568	185	216
USGLI	1,071	1,572	2	4
VMLI	2,485	2,419	313	295
Total Administered	850,832	925,729	$ 10,534	$ 11,387
Total Supervised and Administered Programs	6,590,276	6,820,219	$ 1,270,884	$ 1,307,714

*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 2014 and 2013 were $129 million and $152 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 88 percent and 48 percent of the amounts funded on behalf of VA by the Judgment Fund in 2014 and 2013, respectively. Contract dispute payments for 2014 and 2013 were $5.8 million and $0.5 million, respectively. The discrimination case payments for 2014 and 2013 were $2.4 million and $1.4 million, respectively. The liability from existing medical malpractice claims is estimated using generally accepted actuarial standards and procedures. The estimated future payments related to these existing claims are discounted using Treasury spot rates as of September 30, 2014 and 2013.

VA has recorded a liability for pending legal claims that are estimated to be paid by the Judgment Fund. This liability is established for all pending claims whether reimbursement is required or not. This liability was $1.69 billion for 2014 and $1.40 billion for 2013.

There were 27 contract and personnel law cases, where there was at least a reasonable possibility that a loss may occur, with financial exposure ranging from $245 million to $1.3 billion in aggregate for 2014. Within that range, $93 million is considered probable and is recorded as a liability. In 2013, the range of exposure was $279 million to $2.8 billion, from 28 cases, of which $78 million was probable and recorded as a liability.

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,

		2014		2013
Fiscal Year Settlement Payments	$	141	$	175
Less Contract Dispute and “No Fear” Payments		(8)		(2)
Imputed Financing-Paid by Other Entities*		133		173
Increase (Decrease) in Liability for Claims		299		217
Operating Expense	$	432	$	390

*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, 2014, 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 2014 tort payments were $133 million and 2013 tort payments were $173 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, 2014 and 2013 was $286.6 and $298.3 million, respectively.

VA provides medical care to Veterans on an "as available" basis, subject to the limits of the annual appropriations. In accordance with 38 CFR 17.36 (c), VA's Secretary makes an annual enrollment decision that 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 2010-2014, the average medical care cost per year was $41 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 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 that 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	Insurance - 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, 2014

	Insurance	Medical Care	Benefits	Burial	Funds from Dedicated Collections
Assets:					
Fund Balance with Treasury	$ 58	$ 388	$ 64	$ 2	$ 512
Investments with Treasury (Note 5)	7,760	67	-	-	7,827
Other Assets	382	1,680	-	4	2,066
Total Assets	$ 8,200	$ 2,135	$ 64	$ 6	$ 10,405
Liabilities and Net Position:					
Payables to Beneficiaries	$ 244	$ 63	$ 1	$ -	$ 308
Other Liabilities	8,933	156	-	-	9,089
Total Liabilities	9,177	219	1	-	9,397
Unexpended Appropriations	-	-	-	-	-
Cumulative Results of Operations	(976)	1,916	63	5	1,008
Total Liabilities and Net Position	$ 8,201	$ 2,135	$ 64	$ 5	$ 10,405

Statement of Net Cost – Funds from Dedicated Collections
for the Year Ended September 30, 2014

	Insurance	Medical Care	Benefits	Burial	Funds from Dedicated Collections
Gross Program Costs	$ 812	$ 321	$ -	$ -	$ 1,133
Less Earned Revenues	662	3,607	-	-	4,269
Net Program Costs	150	(3,286)	-	-	(3,136)
Costs Not Attributable to Program Costs	-	-	-	-	-
Net Cost/(Benefit) of Operations	$ 150	$ (3,286)	$ -	$ -	$ (3,136)

Statement of Changes in Net Position – Funds from Dedicated Collections
for the Year Ended September 30, 2014

	Insurance	Medical Care	Benefits	Burial	Funds from Dedicated Collections
Net Position Beginning of Period	$ (877)	$ 1,652	$ 63	$ 5	$ 843
Budgetary and Other Financing Sources	51	(3,022)	-	-	(2,971)
Net Cost/(Benefit) of Operations	150	(3,286)	-	-	(3,136)
Change in Net Position	(99)	264	-	-	165
Net Position End of Period	$ (976)	$ 1,916	$ 63	$ 5	$ 1,008

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	Insurance	Medical Care	Benefits	Burial	Funds from Dedicated Collections
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	Insurance	Medical Care	Benefits	Burial	Funds from Dedicated Collections
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

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 usually 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 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 CFO.

Public Exchange Transactions

VA's Loan Guaranty Program collects certain fees that are set by law. The loan guarantee funding fees collected for 2014 and 2013 were $1.361 billion and $1.43 billion, respectively. The loan guarantee lender participation fees collected for 2014 and 2013 were $2.1 million and $2.1 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 seven 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 ten 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 to not-for-profit groups that are responsible for the historic preservation of the building at no cost to NCA. Total rental revenues earned under the contracts above were $120 thousand and $93 thousand for 2014 and 2013, 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 DoD 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 $360 million and $369 million during 2014 and 2013, 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. Interagency billing rates are determined from cost and workload data in the Decision Support System.

21. Net Program Costs by Administration

Schedule of Net Program Costs by Administration					
For the Period Ending September 30, 2014 (Dollars in Millions)	Veterans Health Administration	Veterans Benefits Administration	National Cemetery Administration	Indirect Administrative Program Costs	Total
Program Costs					
Intragovernmental Costs	$ 8,938	$ 656	$ 40	$ 489	$ 10,123
Less Earned Revenues	(67)	(611)	-	(224)	(902)
Net Intragovernmental Program Costs	8,871	45	40	265	9,221
Public Costs	56,059	87,381	270	1,342	145,052
Veterans Benefits Actuarial Costs, Excluding Changes in Actuarial Assumptions (Note 13)	-	54,400	-	-	54,400
Less Earned Revenues	(3,744)	(626)	-	(68)	(4,438)
Net Public Program Costs	52,315	141,155	270	1,274	195,014
Net Program Cost by Administration Before Changes in Veterans Benefits Actuarial Liability Assumptions	61,186	141,200	310	1,539	204,235
Net (Gain)/Loss from Actuarial Liability Assumptions (Note 13)	-	(22,000)	(100)	-	(22,100)
Net Cost of Operations	$ 61,186	$ 119,200	$ 210	$ 1,539	$ 182,135

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 Cost, 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

22. Disclosures Related to the Statements of Budgetary Resources

Budgetary Accounting

Budgetary resources, which include new budget authority, unobligated balances, direct spending authority, and obligation limitations, are forms of authority given to VA allowing it to incur obligations. Budget authority is provided by Federal law to enter into financial obligations that will result in immediate or future outlays involving Federal Government funds. Budget authority may be classified by the period of availability (1-year, multiple-year, no-year or available until expended), by the timing of congressional action (current or permanent), or by the manner of determining the amount available (definite or indefinite).

Budget authority from appropriations is the most common form of providing for the specific amount of money authorized by Congress for approved work, programs, or individual projects. Appropriations do not represent cash actually set aside in the Treasury for purposes specified in the appropriation act; they represent amounts that VA may obligate during the period of time specified in the respective appropriation acts. An appropriation may make funds available from the general fund, special funds, or trust funds.

Borrowing authority is budget authority enacted to permit VA to borrow money and then to obligate against amounts borrowed. It may be definite or indefinite in nature. The funds are 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) 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 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 cancelled.

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 cancelled.

The unexpended balance represents the sum of the obligated and unobligated balances.

An 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 Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) 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.

	2014	**2013**
Category A, Direct	$ 148,452	$ 142,590
Category B, Direct	9,978	7,456
Reimbursable	5,157	5,544
Total Obligations	$ 163,587	$ 155,590

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. During 2014, the coding was completed to implement the design document requirements. Meetings were held with representatives of all groups with prior year recoveries to explain how the core accounting system would be enabled to properly identify prior year recoveries, systematically monitor reapportioned budget authority and track both for internal and external financial reporting. Extensive testing was performed by the software developer, the system quality assurance service, and representatives of the user community. VA followed a detailed project plan with final end to end testing that resulted in a decision to install the automated systems solution at the start of 2015. Throughout 2014, VA continued 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. 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 were $2.5 billion and $2.7 billion for 2014 and 2013, respectively. The effect of recording the $2.5 billion estimate of recoveries of prior year unpaid obligations in 2014 was to increase “Recoveries of Prior Year Unpaid Obligations” and increase “Obligations Incurred” in the Combined Statement of Budgetary Resources.

For 2014 and 2013, VA appropriations were subjected to a rescission of $1.8 billion and $2.0 billion, respectively, under the provisions of P.L. 113-6, *Consolidated and Further Continuing Appropriations Act, 2014* and P.L. 113-6*, Consolidated and Further Continuing Appropriations Act, 2013*, respectively.

Borrowing Authority

The Loan Guaranty Program had borrowing authority of $356 million and $249 million as of September 30, 2014 and 2013, respectively. The interest rates on the borrowing authority range from 1.65 to 2.75 percent for 2014 and 2013. 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 $2.5 million and $2.8 million as of September 30, 2014 and 2013, respectively. The interest rate on the borrowing authority was 1.00 percent for 2014 and 2013. 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 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 2014 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 2014 Appropriation Law (P.L. 113-6). These purposes include: Veterans medical care, research, education, construction and maintenance of VA buildings, Veterans and dependents benefits, Veterans life insurance, loan guaranty programs, Veterans burial benefits, and administrative functions. Various obligation limitations are imposed on individual VA appropriations.

Explanation of Differences between 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 U.S. Standard General Ledger (USSGL) detail to conform to OMB and Treasury guidelines. During 2014, the coding was completed to implement the design document requirements. Meetings were held with representatives of all groups with prior year recoveries to explain how the core accounting system would be enabled to properly identify prior year recoveries, systematically monitor reapportioned budget authority and track both for internal and external financial reporting. Extensive testing was performed by the software developer, the system quality assurance service, and representatives of the user community. VA followed a detailed project plan with final end to end testing that resulted in a decision to install the automated systems solution at the start of 2015. Throughout 2014, VA continued 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 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 for the years ended 2014 and 2013 was $16.4 billion and $16.8 billion, respectively.

Contributed Capital

The amount of contributed capital received during 2014 consisted of donations in the amount of $65.8 million to the General Post Fund, $0.5 million to the Supply Fund and $0.5 million to the National Cemetery Gift Fund The amount of contributed capital received during 2013 consisted of donations in the amount of $50.4 million to the General Post Fund, $1.1 million to the Supply Fund and $0.2 million to the National Cemetery Gift Fund.

23. Reconciliation of Net Cost of Operations to Budget

The objective of the information shown below is to provide an explanation of the differences between budgetary and financial (proprietary) accounting. This is accomplished by means of a reconciliation of budgetary obligations and non-budgetary resources available to VA with its net cost of operations.

DEPARTMENT OF VETERANS AFFAIRS		
RECONCILIATION OF NET COSTS OF OPERATIONS TO BUDGET		
For the Years Ended September 30,	2014	2013
Resources Used to Finance Activities		
Obligations Incurred	$ 163,587	$ 155,590
Less Offsetting Collections, Receipts and Adjustments	(16,193)	(16,141)
Net Obligations	147,394	139,449
Donations of Property	41	22
Transfers Out	14	-
Imputed Financing	2,169	1,971
Other Financing Sources	(471)	(125)
Total Resources Used to Finance Activities	**149,147**	**141,317**
Resources That Do Not Fund Net Cost of Operations		
Change in Amount of Goods, Services and Benefits Ordered But Not Yet Provided	181	(725)
Resources that Finance the Acquisition of Assets	(5,378)	(6,684)
Resources that Fund Expenses Recognized in Prior Periods	(2,412)	(1,598)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	5,562	4,665
Total Resources that Do Not Fund Net Cost of Operations	(2,047)	(4,342)
Total Resources Used to Finance the Net Cost of Operations	**147,100**	**136,975**
Costs That Do Not Require Resources in the Current Period		
Increase in Annual Leave Liability	80	60
Increase (Decrease) in Environmental and Disposal Liability	(34)	(28)
Reestimates of Credit Subsidy Expense	346	1,406
Increase in Exchange Revenue Receivable from the Public	(501)	(318)
Increase (Decrease) in Veterans Benefits and Other Noncurrent Liabilities	32,722	213,666
Depreciation and Amortization	1,731	2,103
Bad Debts Related to Uncollectible Non-Credit Reform Receivables	98	188
Loss on Disposition of Assets	476	100
Other	117	(147)
Total Costs That Do Not Require Resources in the Current Period	**35,035**	**217,030**
Net Cost (Benefit) of Operations	**$ 182,135**	**$ 354,005**

24. Restatement of components of Net Position Related to Expenditures of Medical Care Collection Fund (MCCF) Collections

The 2013 Consolidated Financial Statements have been restated to correct an error in the Medical Services Fund expenditures of Medical Care Collection (MCCF) receipts. In 2009, the accounting for the MCCF was changed to classify the transfer of funds from MCCF as appropriated receipts, while all expenditures made by the Medical Services Fund continued to be classified as expenditures of appropriations. The improper expenditure accounting (as if the expenditures were from appropriations) was in place prior to 2009 and continued until 2014 when the correction was made.

While the individual components of Net Position were misstated, the adjustments were offsetting and the overall balance of Net Position was unchanged.

The following statement illustrates the impact of the above on the Consolidated Balance Sheet and Consolidated Statement of Changes in Net Position for the year ended September 30, 2013:

Statement of Changes

Restated Balances as of September 30, 2013

	2013 As Previously Reported	Adjustments Increase (Decrease)	2013 As Restated
Consolidated Balance Sheet – Net Position			
Unexpended Appropriations – All Other Funds	$ 208	$ 21,003	$ 21,211
Cumulative Results of Operations – Funds from Dedicated Collections	843		843
Cumulative Results of Operations – All Other Funds	(1,939,537)	(21,003)	(1,960,540)
Total Change in Balance Sheet – Net Position	(1,938,486)	-	(1,938,486)
Consolidated Statement of Changes in Net Position			
Cumulative Results of Operations – All Other Funds			
Beginning Balances	(1,725,997)	(22,028)	(1,748,025)
Appropriations Used	138,876	1,025	139,901
Total Financing Sources	143,342	1,025	144,367
Net Change	(213,540)	1,025	(212,515)
Ending Balances	(1,939,537)	(21,003)	(1,960,540)
Unexpended Appropriations – All Other Funds			
Beginning Balances	3,931	22,028	25,959
Appropriations Used	(138,876)	(1,025)	(139,901)
Total Budgetary Financing Sources	(3,723)	(1,025)	(4,748)
Total Unexpended Appropriations	$ 208	$ 21,003	$ 21,211

tatements.

VA Office of Inspector General

OFFICE OF AUDITS & EVALUATIONS

Department of Veterans Affairs

Audit of VA's Financial Statements for Fiscal Years 2014 and 2013

November 12, 2014
14-01504-32

Department of Veterans Affairs

Memorandum

Date: November 12, 2014

From: Assistant Inspector General for Audits and Evaluations (52)

Subj: Audit of VA's Financial Statements for Fiscal Years 2014 and 2013

To: Secretary of Veterans Affairs (00)

1. We contracted with the independent public accounting firm, CliftonLarsonAllen LLP, to audit VA's financial statements as of September 30, 2014 and 2013, 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) 2014 and 2013 financial statements. With respect to internal control, CliftonLarsonAllen LLP identified one material weakness, information technology security controls, which is a repeated condition. They also identified two significant deficiencies, financial reporting and accrued operating expenses, which are new conditions for this year.

3. CliftonLarsonAllen LLP reported that management restated amounts previously reported for Cumulative Results of Operations and Unexpended Appropriations as of September 30, 2013, due to the correction of a material error. Those amounts have been restated in the FY 2013 financial statements as presented in the FY 2014 comparative financial statements. The correction had no effect on Total Net Position. CliftonLarsonAllen LLP withdrew its previously issued auditor's report dated November 26, 2013, and replaced it with the Independent Auditor's Report on the restated financial statements.

4. 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 section 5315, title 38, United States Code, and section 3717, title 31, United States Code, pertaining to the charging of interest and recovery of administrative costs. They noted that VA is investigating two possible violations of the Antideficiency Act and is in the process of reporting two other violations. Three of these instances involve the combination of minor construction projects above the $10 million ceiling, beyond which Congressional approval for use of funds is required. They also referenced an Office of Inspector General report issued in FY 2014 that cited less than full compliance by VA in FY 2013 with the Improper Payments Elimination and Recovery Act.

5. CliftonLarsonAllen LLP is responsible for the attached audit report dated November 12, 2014, 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 FY 2015 audit of VA's financial statements.

Linda A. Halliday

Linda A. Halliday

Attachment

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.claconnect.com

INDEPENDENT AUDITORS' REPORT

To the Secretary
and Inspector General
Department of Veterans Affairs

Report on the Financial Statements

We have audited the accompanying financial statements of the Department of Veterans Affairs (VA), which comprise the consolidated balance sheets as of September 30, 2014 and 2013, 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 (financial statements).

Management's Responsibility for the Financial Statements

VA management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S.) and the 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.

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, and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 14-02). Those standards and OMB Bulletin 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.

We are also responsible for applying certain limited procedures with respect to the Required Supplementary Information and all other accompanying information included with the financial statements.

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, 2014 and 2013, 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.

Emphasis-of-Matter Regarding a Correction of an Error

As discussed in Note 24 to the financial statements, certain errors resulting in overstatement of amounts previously reported for Cumulative Results of Operations and understatement of amounts previously reported for Unexpended Appropriations as of September 30, 2013, were discovered by management of VA during the current year. Accordingly, amounts reported for Cumulative Results of Operations and Unexpended Appropriations have been restated in the fiscal year 2013 financial statements now presented, and an adjustment has been made to Cumulative Results of Operations and Unexpended Appropriations as of September 30, 2012, to correct the material misstatement. The correction had no effect on Total Net Position. Our previously issued auditor's report dated November 26, 2013, is withdrawn and replaced by this Independent Auditor's Report on the restated financial statements. A significant deficiency in financial reporting is included in the Report on Internal Control Over Financial Reporting.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the U.S. require that VA's Management Discussion and Analysis (MD&A) and other Required Supplementary Information (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), which 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 financial statements, MD&A and other RSI as listed in the table of contents of the Performance and Accountability Report 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.

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 Exhibits A and B, respectively, that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the VA's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below and in Exhibit A to be material weaknesses.

<u>Information Technology Security Controls (Repeat Condition)</u>

> VA continues to have control weaknesses in Configuration Management, Access Controls, Security Management, and Contingency Planning.

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. We consider the deficiencies described below and in Exhibit B to be significant deficiencies.

<u>Financial Reporting</u>

> Due to its age and limited functionality, VA's legacy Financial Management System (FMS) cannot be used without extensive manipulations, manual processes, and reconciliations.

Accrued Operating Expenses

> VA does not have an adequate process to subsequently validate the reasonableness of its accrued operating expenses.

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. We also tested compliance with provisions of laws and regulations as required by OMB Bulletin 14-02. 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 the Federal Financial Management Improvement Act of 1996 (FFMIA), as discussed below, disclosed instances of noncompliance and other matters, described below and in Exhibit C, that are required to be reported in accordance with *Government Auditing Standards*.

Noncompliance with 38 USC 5315 and 31 USC 3717

> VBA did not charge interest or recover 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 (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 C, 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.

We did not test compliance with all laws, regulations, contracts and grants applicable to VA. We limited our tests of compliance to certain provisions of laws, regulations, contracts and grants that have a direct and material effect on the determination of financial statements amounts and those required by OMB Bulletin 14-02. 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 26, 2013. The status of prior year findings is presented in Exhibit D.

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

CliftonLarsonAllen LLP

Calverton, Maryland
November 12, 2014

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 weaknesses in Configuration Management, Access Controls, Security Management, and Contingency Planning controls 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 improvements in its IT control environment include continued implementation of a Continuous Readiness in Information Security Program to ensure continuous monitoring year-round. As part of the Continuous Readiness in Information Security Program 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, improving data center web application security, and ensuring consistent compliance with *United States Government Configuration Baseline* standards. In addition, VA has continued predictive scanning of its networks 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, the migration from the prior system to the GRC tool did not provide adequate time for the full implementation during the year or adequate user training on the use of the tool. While the GRC Tool has been helpful in providing a consistent mechanism in documenting and collecting Accreditation and Authorization artifacts, the information entered into the tool was inconsistent across VA and in some cases incomplete. The aforementioned 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 Configuration Management, Access Controls, Security 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 as a result of an inconsistent application of vendor patches and outdated system software 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 related to configuration weaknesses and outdated system software persist on its networks. Even though VA has made some progress in these areas, more progress must be made to improve deployment of patches, system upgrades, and configuration management to mitigate security vulnerabilities and to implement a centralized process that is consistent across all field offices. In addition, VA continues to operate its financial system using outdated technology that hinders mitigation of certain vulnerabilities.

EXHIBIT A
Material Weakness

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 take responsibility for implementing corrective actions. Our assessment of the general and application controls of VA's key IT infrastructure and financial systems identified the following conditions:

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 and system upgrades 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 vulnerabilities across all sites. Furthermore, VA does not have a comprehensive scanning process that scans all of the Agency's systems for known vulnerabilities.
- The financial management system uses outdated technology that hinders mitigation of certain vulnerabilities.
- VA needs to strengthen its methodologies for monitoring medical devices and ensuring they are properly segregated from other networks.
- Several VA organizations shared the same local network at some medical centers and data centers; however, the systems were not under the common control of the local site. These organizations or guest networks had significant critical or high known 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 were in place for monitoring, preventing installation, 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 fully 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. In addition, inconsistent exit clearance processes for separated employees contributed to the increase in the number of inactive user accounts.

- Proper completion of user access requests was not consistently performed to eliminate conflicting roles and enforce principles of least system privilege.
- Monitoring of access for individuals with elevated application privileges within a major application's production environment was lacking.
- Identification, notification, and remediation of security incidents were not consistently implemented to ensure incidents were resolved timely. In addition, network security event logs, which provide audit trails, were not consistently maintained or reviewed across all facilities.

Security Management

- Security management documentation including risk assessments, system security plans, and privacy impact assessments were not completed properly and did not reflect the current system environment. In addition, security controls were not effectively monitored and adequately documented, and system assessments and authorizations were not performed in accordance with Federal standards.
- VA Security Handbook 6500 had not been updated to reflect current information security controls in accordance with National Institute of Standards and Technology (NIST) Special Publication 800-53 "*Security and Privacy Controls for Federal Information Systems and Organizations,* Revision 4." This version of the NIST Special Publication was updated on February 19, 2014, with an April 1, 2014, implementation deadline for executive agencies.
- Background reinvestigations were not performed timely and tracked effectively. In addition, personnel were not receiving the proper levels of investigation for their position sensitivity levels.
- Plans of Action and Milestones (POA&Ms) were not completed by their milestone dates and were not updated to reflect changes to milestones. POA&M closures were not supported with adequate documentation. Additionally, POA&Ms did not contain sufficient detail to describe the control weaknesses or the corrective actions taken to close the findings.

Contingency Planning

- Backup tapes were not encrypted prior to being sent to offsite storage at selected facilities and data centers.

- Contingency plans did not reflect the current operating environment. Specifically, contingency plans had not been updated to reflect changes in system boundaries, roles and responsibilities, and lessons learned from testing contingency plans.

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 for 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 the centralization of data centers and the 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 and monitoring known internal security vulnerabilities on databases and network 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 without detection. Further, the financial management system uses outdated technology that hinders mitigation of certain vulnerabilities.

Recommendations:

The Executive in Charge 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.
- Strengthen patch and vulnerability management program to address security deficiencies identified during our assessments of VA's database platforms and network infrastructure.
- Develop and implement a strategic plan to address the outdated technology.
- Strengthen processes and controls to ensure medical devices are appropriately protected from other networks.
- Consolidate the security responsibilities for guest networks present under a common control for each site and ensure vulnerabilities are remediated in a timely manner.
- Strengthen change control procedures to ensure 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.
- Strengthen 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.
- Strengthen 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.
- Strengthen processes to ensure the proper completion and retention of 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.
- Strengthen processes to ensure the proper completion of exit checklists for separated employees to verify that VA property, including access badges, is returned.
- Strengthen agency-wide incident response procedures to ensure timely notification and resolution of computer security incidents in accordance with VA 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.

EXHIBIT A
Material Weakness

- Implement a process for monitoring network logs and ensuring audit logs are maintained in accordance with VA policy.
- Implement a continuous monitoring program in accordance with the NIST Risk Management Framework, specifically with regard to evaluating the effectiveness of security controls prior to authorizing systems to operate on a continuous basis.
- Strengthen processes for reviewing and updating key security documentation, including risk assessments, system security plans, and privacy impact assessments 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 a risk assessment process that allows for the evaluation of all relevant risks typically found in a complex risk environment.
- Implement enhancements to the GRC Tool to ensure all relevant system information is captured and reported accurately.
- Update relevant information security policies and procedures to address NIST Special Publication 800-53, Revision. 4, *Security and Privacy Controls for Federal Information Systems and Organizations,* requirements.
- Strengthen processes to ensure appropriate levels of background investigations are completed for all applicable VA employees and contractors in a timely manner.
- Strengthen 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 (OPM) Position Designation Automation Tool.
- Strengthen processes to ensure that POA&Ms include sufficient detail to describe control weaknesses, corrective actions, target completion dates, and milestone progress. Additionally, implement improved processes to ensure closed POA&Ms are adequately supported with appropriate documentation.
- Implement processes to ensure the encryption of backup data prior to transferring storage media offsite.
- Strengthen processes for periodic reviews and updates of contingency plans to ensure all required information is included and plans accurately represent the current environment and critical components.

EXHIBIT B
Significant Deficiencies

1. Financial Reporting

Condition:

The Financial Management System (FMS) is VA's legacy core financial management and general ledger system. Due to FMS' limited functionality to meet current financial management and reporting needs, VA utilizes another application, the Management Information Exchange (MinX) system, to consolidate general ledger activities from FMS and create financial statements for external reporting. However, this process still requires significant manual intervention and workarounds to ensure accurate financial reporting. These limitations increase the risk of errors in the financial reporting process and become more apparent over time as additional reporting requirements accrue. Our testing of financial reporting identified the following conditions:

Prior Period Adjustment: As discussed in Note 24 to the financial statements, VA corrected certain errors that resulted in the overstatement and understatement of amounts previously reported for Cumulative Results of Operations and Unexpended Appropriations, respectively, as of September 30, 2013. The correction required a prior period adjustment of approximately $21 billion to the FY 2013 balances of these two accounts as presented in the FY 2014 comparative financial statements.

VA identified the error through its review process and determined that it was the result of an incorrect accounting method involving two accounts—the Medical Care Collections Fund (MCCF) and the Medical Services fund. VA did not apply the appropriate accounting methodology to MCCF funds transferred to the Medical Services fund. Had the accounting not been corrected, an inappropriate negative balance would have eventually occurred for Unexpended Appropriations, incorrectly indicating an anti-deficient position. This error occurred over several years, and a more thorough review, such as an unexpended appropriation roll-forward analysis, may have detected it sooner. However, the implementation of such procedures is hindered by system limitations and the manually-intensive process that underlies the preparation of accurate and auditable financial statements.

Over Reliance and Use of Journal Vouchers: VA makes a substantial number of adjustments, called journal vouchers, to its accounts in order to prepare VA's financial statements. Most of these adjustments are due to FMS limitations and are "top-side" entries into MinX. Top-side entries are those entries that VA makes directly into MinX when consolidating and preparing VA's financial statements. These entries do not flow through VA's general or subsidiary ledgers and are not subject to normal financial system controls. Although legitimate reasons exist for top-side entries, their overuse is indicative of system or control problems.

The substantial use of top-side entries in MinX creates a complicated and labor-intensive financial reporting environment. For example, each accounting period in MinX is independent, which requires that numerous journal vouchers, manual reconciliations, and analyses be reperformed and reentered to produce VA's quarterly financial statements and trial balances for the U.S. Department of the Treasury. Additionally, our testing at June 30, 2014, identified journal vouchers with limited descriptions and supporting documentation. We also noted that VA Administrations and business lines did not use journal voucher categories and entry descriptions consistently.

EXHIBIT B
Significant Deficiencies

Use of manual adjustments such as top-side entries increases the risk of introducing errors into financial reporting and requires a high level of review and analysis to mitigate the risk of material errors in the financial statements. Further, strong internal controls must be in place and working as intended.

Periodic Review of Financial Data: The limitations of the legacy financial management system require a significant investment of time and resources to review financial data as a mitigating control procedure. We noted that management did not have adequate explanations or support for fluctuations in certain financial statement account balances at June 30, 2014. We also noted that management did not have a centralized process to perform a quality control review over the analysis of financial data performed by VA administrations and business lines.

Budgetary to Proprietary Relationship Analysis: VA does not have a formalized process to perform a routine and comprehensive reconciliation of budgetary and proprietary account relationships by Treasury Fund Symbol (TFS) as part of its financial reporting process. As part of our journal vouchers testing discussed above, we noted journal vouchers valued at over $45 billion that were recorded to adjust the budgetary cash and accounts payable to the respective proprietary account balances.

Intragovernmental Transactions: VA does not have a centralized repository for all current interagency agreements. As a result, intragovernmental transactions may not be completely and accurately reflected in the accounting records. Also, we noted that VA recorded significant top-side adjustments for trading partner transactions as of June 30, 2014, for submission to the U.S. Department of the Treasury.

Criteria:

OMB Circular A-123, *Management's Responsibility for Internal Control*, provides guidance to Federal managers on improving accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal controls. Management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

Cause:

The FMS system limitations cause VA to record numerous manual journal vouchers and implement extensive manual processes and controls to prepare its financial statements for external reporting purposes.

Effect:

The extensive use of manual journal vouchers and lack of fully developed manual reconciliations and periodic analyses of financial data increase the risk of errors in the financial reporting process. During 2014, VA recorded a prior period adjustment in the amount of $21 billion to the components of Net Position.

Recommendations:

The Assistant Secretary for Management and the Executive in Charge for Information and Technology should implement actions to effect financial management system modernization, migration to shared services, or other options that will address current system limitations. Such actions are particularly important given the operational and security risks associated with maintaining, supporting, and updating outdated, legacy technology. In the meantime, the Assistant Secretary for Management should strengthen mitigating controls until the financial management system issues can be resolved. Key tasks should include, but are not limited to:

- *Journal vouchers*: Work with VA Administrations and business lines to limit the use of manual journal vouchers to transactions such as quarterly accruals and unusual one-time entries. Standardize journal entry categories throughout VA, establish policies on recording them, and monitor their use quarterly. Perform a pro forma analysis of the effects of adjusting entries prior to recording them and consult with budget officials for budgetary adjustments.
- *Financial data review*: Refine financial analysis techniques to ensure comparison of account balances from quarter to quarter and year to year, and consult program or budget officials.
- *Budgetary to proprietary relationships*: Perform account relationship tests at the Treasury Fund Symbol and trial balance levels on a quarterly basis to verify that proper relationships exist between budgetary and proprietary accounts and to identify abnormal account balances and anomalies.
- *Intragovernmental transactions:* Work with VA administrations and business lines to create a centralized repository of interagency agreements. Perform a review of them to determine whether balances are recorded in FMS accurately. Produce reports on transactions with other Federal agencies, called trading partners, with sufficient detail to link those transactions to relevant interagency agreements and facilitate management's reviews and reconciliations with the trading partners.

2. Accrued Operating Expenses

Condition:

Accrued operating expenses is comprised of two components—invoices received but not yet paid, and goods and services received but not yet invoiced. VA estimates the amount of goods and services received but not yet invoiced using either an automatic calculation by FMS or a manual process. VA does not have an adequate process to validate these estimates against actual payment data from FMS. VA only performs limited retrospective, or "look-back," analyses for its major construction and State Home Construction Grant (SHCG) programs. Our review of 11 transactions from the SHGC program identified a significant difference between estimated accrual amounts and actual disbursements within two months. During our statistically-based sample testing of accrued expenses, we found numerous errors.

We also noted the following additional limitations of the estimation process:

- FMS ensures that the entire outstanding balance of an obligation is accrued when the end date for the contractual performance period has passed or is in the current month. However, without manual intervention, this accrual occurs even if performance is not complete or if the obligated funds are no longer needed. Although the automatic process helps mitigate the risk of accruing too little, it also increases the risk of accruing too much if VA does not monitor actual performance under contracts and adjust FMS accordingly. We noted that existing outstanding accruals expected to be liquidated were not sufficiently monitored.

- We noted instances where obligations were closed at year-end but the associated accruals were not reversed.

- Per VA policy, if an obligation is set up with a Budget Object Code above 2600, it is not set to auto accrue within FMS. If these obligations are not monitored, VA is at risk of understating accrued operating expenses. In our testing, we found instances where significant under-accruals occurred for this reason.

Lastly, obligations for non-VA medical care, also called purchased care, are set to auto-accrue based on a system formula. The accruals may not fairly represent the services provided to the veterans by the accrual date. A look-back analysis or validation, particularly for over-accruals recorded at year-end, should be initiated. Further, purchased care accruals that are recorded at year-end and not reversed should be periodically monitored for accuracy and relevancy.

Criteria:

Statement of Federal Financial Accounting Standards (SSFAS) No. 1, *Accounting for Selected Assets and Liabilities*, states, "When an entity accepts title to goods, whether the goods are delivered or in transit, the entity should recognize a liability for the unpaid amount of goods. If invoices for these goods are not available when the financial statements are prepared, the amounts owed should be estimated."

Cause:

An effective validation process for the accrued expenses balance, including a look-back analysis, is lacking.

Effect:

Without an effective process, VA's estimates of its accrued expense liability may be significantly misstated.

Recommendations:

We recommend that the Assistant Secretary for Management:

EXHIBIT B
Significant Deficiencies

- Develop procedures for validating the completeness and accuracy of underlying data used in preparing the accrual estimate, including contract performance periods, an analysis of subsequent payments, and acceptable levels of precision.
- Continue to reevaluate the automatic accrual methodology against actual cost patterns.
- Develop procedures for validating purchased care accruals.

EXHIBIT C
Compliance Findings

1. Noncompliance with FFMIA

Financial Management Systems

VA's complex, disjointed, and legacy financial management system architecture continues to deteriorate and has difficulty meeting increasingly demanding financial management and reporting requirements from the U.S. Department of the Treasury and the Office of Management and Budget (OMB). VA continues to be challenged in its efforts to apply consistent and proactive enforcement of established policies and procedures throughout its geographically dispersed portfolio of legacy applications and systems. We 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:

FMS and Financial Reporting: VA's core accounting system, FMS, was implemented in the 1990s. Since that time, Federal financial reporting requirements have become more complicated and the level of financial information needed by Congress and other oversight bodies has become increasingly demanding and complex. Some of the effects of FMS' limited functionality are described above in the significant deficiency, "Financial Reporting." Due to these limitations, VA utilizes MinX to consolidate general ledger activities from FMS to produce auditable financial statements and Governmentwide Treasury Account Symbol (GTAS) trial balances. Further, each accounting period in MinX is independent and thus numerous manual journal vouchers, reconciliations, and analyses must be reperformed and reentered in each period to produce VA's financial statements and GTAS trial balances. FMS' functionality limitations are further exacerbated by operational and security vulnerabilities due to the age of the system and its supporting technology.

Other deficiencies and limitations we noted as part of our audit include:

- FMS does not comply with the U.S. Government Standard General Ledger (USSGL) at the transaction level for budgetary accounts. During our review of journal vouchers, we noted that VA adjusted budgetary account balances based on proprietary account balances. We also noted that VA is unable record certain intragovernmental transactions in the USSGL at the individual transaction level. This situation also creates the need for VA to record significant journal vouchers.

- Certain subsidiary systems, including subsidiary systems within the Veterans Health Information Systems and Technology Architecture (VistA), are not interfaced with FMS, resulting in incomplete or unavailable audit trails at the transactional level. VA uses journal vouchers to enter amounts from certain VistA subsystems into FMS.

- VA's Integrated Funds Distribution Control Point Activity, Accounting and Procurement System (IFCAP), a major feeder system to FMS for obligations, is not fully interfaced with FMS. As a result, IFCAP is not updated when subsequent adjustments to obligating documents are made in FMS. Therefore, VA was unable to perform a complete reconciliation of obligations and fund status between FMS and IFCAP.

- FMS does not support commitment accounting, a feature that allows offices to reserve funds for specific projects prior to the award of a contract or purchase order. Without this feature, offices have an incentive to record funds as obligated when no contract has been awarded in order to reserve them for future use. We observed many obligations recorded in FMS that were not supported by valid contracts or purchase orders.

- FMS lacks the appropriate edit checks to ensure the proper posting of intragovernmental transactions. As a result, VA recorded over $1.5 trillion (absolute value) in trading partner-related adjustments as part of its GTAS submission to the U.S. Department of the Treasury.

- Recoveries of prior year unpaid obligations, also called downward adjustments, were not recorded in the proper USSGL accounts. In addition, FMS does not record the apportionment, allotment, and sub-allotment of recovered funds, as required by OMB guidance.

The Veterans Health Information Systems and Technology Architecture: According to a February 2014 GAO report, VistA "…was developed in-house by VA clinicians and IT personnel, the system consists of 104 separate computer applications, including 56 health provider applications; 19 management and financial applications; 8 registration, enrollment, and eligibility applications; 5 health data applications; and 3 information and education applications. Besides being numerous, these applications have been customized at all 128 VA sites. According to the department, this customization increases the cost of maintaining the system, as it requires that maintenance also be customized." For example, we noted during our testing that information technology maintenance patches to adjust third party and first party patient billing rates were not provided to medical centers in a timely manner, resulting in lost revenues. According to management, such delays are common to allow for sufficient testing of the patches. The timeframes used to test the patches depends on whether there are other software patches that may be required before the new rate table is updated in VistA. Another factor is whether enough medical centers have volunteered to test the patch. Since VistA is a decentralized system and each instance has to be updated individually, this process can take months before the new charge rates are updated.

In addition, VistA does not provide management with the ability to effectively and efficiently monitor Medical Care Collection Fund (MCCF) activities at the transaction level. Billing and collection functions have been centralized at the Consolidated Patient Accounting Centers (CPACs) to achieve better revenue management and improve VA's internal controls and quality assurance over its revenue processes. However, CPAC personnel still cannot generate combined reports for all the facilities under their purview. Reports are generated separately for individual MCs, which leads to inefficiencies in operations and revenue management. Further, a nationwide report at a sufficient level of detail cannot be generated. For financial reporting, MCCF revenues are recorded in FMS through a lump-sum journal entry based on station-by-station data. This complicates reconciliation of revenue transactions to collections and the supporting audit trail. In addition, as VistA is not able to produce a consolidated accounts receivable aging report at a sufficient level of detail, management does not have the tools to properly assess the reasonableness of its allowance for loss provision or perform a retrospective analysis to ascertain the reasonableness of its allowance methodology.

Integrated Funds Distribution Control Point Activity, Accounting and Procurement System: VHA expends approximately $60 billion annually in procurements. IFCAP is a module within VistA that VHA and other VA employees, including contracting officers, use to initiate and authorize requests for goods and services, monitor status of funds, issue contracts or purchase orders , establish obligations, confirm the receipt of goods and services, and capture vendor payments. Transactions initiated and recorded in IFCAP cannot be reconciled to those in FMS or to the procurement source documentation maintained in the Electronic Contract Management System (eCMS).
Electronic Contract Management System: eCMS is an intranet-based contract management system mandated by VA policy. Source documentation of all actions pertaining to open-market procurements over $25 thousand must be maintained in eCMS. However, VA does not utilize eCMS to electronically process the approval and reviews performed for its acquisitions. Obligation of funds and assignment of purchase order numbers are still performed in IFCAP.

In addition, VA does not have a procurement file structure to maintain acquisition documentation in a consistent and efficient manner. It is often left to the preference of individual contracting officers, and as a result, it was difficult at times to find acquisition documentation to support the procurement process followed by VA. The information in this system is incomplete and can be unreliable.

2. Noncompliance with 38 USC 5315 and 31 USC 3717

Condition:

Our testing of a sample of receivables from debtors noted the following exceptions:

- In a sample of compensation and pension receivables, 17 of the 48 items tested were outstanding over 90 days. VBA did not charge interest on any of the delinquent receivables.

- In a sample of 45 education receivables, 27 of the 45 items tested were outstanding over 90 days. VBA did not charge interest or administrative costs on 25 of the 27 delinquent receivables.

Criteria:

The requirement to charge interest and administrative costs on receivables over 90 days is specified in 38 USC Sec 5315, *Interest and administrative cost charges on delinquent payments of certain amounts due the United States*. The requirement to use the U.S. Department of the Treasury interest rate is specified in 31 USC 3717, *Interest and penalty on claims*.

Cause:

This has been a long-standing directive and is based on a former VA Deputy Secretary's July 1992 instruction that VA not charge interest or recover administrative costs on veteran debts.

Effect:

EXHIBIT C
Compliance Findings

VA is noncompliant with 38 USC 5315 and 31 USC 3717.

Recommendation:

We recommend that the Assistant Secretary for Management:

- Implement policies and procedures to assess applicable interest and recover administrative costs, or propose a legislative remedy to request a waiver of these requirements.

Other Matters

- VA is engaged in investigating two possible violations of the Antideficiency Act, 31 U.S.C. 1341(a), and is in the process of reporting two other violations. The two investigations involve the combination of minor construction projects. The combined total project values exceeded the $10 million ceiling, beyond which Congressional approval for use of funds is required. One of the violations in the process of being reported also involves the combination of minor construction projects. The other violation involves the obligation of funds from the Joint Department of Defense/VA Medical Facility Demonstration Fund in excess of an apportionment in FY 2012.

- On April 15, 2014, the VA Office of Inspector General reported that VA did not fully comply in FY 2013 with the Improper Payments Elimination and Recovery Act, 31 U.S.C. 3321.

Our assessment of the current status of the recommendations from the prior year audit is presented below.

Type of Finding	***FY 2013 Finding***	***Fiscal Year 2014 Status***
Material Weakness	Information Technology Security Controls	Repeat – See FY 2014 Material Weakness
Compliance Finding	Noncompliance with FFMIA	Repeat – See Compliance Finding 1
Compliance Finding	Noncompliance with the Debt Collection Improvement Act	Repeat – See Compliance Finding 2

Department of
Veterans Affairs

Memorandum

Date: NOV 1 2 2014

From: Assistant Secretary for Management (004)

Subj: Report of the Audit of the Department of Veterans Affairs Consolidated Financial Statements for Fiscal Years 2014 and 2013

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 2014 and 2013, and we are pleased with the receipt of an unqualified opinion. We are also pleased that we met the 2014 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 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. 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,		**2014**		**2013**		**2012**		**2011**		**2010**
State Extended Care Facilities	$	92	$	180	$	66	$	54	$	242
Veterans Cemeteries (NCA)		52		36		47		44		49
Total Grant Program Costs	$	144	$	216	$	113	$	98	$	291

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, 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 $400 million. VA also provides per diem payment for the care of eligible Veterans in state homes.

Since, the cemetery program was established in 1980, it helped establish, expand, improve, operate and maintain 93 Veterans cemeteries in 45 states and territories including tribal trust lands, Northern Mariana Islands, and Guam, which provided more than 33,000 burials in 2014. VA awarded grants totaling more than $618 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,

	2014	2013
Program Expenses		
Education and Training-Dependents of Veterans	$ 518	$ 487
Vocational Rehabilitation and Education Assistance	14,206	12,693
Administrative Program Costs	502	372
Total Program Expenses	$ 15,226	$ 13,552
Program Outputs (Participants)		
Dependent Education	90,641	89,618
Veterans Rehabilitation	93,363	89,708
Veterans Education	970,765	971,597

Veterans and Dependents Education
Years Ended September 30,

	2012	2011
Program Expenses		
Education and Training-Dependents of Veterans	$ 444	$ 567
Vocational Rehabilitation and Education Assistance	11,727	11,259
Administrative Program Costs	389	370
Total Program Expenses	$ 12,560	$ 12,196
Program Outputs (Participants)		
Dependent Education	94,618	96,078
Veterans Rehabilitation	85,436	81,097
Veterans Education	871,188	822,808

Veterans and Dependents Education
Years Ended September 30,

	2010
Program Expenses	
Education and Training-Dependents of Veterans	$ 477
Vocational Rehabilitation and Education Assistance	9,031
Administrative Program Costs	348
Total Program Expenses	$ 9,856
Program Outputs (Participants)	
Dependent Education	81,974
Veterans Rehabilitation	77,176
Veterans Education	634,038

Program Outcomes
VA's education and training programs are intended to provide higher education to dependents that might not be able to participate otherwise. The rehabilitation and employment programs are provided to service-disabled Veterans, and 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 a 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,					
	2014	**2013**	**2012**	**2011**	**2010**
Program Expenses					
Physician Residents and Fellows	$ 748	$ 692	$ 663	$ 637	$ 584
Associated Health Residents and Students	157	164	153	114	113
Instructional and Administrative Support	905	856	851	819	794
Total Program Expenses	$ 1,810	$ 1,712	$ 1,667	$ 1,570	$ 1,491
Program Outputs					
Health Professions Rotating Through VA:					
Physician Residents and Fellows	40,420	38,106	37,104	36,984	36,600
Medical Students	21,541	20,218	21,502	20,516	21,267
Nursing Students	29,067	25,948	32,349	25,931	33,580
Associated Health Residents and Students	27,771	33,228	25,839	31,869	23,416
Total Program Outcomes	118,799	117,500	116,794	115,300	114,863

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. 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, 2014

	Basic	Applied	Development	Total
Medical Research Service	$ 218.6	$ 102.4	$ -	$ 321.0
Rehabilitative Research and Development	8.0	59.3	36.7	104.0
Health Services Research and Development	-	90.1	-	90.1
Cooperative Studies Research Service	18.8	66.3	-	85.1
Medical Research Support	-	586.0		586.0
Total Program Expenses	$ 245.4	$ 904.1	$ 36.7	$ 1,186.2

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

VHA researchers received grants from the National Institutes of Health in the amount of $414 million in 2014. During this same period, grants totaling $251 million came from other organizations. The grants received 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 2014, VA's R&D general goal related to stewardship was to ensure that Pre-clinical Research and Clinical Research Programs (excluding Cooperative Studies Program (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,	2014	2013	2012	2011	2010
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	2,184	2,241	2,249	2,200	2,350

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,	**2014**	**2013**	**2012**
General PP&E	$ 8,477	$ 6,709	$ 5,911
Heritage Assets	672	622	740
Total Deferred Maintenance and Repairs	$ 9,149	$ 7,331	$ 6,651

2. Schedule of Budgetary Activity Year Ended September 30, 2014

	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	$ 6,186	$ 5,828	$ 12	$ 1,046	$ 1,135	$ 5,727
Medical Care 0160	52,869	46,132	155	8,633	8,582	46,028
Medical Facilities 0162	5,055	4,815	16	3,120	2,772	5,147
Information Technology 0167	4,012	3,653	40	1,713	1,894	3,432
All Other	15,930	2,935	484	3,409	3,409	2,451
Total	$ 84,052	$ 63,363	$ 707	$ 17,921	$ 17,792	$ 62,785
Veterans Benefits Administration						
Compensation, Pension, & Burial Benefits 0102	$ 72,698	$ 70,221	$ -	$ 5,136	$ 5,540	$ 69,817
Readjustment Benefits 0137	14,342	13,758	361	646	688	13,355
Direct Loan Financing 4127	154	61	49	-	1	(39)
Guaranteed Loan Financing 4129	10,088	2,823	5,123	339	340	(2,326)
National Service Life Insurance Fund 8132	1,039	1,039	141	1,107	1,053	952
General Operating Expenses 0151	3,003	2,833	414	343	403	2,359
All Other	5,791	3,546	1,230	501	492	2,305
Total	$ 107,115	$ 94,281	$ 7,318	$ 8,072	$ 8,517	$ 86,423
National Cemetery Administration						
Total	$ 328	$ 306	$ -	$ 167	$ 165	$ 308
Indirect Administrative Program Costs						
General Administration 0142	767	732	322	183	179	414
Supply Fund 4537	1,847	1,600	1,060	(562)	(153)	131
All Other	943	795	708	115	142	60
Total	$ 3,557	$ 3,127	$ 2,090	$ (264)	$ 168	$ 605
Reconciling Adjustments for Prior Year Recoveries	$ 2,510	$ 2,510	$ -	$ -	$ -	$ -
Total of all Administrations	$ 197,562	$ 163,587	$ 10,115	$ 25,896	$ 26,642	$ 150,121

Part IV. Other Accompanying Information

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 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.

The SOS is presented in three sections as required for CFO Act agencies in 2014. 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, 2014. 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 2014 totaling $2.5 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, 2014. 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 U.S. Standard General Ledger (USSGL) detail to conform with OMB and Treasury guidelines.
During 2014, the coding was completed to implement the Design Document requirements. VA held meetings with representatives of all groups with prior year

recoveries to explain how the core accounting system would be enabled to properly identify prior year recoveries, systematically monitor reapportioned budget authority and track both for internal and external financial reporting. Extensive testing was performed by the software developer, the system quality assurance service, and representatives of the user community. VA followed a detailed project plan with final end to end testing that resulted in a decision to install the automated systems solution at the start of 2015. Throughout 2014, VA continued a manual review process to identify prior year recoveries and quantified 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,

	2014		2013	
	Budgetary	Non-Budgetary Credit Program	Budgetary	Non-Budgetary Credit Program
What Money is Available to Spend?				
Total Resources	$ 187,112	$ 10,450	$ 163,344	$ 8,314
Less Amount Available but Not Agreed to be Spent	(7,305)	-	(6,984)	-
Less Amount Not Available to be Spent	(19,141)	(7,529)	(3,917)	(5,167)
Total Amounts Agreed to be Spent	**$ 160,666**	**$ 2,921**	**$ 152,443**	**$ 3,147**
How was the Money Spent/Issued?				
Veterans Health Administration				
Personnel Compensation and Benefits	$ 30,502	$ -	$ 28,924	$ -
Other Contractual Services	14,177	-	13,468	-
Supplies and Materials	9,447	-	8,686	-
Land and Structures	2,523	-	2,956	-
Equipment	1,825	-	2,426	-
Rent, Communications and Utilities	2,196	-	2,026	-
Grants, Subsidies and Contributions	1,658	-	1,626	-
Travel and Transportation of Persons	967	-	963	-
Other	67	-	129	-
Veterans Benefits Administration (Including Veterans Benefits, Life Insurance, Housing Credit and Administration)				
Insurance Claims and Indemnities*	72,221	937	67,371	1,120
Grants, Subsidies and Contributions**	15,880	75	14,767	227
Personnel Compensation and Benefits	2,009	-	1,905	-
Other Contractual Services	779	313	503	221
Rent, Communications and Utilities	155	-	136	-
Interest and Dividends	208	37	133	40
Land and Structures	3	1,529	3	1,513
Other	109	30	108	26
National Cemetery Administration				
Personnel Compensation and Benefits	136	-	133	-
Other Contractual Services	83	-	88	-
Grants, Subsidies and Contributions	51	-	35	-
Supplies and Materials	10	-	10	-
Rent, Communications and Utilities	11	-	9	-
Other	13	-	12	-
Indirect Program Administration				
Other Contractual Services	910	-	1,532	-
Personnel Compensation and Benefits	771	-	725	-
Equipment	902	-	500	-
Supplies and Materials	369	-	415	-
Rent, Communications and Utilities	143	-	111	-
Other	31	-	43	-
Reconciling Adjustment for Prior Year Recoveries	2,510	-	2,700	-
Total Amounts Agreed to be Spent	**$ 160,666**	**2,921**	**$ 152,443**	**$ 3,147**

DEPARTMENT OF VETERANS AFFAIRS
SCHEDULE OF SPENDING – UNAUDITED (dollars in millions)
FOR THE YEAR ENDED SEPTEMBER 30,

	2014		2013	
	Budgetary	**Non-Budgetary Credit Program**	**Budgetary**	**Non-Budgetary Credit Program**
Where did the Money go to?				
Veterans Health Administration				
Federal	8,450	-	8,506	-
Non-Federal	54,912	-	52,698	-
Veterans Benefits Administration (Including Veterans Benefits, Life Insurance, Housing Credit and Administration)				
Federal	2,908	37	2,170	54
Non-Federal	88,454	2,884	82,756	3,093
National Cemetery Administration				
Federal	48	-	39	-
Non-Federal	258	-	248	-
Indirect Program Administration				
Federal	542	-	538	-
Non-Federal	2,584	-	2,788	-
Reconciling Adjustment for Prior Year Recoveries	2,510	-	2,700	-
Total Amounts Agreed to be Spent	**$ 160,666**	**$ 2,921**	**$ 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-identified material weaknesses and non-compliance with the Federal Financial Management Improvement Act (FFMIA) and Federal financial management system requirements outlined in the 2014 Performance and Accountability Report. The title of the material weakness is consistent throughout this section and in the entire document.

During 2014, VA continued its remediation plans to correct the one material weakness identified for "Information Technology (IT) Security Controls." As of September 30, 2014, 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 2014 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 2014, VA reported non-compliance with Federal financial management system requirements related to the material weakness for "Information Technology (IT) Security Controls."

Table 1 - Summary of Financial Statement Audit

Audit Opinion	**Unmodified**				
Restatement	**Yes**				
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**

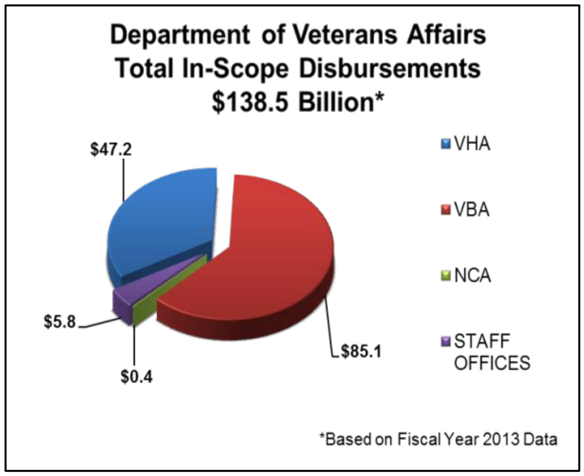
Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	**Auditor**
1. System Requirements	**Lack of substantial compliance noted**	**Lack of substantial compliance noted**
2. Accounting Standards**	**No Lack of substantial compliance noted**	**No Lack of substantial compliance noted**
3. USSGL at Transaction Level	**No lack of substantial compliance noted**	**No lack of substantial compliance noted**

*Note: Material weaknesses and their associated remediation plans are the same as audit-related material weaknesses.

**Note: There is a Secretarial decision not to charge Veterans interest and administrative costs on benefit related debts.

Improper Payments Elimination and Recovery Act of 2010 (IPERA) Report

Overview



The reduction of improper payments is a top financial management priority for VA. As such, VA has been working to understand and to correct the root causes of improper payments in addition to maintaining and enhancing the many programs and activities already in place to prevent, detect and reduce improper payments (e.g., prepayment and analytical reviews). VHA's Program Integrity Tool won the Excellence.Gov Award for Excellence in Innovation Pilots and Start-up Projects in 2014 and the Non-VA Care Quality Inspector Tool was a finalist for the Nextgov Bold Award in 2013.

In 2013, VA issued $150.4 billion in diverse payments, of which $138.5 billion were subject to IPERA processes for improper payments. The amount of disbursements subject to review increased by more than $30 billion from 2012 to 2013, a 34 percent increase due primarily to VA's success in reducing the claims backlog during 2013, the inclusion of Payments to Federal Employees – Payroll (PFE – Payroll), and payments from Disaster Relief Act – Hurricane Sandy (DRA – HS).

VA is comprised of three Administrations and a central office function. A brief description of the four VA components follows:

VHA

VHA manages 21 Veterans Integrated Service Networks (VISNs) with 150 VA Medical Centers (VAMCs) nationwide to provide efficient, accessible health care to Veterans in their areas.

VBA

VBA manages four area offices and 57 Regional Offices across the country to ensure necessary benefits and services are administered to Servicemembers, Veterans, and their families. At the beginning of 2014, the Pension program implemented upfront verification of income agreements between VBA and the Internal Revenue Service and the Social Security Administration (SSA), which include timely verification of income received from all sources by a claimant prior to eligibility for VA benefits being determined. VBA also began automatically suspending benefit payments to Veterans and beneficiaries upon notice of death through data received from SSA daily. Program enhancements are intended to have a positive impact on the reduction of improper payments in the coming years.

NCA

NCA manages 5 Memorial Service Networks (MSNs) and 131 National Cemeteries in 40 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.

Annually, VA systematically reviews all programs and outlays to identify those that may be highly susceptible to significant improper payments. Risk assessment activities for the Administrations and Staff Offices are described below:

VHA

VHA has 30 IPERA programs; 5 were determined to be high risk. VHA's 2014 high risk programs are: Beneficiary Travel; Civilian Health and Medical Program of the VA (CHAMPVA); Non-VA Medical Care[1]; Purchased Long Term Services and Supports, and State Home Per Diem Grants. The Supplies and Materials program was identified as low risk but was included for testing as the program has not reported two consecutive years of improper payment amounts below reporting thresholds.

VBA

VBA has 24 IPERA programs; 3 were deemed high risk: Disability Compensation, Pension, and the Post-9/11 GI Bill (Chapter 33) education program. The Vocational Rehabilitation and Employment Beneficiary Payments (VR&E) and two education programs, Montgomery GI Bill – Selected Reserve (Chapter 1606) and Reserve Educational Assistance Program (Chapter 1607), were identified as low risk but were included for testing based on program management decision.

NCA

NCA has one IPERA program which was assessed as low risk in 2013. NCA continued to enforce strong internal controls in 2014.

[1] In prior years, VHA reported the Non-VA Care Fee program as one program. Beginning in 2014, the Non-VA Care Fee program has been separated into two separate programs, Non-VA Medical Care and Purchased Long Term Services and Supports, for increased visibility and accountability. Both programs are high risk for 2014.

Staff Offices

Staff Offices have ten IPERA programs; two were considered high risk. The Staff Offices' high risk programs are Disaster Relief Act – Hurricane Sandy and Payments to Federal Employees – Payroll.

Section II. This section describes the statistical sampling process performed for VA programs.

Consistent with the prior year's statistical sampling approach, VA used a stratified sample design to separate the payment data into homogeneous strata by sub-program(s), sub-organization, or by type and dollar amount. The payments were ordered by amount within each stratum 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, strata representing 50 percent of the payments for a program had 50 percent of samples, and strata 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. Payments selected for testing were then reviewed against program specific criteria to determine if the payment was proper. In 2015, VA will refine testing criteria for several of its programs in order to provide more precise improper payment data.

Section III. This section describes corrective actions planned and error types for VA programs.

In 2014, 9 of the 12 tested programs had estimated improper payments greater than $10 million. Corrective action plans for each of those programs follow.

1. Beneficiary Travel

The Beneficiary Travel program is organizationally aligned under the VHA Chief Business Office (CBO). The program consists of mileage reimbursement and special mode transportation (ambulance, wheelchair van, etc.) to eligible Veterans and other beneficiaries. Improper payments totaled $41.6 million with administrative and documentation errors accounting for 77 percent of the improper payments and verification errors accounting for 23 percent of the improper payments. Improper payments identified through testing totaled $223,997. Identified overpayments 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 the below actions, VA expects to reduce improper payments by 0.09 percentage points in 2015.

Program Compliance

- April 2014, compliance certifications were required nationwide to confirm facility implementation of the Beneficiary Travel Eligibility Review, data mining analytical tools, and the supplemental tool to the Veterans Health Information Systems and Technology Architecture VistA beneficiary travel application, that when implemented increases automation and decreases manual errors in the field..
- June 2014, full staffing for the Beneficiary Travel CBO Program Review Team was established to ensure corrective action plans are successfully executed and root causes of errors are addressed.
- Fourth quarter 2014, the SharePoint Scheduling and Reporting System (SPSRS), to improve payment tracking, is currently in phase one testing. With built-in scheduling and document storage capabilities, SPSRS offers new reporting metrics and allows the VISN and Program Office access to real-time payment information.

Training Process Improvements

- December 2013, CBO released an online Beneficiary Travel national training certification to increase standardization of processes in the field. Additionally, recurring national training sessions are conducted for Beneficiary Travel staff on relevant issues such as covered benefits, increasing field compliance with established policies, and improving consistencies in payment methodologies.
- January 2014, CBO released, on VA Forms Database, a new beneficiary travel claims form to use when the Veteran is not requesting beneficiary travel benefits in person. In July 2014, the form was implemented nationally. The new form will reduce the number of lack of documentation errors resulting from lack of beneficiary signature.
- Fourth quarter 2014, began SPSRS training for Mobility Managers and Business Implementation Officers. Implementation is scheduled to continue through fourth quarter 2015.

System Changes

- December 2013, data mining analytic tools based on potentially problematic beneficiary behaviors were refined for improved efficiencies, reducing errors in duplicate payments, administrative eligibility, regulatory compliance, and payments made in the incorrect amount.
- March 2014, the Veterans Financial Application (VFA) Means Test Expiration Elimination was released as a Beneficiary Travel patch to improve reporting of claimant administrative eligibilities. Priority updates to complement the documentation of administrative eligibility using the Beneficiary Travel Calculator are in development and anticipated for a June 2015 release.
- May 2014, the CBO Review Team began meeting with facilities to verify proper configuration of the supplemental tool to the VistA beneficiary travel application. The tool streamlined and improved the processing of claims by using a standardized web-based mileage mechanism to ensure accurate mileage computation.
- December 2014, VA's Financial Services Center (FSC) will implement the Invoice Payment Processing System, which includes enhanced duplicate payment detection

capabilities along with the ability to import electronic invoices in one standard format. These technological advances are designed to reduce all types of payment errors, including duplicate payments.
- September 2015, patches to enhance the accuracy of Beneficiary Travel claims processing to address deductible issues, missing claim date information and expanded special mode account selection options are in development and scheduled to be released.

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 $49.3 million with administrative and documentation errors accounting for 100 percent of improper payments. Improper payments identified through testing totaled $148,836. Identified overpayments 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 0.03 percentage points in 2015.

Program Compliance

- July 2014, CBO began conducting manual reviews to validate the National Plan and Provider Enumeration System Medicare number and facility type designations on a quarterly basis and updating the system as necessary improving payment accuracy based on vendor selection.
- September 2014, CBO updated desk procedures on vendor file and proper payment processing that will decrease vendor file selection errors.
- September 2015, CBO will increase awareness of eligibility and claims issues identified by internal audits by tracking and correcting claims, and providing training where and when errors are identified.

Training Process Improvements

- October 2014, CBO developed refresher training for the vendor management team handling the vendor file to decrease selection errors and data entry errors.
- September 2015, CBO will reinstate the "Think Tank" to engage front line employees in identifying and developing potential solutions to eliminate errors.

3. Non-VA Medical Care

The Non-VA Medical Care program is used to provide timely and specialized care to eligible Veterans. The program allows VA to authorize Veteran care at a non-VA health care facility when the needed services are not available through VA, or when the Veteran is unable to travel to a VA facility. Improper payments totaled $311.5 million with administrative and documentation errors accounting for 100 percent of the improper payments. Improper payments identified through testing totaled $1 million.

Identified overpayments 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 2015.

Program Compliance

- December 2013, CBO implemented the Program Integrity Tool to reduce fraud, waste, and abuse and improve payment accuracy of claims in a pre-payment status. Through the application of business rules, the Program Integrity Tool scores claims based on their risk of being improper. The tool won the Excellence.Gov Award for Excellence in Innovation Pilots and Start-up Projects in 2014.
- December 2013, CBO deployed 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. Following field validation, cost avoidance is tracked and reported as operational efficiencies. The Quality Inspector Tool was a finalist for the Nextgov Bold Award in 2013.
- May 2014, the National Non-VA Care Program Office (NNPO) updated the Internal Controls Procedures Guide to strengthen internal controls related to payment processing.
- December 2014, the NNPO will develop desk procedures to replace the current procedure guides. The desk procedures will be a tool that contains information on topics currently found in multiple guides, making it easier to locate information in support of improved payment processing.
- September 2015, as part of the Veterans Access, Choice, and Accountability Act of 2014 implementation, and in coordination with the proposed Non-VA Care consolidated organizational model, NNPO will provide direct support, training and oversight of the Non-VA Care program.
- September 2015, CBO will make continuous strides in working towards the elimination of authorization and/or claims inventory backlogs.

Training Process Improvements

- December 2014, NNPO will provide training forums on proper application of payment methodologies to increase payment accuracy.
- January 2015, VHA's Field Assistance Program will further develop the national Non-VA Care training program, which includes guidance and training through The Bulletin (a publication for the Non-VA Medical Care community), NNPO monthly calls, as well as developing curriculum on claims processing, and focused trainings targeting identified areas of concern such as determining correct payment authority.

4. Purchased Long Term Services and Supports

The Purchased Long Term Services and Supports program is organizationally aligned under the VHA Geriatrics and Extended Care (GEC) office that strives to advance quality care for aging and chronically ill Veterans by providing policy direction for the development, coordination, and integration of geriatrics and long term care clinical programs. Improper payments totaled $122.9 million with administrative and documentation errors accounting for 100 percent of the improper payments. Improper payments identified through testing totaled $167,012. Identified overpayments will be recaptured through normal collection activities available to VA.

Corrective Action Plan

GEC 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 0.05 percentage points in 2015.

Program Compliance

- June 2014, VHA developed a detailed documentation guidebook and checklist to better assist facilities in obtaining and providing proper supporting documentation to help reduce documentation errors.
- July 2014, VHA notified the field to use the Non-VA Care Coordination (NVCC)/GEC authorization template and FBCS for all Purchased Home and Community Based authorizations. The template will display the Veteran's need for service to determine proper clinical eligibility and provide documentation to adequately support the payment in a pre-payment status.
- November 2014, GEC will submit a change request to CBO for priority consideration to embed the Case-Mix and Budget Tool in the NVCC/GEC authorization template to verify a Veteran's need for service and the amount of service needed, which will reduce lack of documentation errors in the authorization.
- November 2014, GEC will release a tool-kit and checklist for completing the NVCC/GEC authorization template that will include accurate rate information, which will significantly reduce payment errors made in the incorrect amount, prevent the wrong schedule being used, and improve the claim approval process. It will also prompt the review of contracts to ensure they are current.

Training Process Improvements

- December 2014, multiple training sessions will be conducted to educate the field on updated policies surrounding authorization and proper payment methodologies. Training will be held with national Purchased Long Term Services and Supports groups to include GEC VISN Leads and program staff at the VAMCs, and will focus on mandated use of the NVCC/GEC template, tool kit, and check list. This action will improve standardization of processes and compliance with established policies and procedures.
- December 2014, GEC will conduct separate training sessions with VHA contracting staff in the field to reiterate the importance of timely contract renewal processes, to ensure accurate authorizations are established.

5. State Home Per Diem Grants

Under the State Home Per Diem Grants program, states may provide care for eligible Veterans in need of care in three different types of programs: Nursing Home, Domiciliary, and Adult Day Health Care. Improper payments totaled $28.8 million with administrative and documentation errors accounting for 100 percent of the improper payments. Improper payments identified through testing totaled $6.8 million. Identified overpayments 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 0.02 percentage points in 2015.

Program Compliance

- October 2013, a Bill of Collection procedure guide was developed and distributed to the field. It establishes guidelines for creating a bill of collection, instead of adjusting future payments, when improper payments are made to better track overpayments for collection and reporting purposes.
- August 2014, quick guides were completed to provide VAMC staff with step-by-step procedures for completing the admission application (10-10SH) and invoice certification.
- October 2014, CBO, in partnership with VISN 19, began a 12-month pilot for organizational change. CBO will use the results of this pilot to create an Executive Decision Memorandum to evaluate the options for system-wide programmatic changes with an estimated completion of September 2015.
- January 2015, the State Home Per Diem Handbook and procedure guides will be revised to facilitate standardization of program requirements and improve administrative inconsistencies.

Training Process Improvements

- June 2014, the State Home Per Diem program provided training focused on duplicate payments to ensure VAMCs do not pay invoices from the state Veteran homes directly, and instead certify invoices for payment through VA's online certification system subjecting the payment to system generated internal controls.
- June 2014, the State Home Per Diem Program began providing ongoing quarterly training to VAMC staff on error findings identified in the IPERA audit to reduce improper payments at the field level.

System Changes

- March 2014, CBO submitted an automated 10-10SH application form to OMB for approval. This advancement will ensure completion of required fields, enhancement of transmission, and electronic availability of the form, which reduces administrative errors in the field.
- September 2015, the State Home Per Diem program has been awarded funds under the Automated Grants Management program. With these funds, CBO will pursue

options to bring the program into compliance with the Digital Accountability and Transparency Act of 2014, increasing payment accuracy.

6. Supplies and Materials

The majority of the Supplies and Materials program includes commodities, which are ordinarily consumed or expended within one year after being put into use. Improper payments totaled less than $1 million with administrative and documentation 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.

7. Compensation

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. Improper payments totaled $713 million with administrative and documentation errors accounting for 100 percent of the improper payments.

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 0.09 percentage points in 2016.

Program Compliance

VBA continues to improve training programs to reduce administrative and documentation errors by updating centralized training material. Additionally, VBA implemented the following controls to strengthen efficiency at Regional Office (ROs):

- 2013, VBA identified a working group to identify ways to streamline processing for drill pay, including a long-term goal of automation. Compensation Service continues to collaborate with applicable staffs to implement suggestions that include:
  - Use of Rules Based Processing System (RBPS) to automatically adjust certified drill pay waivers.
  - Development and revision of applicable forms to allow Veterans to waive drill pay.
  - Updating 38 Code of Federal Regulations (rulemaking) to simplify drill pay adjustments.
  - Utilizing an electronic feed from DoD to automate drill pay adjustments.
- 2013, VBA implemented the Skills Certification program (validation of knowledge of compensation claims processing) to improve organizational performance and professionalism of claims personnel. Through training, managers continue to implement improvements to increase the skill certification test pass rate. This reduces the error rates associated with both rating and non-rating claims processing. Compensation Service is in the process of identifying reasons for fail rates, which includes conducting training and reviewing test results. Compensation Service is also modifying the test to align with the organizational model and Public Law 110-189 based on the assessment of results. Compensation Service will then retest and reassess pass rates.

- 2014, VBA identified additional rules to increase the number of dependency claims completed through RBPS. The rate of completed claims through RPBS has increased from 37 percent to over 50 percent and continues to improve. Claims that are not processed (rejected) are reviewed to prevent a potential improper payment. VBA continues to make adjustments and improvements to the system to allow for more complete dependency claims.
- September 2015, VBA plans to improve the quality of results to align with VA's goal of 98 percent accuracy. To accomplish this, Compensation Service increased data analysis and disseminated feedback on error trends to Quality Review Teams and ROs, as well as posted results to SharePoint which increases transparency and reduces redundancy. Compensation Service also added quarterly local and national consistency studies through automation and provided error-trending input for the National Training Curriculum.

8. Pension

VA helps Veterans and their families cope with financial challenges by providing supplemental income through Veterans Pension and Survivors Pension benefit programs. Improper payments totaled $258.9 million with documentation and administrative errors accounting for 40 percent, verification errors accounting for 41 percent, and authentication and medical necessity accounting for 19 percent of the improper payments. Improper payments identified through testing will be recaptured through normal collection activities available to VA.

Corrective Action Plan

VBA has implemented corrective actions that will help to alleviate non-receipt of information from the claimant or beneficiary on a timely basis. This is the greatest cause of administrative and documentation errors, as well as verification errors. VA expects to reduce improper payments by 0.39 percentage points in 2016.

Program Compliance

- October 2013, VBA continued to analyze errors discovered during Systematic Technical Accuracy Reviews for trends that may contribute to verification errors. The quality assurance staff reviewed and disseminated findings to the Pension Management Centers, enabling claim-specific error training to remedy errors.
- March 2014, VBA completed implementation of upfront scanning, a process to scan all newly submitted claims to an electronic file, making them available for recall and testing. Through the implementation of this corrective action, Pension and Fiduciary Service will monitor the progression and projects a 20 percent reduction to documentation and administrative errors by the end of 2016.

9. Vocational Rehabilitation and Employment (VR&E)

The VR&E program provides benefits and services to assist Veterans with service-connected disabilities that contribute to an employment handicap in preparing for, finding, and maintaining suitable employment. Improper payments totaled $15.9 million with administrative and documentation errors accounting for 100 percent of the improper payments. These errors resulted in a 1.7 percent error rate of payments made by the VR&E program.

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 0.31 percentage points in 2016.

Program Compliance
- December 2015, nationwide deployment of an advanced training program on fiscal issues which will be aimed at training Vocational Rehabilitation Counselors (VRCs) on key control weaknesses previously identified during quality review testing.
- 2018, VRE&E plans to complete the implementation of the Subsistence Allowance Module (SAM). The national implementation of SAM will reduce human errors caused by manual calculations, therefore dramatically reducing improper payments. SAM is currently being tested at pilot sites.

10. Education – Chapter 33, Chapter 1606, and Chapter 1607
For the third consecutive year, Education program related improper payments remained extremely low. Education's Chapter 33, Chapter 1606, and Chapter 1607 programs combined had improper payments of $1.4 million with administrative and documentation errors accounting for 99 percent of the improper payments, and verification errors accounting for less than 1 percent. Because the Education programs had estimated improper payments of less than $10 million, detailed corrective action plans and recoverable improper payments are not reported.

11. Disaster Relief Act – Hurricane Sandy (DRA – HS)
Improper payments identified through testing totaled $1,385 with administrative and documentation errors accounting for 100 percent of the improper payments. Because the DRA – HS program had estimated improper payments of less than $10 million, detailed corrective action plans and recoverable improper payments are not reported.

12. Payments to Federal Employees (PFE – Payroll)
This was the first year testing and estimating an error amount for PFE – Payroll. Improper payments were estimated to total $32.6 million or 0.13 percent with verification errors accounting for 100 percent of the improper payments. The estimate was based on a sample of $3.7 million in payments which resulted in a total, absolute value error amount of $4,709 (0.13 percent).

Corrective Action Plan
VA will implement, or has implemented, the following corrective actions to ensure greater compliance. VA expects to reduce improper payments by 0.02 percentage points over the next two years.

Program Compliance
- May 2015, VA will review its policies on departing employees to determine the need to retain certain documentation in order to verify the accuracy of payments in post payment reviews.

- June 2015, VA will review its processes and improve controls for establishing and entering employee compensation rates in a timely manner.
- July 2015, VA will review position descriptions to validate that occupational codes are accurately classified according to the Fair Labor Standards Act (FSLA).

Training Process Improvements

VHA released a tool for timekeepers in June of 2014 to assist them in navigating the complex rules for employees paid under U.S.C. Title 38, and those paid under both Title 38 and Title 5. The tool provides a two page summary of the rules relating to the most complex types of pay. It can be used as an easy reference for timekeepers to verify that time has been entered correctly. VA continues to refine its training through the use of these types of tools and through traditional training methods.

System Changes

VA continues to implement its new time and attendance system. This system, called VA Time and Attendance System (VATAS) is being designed to mitigate errors on employee timesheets.

Section IV. The table below lists VA’s reportable programs.

Table 1

Improper Payment (IP) Reduction Outlook 2013–2017 (Based on 2013 – 2017 data)

($ in millions)

Program	2013 (based on 2012 actual data)			2014 (based on 2013 actual data)			2015 (based on 2014 estimated data)			2016 (based on 2015 estimated data)			2017 (based on 2016 estimated data)		
	OUTLAYS ($)	IP %	IP $	OUTLAYS ($)	IP %	IP $	OUTLAYS ($)	IP % [1]	IP $	OUTLAYS ($)	IP %	IP $	OUTLAYS ($)	IP %	IP $
Beneficiary Travel	749	9.04	67.67	817	5.09	41.55	842	5.00	42.10	867	4.90	42.48	893	4.80	42.86
		0.28	2.07		0.00	0.02		0.00	0.00		0.00	0.00		0.00	0.00
Gross Amount		9.32	69.74		5.09	41.57		5.00	42.10		4.90	42.48		4.80	42.86
CHAMPVA	924	1.82	16.84	1,021	2.00	20.42	1,052	2.00	21.04	1,084	2.00	21.68	1,117	2.00	22.34
		0.44	4.08		2.83	28.84		2.80	29.46		2.70	29.27		2.60	29.04
Gross Amount		2.26	20.92		4.83	49.26		4.80	50.50		4.70	50.95		4.60	51.38
Non-VA Medical Care [2]	4,447	7.26	323.07	3,371	6.76	227.96	3,472	6.70	232.62	3,576	6.70	239.59	3,684	6.70	246.83
		2.38	106.00		2.48	83.50		2.50	86.80		2.40	85.82		2.30	84.73
Gross Amount		9.64	429.07		9.24	311.46		9.20	319.42		9.10	325.41		9.00	331.56
Purchased Long Term Services and Supports [2]	0	0.00	0.00	1,373	8.32	114.20	1,640	7.90	129.56	1,706	7.80	133.07	1792	7.70	137.98
		0.00	0.00		0.63	8.67		1.00	16.40		1.00	17.06		1.00	17.92
Gross Amount		0.00	0.00		8.95	122.87		8.90	145.96		8.80	150.13		8.70	155.90
State Home Per Diem Grants	848	15.76	133.68	955	2.85	27.16	984	3.00	29.52	1,014	2.90	29.41	1,044	2.80	29.23
		0.18	1.55		0.17	1.65		0.00	0.00		0.00	0.00		0.00	0.00
Gross Amount		15.94	135.23		3.02	28.81		3.00	29.52		2.90	29.41		2.80	29.23
Supplies and Materials	2,230	0.11	2.51	2,362	0.00	0.00	2,433	1.00	24.33	2,506	1.00	25.06	2,581	1.00	25.81
		0.00	0.02		0.00	0.06		0.49	11.92		0.49	12.28		0.49	12.65
Gross Amount		0.11	2.53		0.00	0.06		1.49	36.25		1.49	37.34		1.49	38.46
Compensation	48,181	0.64	307.99	53,913	0.60	322.61	65,433	0.60	392.60	72,589	0.54	391.98	77,233	0.50	386.17
		0.03	13.11		0.72	390.55		0.72	471.12		0.69	500.87		0.61	471.12
Gross Amount		0.67	321.10		1.32	713.16		1.32	863.72		1.23	892.85		1.11	857.29
Pension	5,268	1.66	87.70	5,584	4.04	225.57	5,575	4.04	225.23	5,845	3.91	228.38	6,241	3.58	223.14
		0.09	4.73		0.60	33.28		0.60	33.45		0.34	20.11		0.32	19.97
Gross Amount		1.75	92.43		4.64	258.85		4.64	258.68		4.25	248.49		3.90	243.11
VR&E	786	0.26	2.04	925	1.19	11.05	1,018	1.19	12.11	1,117	1.00	11.18	1,261	0.82	10.34
		0.01	0.11		0.53	4.93		0.53	5.40		0.41	4.57		0.34	4.23
Gross Amount		0.27	2.15		1.72	15.98		1.72	17.51		1.41	15.75		1.16	14.57
Education - Chapter 33	8,769	0.00	0.00	10,723	0.00	0.00	10,890	0.75	81.68	12,397	0.75	93.00	13,293	0.75	100.00
		0.00	0.00		0.00	0.00		0.74	80.59		0.74	92.00		0.74	98.00
Gross Amount		0.00	0.00		0.00	0.00		1.49	162.27		1.49	185.00		1.49	198.00
Education – Chapter 1606	146	0.33	0.48	151	0.60	0.84	155	0.60	0.93	127	0.60	0.76	130	0.60	0.78
		0.00	0.00		0.10	0.16		0.10	0.16		0.10	0.13		0.10	0.13
Gross Amount		0.33	0.48		0.70	1.00		0.70	1.09		0.70	0.89		0.70	0.91
Education – Chapter 1607	88	0.44	0.39	83	0.40	0.34	40	0.40	0.16	31	0.40	0.13	32	0.40	0.13
		0.00	0.00		0.10	0.05		0.10	0.04		0.10	0.03		0.10	0.03
Gross Amount		0.44	0.39		0.50	0.39		0.50	0.20		0.50	0.16		0.50	0.16

Program	2013 (based on 2012 actual data)			2014 (based on 2013 actual data)			2015 (based on 2014 estimated data)			2016 (based on 2015 estimated data)			2017 (based on 2016 estimated data)		
	OUTLAYS ($)	IP %	IP $	OUTLAYS ($)	IP %	IP $	OUTLAYS ($)	IP % (1)	IP $	OUTLAYS ($)	IP %	IP $	OUTLAYS ($)	IP %	IP $
DRA -– HS	0	0.00	0.00	18.5	2.04	0.40	41.9	2.00	0.84	125.8	1.50	1.89	48.8	0.90	0.44
		0.00	0.00		0.00	0.00		0.00	0.00		0.00	0.00		0.00	0.00
Gross Amount		0.00	0.00		2.04	0.40		2.00	0.84		1.50	1.89		0.90	0.44
PFE -– Payroll (3)	0	0.00	0.00	24,360	0.10	25.30	25,682	0.12	30.82	26,966	0.09	24.27	28,315	0.09	25.48
		0.00	0.00		0.03	7.32		0.03	7.70		0.02	5.39		0.02	5.66
Gross Amount		0.00	0.00		0.13	32.62		0.15	38.52		0.11	29.66		0.11	31.14

Overpayments are reported in the upper portion of the non-shaded cells adjacent to the program name, while underpayments are reported in the lower portion. Gross amounts are noted in the shaded cells immediately below each program name.

Notes to Table 1:

(1) Reduction targets should take into account the margin of error found in 2014 testing when determining if the reduction target was achieved for 2015. Reduction targets, when considering the margin of error, should not exceed 9.9 percent.

(2) In 2014, VHA separated the Non-VA Care Fee program into two separate programs, Non-VA Medical Care and Purchased Long Term Services and Supports, for increased visibility and accountability.

(3) With the passing of the Improper Payments Elimination and Recovery Improvement Act of 2012, agencies were required to include payments to employees in their risk assessments, and if necessary, improper payment estimation. As such, 2013 data which is reported in 2014 is the first year these payments were reviewed for improper payments; however, for comparative purposes we have included the total payroll outlays that would have been reported in 2013 (based on 2012 data).

Section V. This section describes VA's Improper Payment Recapture and Recovery Audit efforts.

VA performed recapture audits for all programs with outlays of $1 million or more.

VHA

VHA utilized both internal and external payment recapture activities to prevent, detect, and recover improper payments.

CBO Internal Audit and Recovery Efforts

- Program Integrity Tool – 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.
- Claim Check/Claim Scrubber Tool – Performs a validation check prior to releasing payments.

- Veteran Family Member Benefit Audit Team – Identifies overpayments in the CHAMPVA program through a biannual eligibility determination audit; an annual possible duplicate payment audit; and special audits identified from other audit findings or requested by management.
- Virtual Audit Team – Structured to perform the IPERA audit and quarterly proper payment audits for the Non-VA Care program and State Home Per Diem Grants program.
- Special Audit Team – Focuses on special audit requests from internal and external stakeholders such as Compliance and Business Integrity, OIG, etc.

CBO External Audit and Recovery Efforts

- CBO has retained outpatient recovery contracts for Non-VA Medical Care, CHAMPVA, and Spina Bifida through August 2013. Currently, CBO is working with the contracting office to establish a new recovery contract.

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.

<u>VBA</u>

VBA used a combination of full-case quality reviews and payment reviews for possible duplicates and overpayments.

The majority of VBA programs perform quality reviews on randomly selected cases. VBA tracks, monitors, and recovers overpayments eligible for recovery through combined efforts of the Debt Management Center (DMC), the Administrative and Loan Accounting Center, 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 in 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
The 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 offset from current or future benefit payments, or by installment payments agreed upon by the debtor. If the DMC cannot collect the debt, the delinquent debt is referred to the Treasury Offset Program (TOP) for collection.

VBA local offices are responsible for collecting debts resulting from automobile grants, loan sales, property management, loan portfolio, loan production, loan administration, Special Adaptive Housing (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 Financial Management System (FMS).

In accordance with 38 U.S.C. 5302, VBA may waive benefit debts arising as a result of participation in a benefit program when collection would be against equity and good conscience and no evidence exists of fraud, misrepresentation, or bad faith. 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 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. The FSC performs both pre- and post-payment recapture and recovery audit activities for the payments it disburses.

Pre-Payment Review
Three times a day, the 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

The 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 two 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, the FSC periodically reviews audit reports prepared by VA's OIG and the Government Accountability Office (GAO) to identify additional potential areas of interest.

Root Cause of Improper Payments

The 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. The 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 the FSC, as appropriate, to recover the funds from the vendor/employee.

- On payments paid via electronic funds transfer (EFT), where the improper payment amount was the full amount of the EFT payment, the 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, the 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, the 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, the 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 [1]
($ in millions)

Program or Activity	Type of Payment (contract, grant, benefit, loan or other)	Amount Subject to Review for 2013 Reporting	Actual Amount Reviewed and Reported (2013)	Amount Identified for Recovery (2013)	Amount Recovered (2013)	% of Amount Recovered out of Amount Identified (2013)	Amount Outstanding (2013)	% of Amount Outstanding out of Amount Identified (2013)	Amount Determined Not to be Collectable (2013)	% of Amount Determined Not to be Collectable out of Amount Identified (2013)	Amounts Identified for Recovery (2004-2012) [2]	Amounts Recovered (2004-2012) [2]	Cumulative Amounts Identified for Recovery (2004-2013)	Cumulative Amounts Recovered (2004-2013)	Cumulative Amounts Outstanding (2004-2013)	Cumulative Amounts Determined Not to be Collectable (2004-2013)
Beneficiary Travel	Benefit	$739	$620	$0.913	$0.814	89%	$0.099	11%	$0	0%	$0.139	$0.129	$1.052	$0.943	$0.109	$0
CHAMPVA [3]	Benefit	$2.7	$2.7	$12.045	$7.277	60%	$4.346	36%	$0.422	4%	$90.679	$224.449	$102.724	$231.726	$11.346	$0.749
Non-VA Medical Care [4]	Benefit	$200	$200	$2.260	$1.174	52%	$1.086	48%	$0	0%	$56.751	$51.534	$59.011	$52.708	$6.303	$0
Purchased Long Term Services and Supports	Benefit	$5.5	$5.5	$0.003	$0.003	100%	$0	0%	$0	0%	$0	$0	$0.003	$0.003	$0	$0
State Home Per Diem Grants	Grant	$950	$950	$1.617	$1.617	100%	$0	0%	$0	0%	$0.012	$0.012	$1.629	$1.629	$0	$0
Supplies and Materials	Other	$933	$932	$0.549	$0.548	100%	$0.001	0%	$0	0%	$0.160	$0.146	$0.709	$0.694	$0.015	$0
Other VHA Programs 1 [5]	Other	$7,736	$7,735	$6.130	$5.947	97%	$0.183	3%	$0	0%	$1.629	$1.578	$7.759	$7.525	$0.234	$0
Other VHA Programs 2 [6]	Other	$319	$318	$1.176	$1.176	100%	$0	0%	$0	0%	$0.115	$0.114	$1.291	$1.290	$0.001	$0
Compensation	Benefit	$53,645	$18.3	$0.380	$0.229	60%	$0.151	40%	$0	0%	$0.202	$0.152	$0.582	$0.381	$0.201	$0
Pension	Benefit	$5,186	$1.4	$0	$0	0%	$0	0%	$0	0%	$0.005	$0.005	$0.005	$0.005	$0	$0
VR&E	Benefit	$925	$1.0	$0.019	$0.013	65%	$0.005	27%	$0.001	8%	$0.106	$0.101	$0.125	$0.114	$0.005	$0.006
Education	Benefit	$12,145	$5.0	$0.011	$0.008	73%	$0.003	27%	$0	0%	$0.014	$0.013	$0.025	$0.021	$0.003	$0.001
Insurance	Benefit	$2,447	$18.0	$0	$0	0%	$0	0%	$0	0%	$0.054	$0.050	$0.054	$0.050	$0.004	$0
Loan Guaranty	Benefit	$3,104	$1,440.3	$2.768	$1.940	70%	$0.462	17%	$0.366	13%	$5.196	$5.144	$7.964	$7.084	$0.465	$0.415
Other Direct Benefits	Benefit	$5,992	$3.5	$0.047	$0.021	44%	$0.026	56%	$0	0%	$0.182	$0.181	$0.229	$0.202	$0.026	$0.001
VBA – GOE Fund	Other	$2,508	$27.2	$0.001	$0	20%	$0.001	80%	$0	0%	$0.006	$0.006	$0.007	$0.006	$0.001	$0
FSC – VBA Other	Other	$304.9	$304.9	$0.140	$0.140	100%	$0	0%	$0	0%	$0.295	$0.294	$0.435	$0.434	$0.001	$0
NCA Burial Programs	Other	$163	$162.9	$0.416	$0.415	100%	$0.001	0%	$0	0%	$0.019	$0.019	$0.435	$0.434	$0.001	$0
PFE – Payroll	Other	$3.7	$3.7	$0.005	$0	0%	$0.005	100%	$0	0%	$0	$0	$0.005	$0	$0.005	$0
FSC – Staff Offices	Contract	$4,407	$4,371	$2.869	$2.811	98%	$0.058	2%	$0	0%	$0.617	$0.615	$3.486	$3.426	$0.060	$0

Notes to Table 2:

(1) VA is reporting improper payments identified, recovered, and outstanding for the period of October 1, 2012, to September 30, 2013.

(2) Cumulative amounts for historical computations are carried forward from prior year reporting unless more recent data is available.

(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) Identified recovered amounts for Non-VA Medical Care for 2012 and 2013 is incomplete due to CBO's audit contingency contracts not in effect for 2012 and 2013.

(5) Other VHA programs 1, using Medical Care Funds, includes the following programs for reporting purposes: Activities with Other Federal Agencies; Communications, Utilities, and Other Rent; Compensated Work Therapy/Incentive Therapy;
VHA - Equipment; Homeless Per Diem Program Grants; Insurance Claims and Interest Expense; Land and Structures; Other Services; Consolidated Mail Outpatient Pharmacy; Pharmacy Medical Facilities; Printing and Reproduction; Prosthetics; Transportation (not including beneficiary travel and employee travel); and Other VHA Activities. Payroll and Employee Travel are reported separately.

(6) Other VHA programs 2, using Non-Medical Funds includes the following programs for reporting purposes: Canteen Service; DoD-VA Health Care Sharing Incentive Funds; DoD-VA Medical Facility Demonstration Fund; General Post Fund; Medical and Prosthetic Research; and Medical Facilities Recovery Act.

Table 3
Payment Recapture Audit Targets (1)
($ in millions)

Program or Activity	Type of Payment	2013 Amount Identified	2013 Amount Recovered	2013 Recovery Rate	2014 Recovery Rate Target	2015 Recovery Rate Target	2016 Recovery Rate Target
Beneficiary Travel	Benefit	$0.913	$0.814	89%	85%	87%	90%
CHAMPVA	Benefit	$12.045	$7.277	60%	65%	70%	75%
Non-VA Medical Care	Benefit	$2.260	$1.174	52%	55%	60%	65%
Purchased Long Term Services and Supports	Benefit	$0.003	$0.003	100%	85%	90%	95%
State Home Per Diem Grants	Grant	$1.617	$1.617	100%	90%	95%	95%
Supplies and Materials	Other	$0.549	$0.548	100%	95%	95%	95%
Other VHA Programs 1	Other	$6.130	$5.947	97%	95%	95%	95%
Other VHA Programs	Other	$1.176	$1.176	100%	95%	95%	95%
Compensation	Benefit	$0.380	$0.229	60%	62%	62%	62%
Pension	Benefit	$0	$0	100%	25%	25%	25%
VR&E	Benefit	$0.019	$0.013	65%	85%	85%	85%
Education	Benefit	$0.011	$0.008	73%	62%	62%	62%
Insurance	Benefit	$0	$0	0%	59%	59%	59%
Loan Guaranty	Benefit	$2.768	$1.940	70%	42%	42%	42%
Other Direct Benefits	Benefit	$0.047	$0.021	44%	69%	69%	69%
VBA – GOE Fund	Other	$0.001	$0	20%	85%	85%	85%
FSC – VBA Other	Other	$0.140	$0.140	100%	85%	85%	85%
NCA Burial Programs	Other	$0.416	$0.415	100%	85%	85%	85%
PFE – Payroll	Other	$0.005	$0	0%	85%	85%	85%
FSC – Staff Offices	Contract	$2.869	$2.811	98%	85%	85%	85%

Notes to Table 3:

(1) VA is reporting improper payments identified, recovered, and outstanding for the period of October 1, 2012, to September 30, 2013.

Table 4
Aging of Outstanding Overpayments [1]
($ in millions)

Program or Activity	Type of Payment (contract, grant, benefit, loan or other)	2013 Amount Outstanding (0 – 18 months)	2013 Amount Outstanding (18 months – 2 years)	2013 Amount Outstanding (over 2 years)
Beneficiary Travel	Benefit	$0.065	$0.032	$0.002
CHAMPVA	Benefit	$4.346	$0	$0
Non-VA Medical Care	Benefit	$1.086	$0	$0
Purchased Long Term Services and Supports	Benefit	$0	$0	$0
State Home Per Diem Grants	Grant	$0	$0	$0
Supplies and Materials	Other	$0.001	$0	$0
Other VHA Programs 1	Other	$0.133	$0.050	$0
Other VHA Programs 2	Other	$0	$0	$0
Compensation	Benefit	$0.137	$0.014	$0
Pension	Benefit	$0	$0	$0
VR&E	Benefit	$0.005	$0	$0
Education	Benefit	$0.003	$0	$0
Insurance	Benefit	$0	$0	$0
Loan Guaranty	Benefit	$0.462	$0	$0
Other Direct Benefits	Benefit	$0.022	$0.004	$0
VBA – GOE Fund	Other	$0.001	$0	$0
FSC – VBA Other	Other	$0	$0	$0
NCA Burial Programs	Other	$0.001	$0	$0
PFE – Payroll	Other	$0.005	$0	$0
FSC – Staff Offices	Contract	$0.041	$0.017	$0

Notes to Table 4:

(1) VA is reporting improper payments identified, recovered, and outstanding for the period of October 1, 2012, to September 30, 2013.

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	$18.556 [2]	$0	$0
Compensation [2]	Benefit	$0	$0	$0	$0.229	$0	$0
Pension [2]	Benefit	$0	$0	$0	$0	$0	$0
VR&E [2]	Benefit	$0	$0	$0	$0.013	$0	$0
Education [2]	Benefit	$0	$0	$0	$0.008	$0	$0
Insurance [2]	Benefit	$0	$0	$0	$0	$0	$0
Loan Guaranty [3]	Benefit	$0	$0	$0	$1.940	$0	$0
Other Direct Benefits [2]	Benefit	$0	$0	$0	$0.021	$0	$0
VBA – GOE Fund [3]	Other	$0	$0	$0	$0	$0	$0
FSC – VBA Other [3]	Other	$0	$0	$0	$0.140	$0	$0
NCA Burial Programs [3]	Other	$0	$0	$0	$0.415	$0	$0
PFE – Payroll [2]	Other	$0	$0	$0	$0	$0	$0
FSC – Staff Offices [3]	Contract	$0	$0	$0	$2.811	$0	$0

Notes to Table 5:

(1) Title 38 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) All funds recovered within the fiscal year of appropriation are returned to the fund for its original purpose. Funds recovered after the fiscal year ends, and up to five years after the appropriation has expired, are used for adjustment purposes only.

(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 [1]
($ in millions)

Source of Recovery	Amount Identified (2013)	Amount Recovered (2013)	Amount Identified (2004 - 2012)	Amount Recovered (2004 - 2012)	Cumulative Amount Identified (2004 - 2013)	Cumulative Amount Recovered (2004 - 2013)
CHAMPVA [2]	$0	$15.902	$0	$11.497	$0	$27.399
VBA IPIA High – Risk Program Testing	$0.057	$0.011	$0.048	$0.008	$0.105	$0.019
Supply Fund [3]	$17.450	$17.260	$215.750	$182.720	$233.210	$199.980
FSC	$21.346	$20.158	$51.613	$47.162	$72.959	$67.320

Notes to Table 6:

(1) VA is reporting improper payments identified, recovered, and outstanding for the period of October 1, 2012, to September 30, 2013.

(2) CHAMPVA data is combined with CBO programs: Foreign Medical, Spina Bifida, and Caregiver Stipend. Overpayments recaptured outside of payment recapture audits for 2013 consists of unsolicited funds received. Unsolicited funds received for 2011 and prior are reported under Table 2. Historical computations are carried forward from prior year reporting.

(3) 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.

Section VI. This section describes how VA's leadership is held accountable for reducing and recovering improper payments.

The Department's 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 2014, reduction targets were incorporated, where applicable, into VISN Directors' Performance Plans for high-risk programs.

VBA

The Under Secretary for Benefits (USB) continues to emphasize accountability and integrity at every level within the Administration. Underscoring the commitment to achieving the goals set forth in IPERA, the USB appointed the 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-technology 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 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 under the VBA umbrella, share the same performance standards with respect to delivering high-quality products and benefits to Veterans. Non-supervisory employees are also responsible for maintaining standards set forth by management, to include testing quality, developing controls, continued training, and staying abreast of legislative and technological changes in order to reduce or avoid improper payments.

Section VII. This section describes VA's information systems and infrastructure to reduce improper payments.

VA has implemented internal controls, acquired human resources, and developed information systems and other infrastructure to reduce improper payments, as detailed in Section III of this report. 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, results 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.

The Department strives to ensure that Veterans and their families receive needed benefits in the right amount and at the right time while making progress towards reducing and preventing improper payments.

In 2014, OIG issued reports highlighting issues and areas of concern for certain high risk programs; consideration will be given to these reports in evaluating future opportunities to strengthen internal controls and increase payment accuracy.

Section X. This section describes VA's reduction of improper payments with the Do Not Pay Initiative (DNP)

In June 2013, Treasury began the process of monthly matching all VA payment files with the public Death Master File (DMF) and the System for Award Management (SAM) (also known as the public Excluded Parties List System (EPLS)) databases in DNP. VA began matching more than one million vendor records against all available databases contained in the DNP portal. During 2015, VA will continue to look for opportunities where other control measures may be leveraged to comply with IPERIA.

As a result of VA's existing activities and programs designed to prevent improper payments, only a minimal number of payment errors have been detected through the DNP matching process. More information is provided below on other activities and programs VA utilizes to prevent improper payments.

GRANTS

VA's Grant Program Offices (GPOs) utilize the DNP portal to determine the eligibility status of an applicant prior to award. Through the use of the portal, program offices are able to quickly confirm a potential awardee's eligibility status and to make thorough decisions regarding the award of federal funds.

VHA

For this reporting period, over 11 million payments were matched with the DNP databases. Pre-award checks are performed against EPLS and SAM for all contracts greater than $3,000 as part of the procurement process. Internal control procedures for purchase cardholders require cardholders to check the SAM database for excluded parties prior to each new order; for regular and recurring purchases to the same vendor, cardholders are required to document matching against the SAM database on a quarterly basis. CBO's Program Integrity Tool was updated to include the LEIE to check all Non-VA Medical Care claims processed in FBCS in a pre-payment state.

VBA

For this reporting period, over 39 million payments were matched with the DNP databases. In addition VBA has agreements with other federal agencies such as SSA, Internal Revenue Service, and the Bureau of Prisons, to share information on a recurring basis to determine the eligibility of VA beneficiaries. Information derived from the matches may be used to adjust VA benefit payments.

NCA

For this reporting period, over 18 thousand payments were matched with the DNP databases; no improper payments were identified.

FSC

The FSC processed over 376 thousand vendor payments for goods and services on behalf of VA central office, VHA, NCA, and VBA. The FSC implemented a DNP continuous monitoring process to reduce erroneous vendor payments in accordance with IPERIA. The continuous monitoring process includes a pre-payment match of vendors that compares the existing VA FMS vendor file with Treasury's DNP solution.

Treasury provides matches based upon two criteria: 1) Taxpayer Identification Number, and 2) Name. The matches are then forwarded to VHA, VBA, and NCA for investigation and adjudication. If warranted, a payment hold is placed on the vendor record in FMS which prevents processing of future payments associated with the ineligible payee.

Table 7
Results of Do Not Pay Initiative (1)

	Number (#) of payments reviewed for improper payments	Dollars ($) of payments reviewed for improper payments	Number (#) of improper payments stopped	Dollars ($) of improper payments stopped	Actual Number (#) of improper payments matched and not stopped	Actual Dollars ($) of improper payments matched and not stopped
Reviews with the DMF Only(2)	52 Million	$62 Billion	0	$0	13 Payments	$1,214

Notes to Table 7:

(1) VA is reporting results of the DNP initiative for payments made in 2013. March 2013 was the first month VA received DMF matches from Treasury, so 2013 includes only payments made March 2013 through September 2013.

(2) VBA currently has effective internal control mechanisms in place to identify and stop improper payments through a pre-existing data matching agreement program with SSA's private DMF database. Until legislative changes are enacted, VBA will continue to stop payments through the private DMF.

Freeze the Footprint (FTF)

Baseline Comparison

	FY 2012 Baseline	FY 2013 Reported (CY-1)	Change (FY 2012 Baseline – FY 2013 Reported)
Square Footage (SF in millions)	28.87	29.53	0.66

Reporting of O&M Costs – Owned and Direct Lease Buildings

	FY 2012 Reported Cost	FY 2013 Reported Cost (CY-1)	Change (FY 2012 Baseline – FY 2013 Reported)
Operation and Maintenance Costs ($ in millions)	$99.57	$104.98	$5.41

VA's total square footage (SF) subject to FTF for 2013 was 29,527,082 SF, which represents a two percent increase over the 2012 baseline of 28,868,210 SF.

VA anticipated footprint growth in 2013 – 2015, due to large projects previously approved in years prior to FTF and were already under construction or lease acquisition. These projects began to enter the portfolio in 2013, driving VA above its 2012 baseline. These projects are expected to add approximately 500,000 square feet (SF) in office or warehouse space by the end 2015.

VA has taken a number of steps to help offset these increases. A new administrative office space standard was issued to shrink the overall space requirements. The new standard is to be used in new projects, as well as lease renewals. The standard will not have an immediate impact on space, but as leases are replaced and the new standard utilized, overall office space will start to be reduced positioning VA well for the future. In addition, additional focus is being put on disposing of vacant or underutilized assets (both office and warehouse) to help provide additional reduction in the portfolio.

In terms of cost, total operation and maintenance costs as reported in the Federal Real Property Profile (FRPP) rose five percent from $99,568,114 in 2012 to $104,982,287 in 2013. This increase is in line with expectations. Each year, operation and maintenance costs increase by a few percentage points due to inflation, which escalates lease rental rates, utility rates, and other costs. In addition, VA did see growth in its FTF square footage, which also contributed to an increase in operational costs. This combination of factors resulted in an increase in total operations and maintenance costs as reported in the FRPP.

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 a VA-guaranteed loan in default that VA purchases from the private sector mortgage lender after the foreclosure sale. This type of loan is part of the VA loan guaranty program. (Financial)

Allowance
This term is defined as the amount 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 obligated then they are distributed to the appropriate functional classification(s). (Financial)

Apportionment
This term is defined as a disbursement made by OMB of funds 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
This term is defined as the process of establishing through statistical analysis, research, or other empirical evidence, the basis for a performance target. The process of establishing a baseline 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)

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. (Medical 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. FISCAM 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 HT 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. (Medical Care)

Integrated Electronic Health Record (iEHR)
The iEHR program is a collaborative partnership between 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 and reduce the burden felt by Service members and Veterans to track and maintain their health information and records. (Medical Care)

Interagency Program Office (IPO)
IPO serves as the single point of accountability in the development and implementation of the iEHR 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. (Medical Care)

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 (e.g., organization, policies, and procedures) used by agencies to reasonably ensure that: (1) programs achieve their intended results; (2) resources are used consistently and in accordance 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 in a timely fashion 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 Executive 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, engineering, human resources, and budget assistance to the cemeteries located in their geographic areas. (Burial)

National Institute of Standards and Technology (NIST) and its Computer Security Division (CSD)
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 CSD is one of eight divisions within NIST's Information Technology Laboratory. The mission of the CSD is to improve information systems security. (Information Security)

Native American loans
This term is defined as direct loans with special financing that enable eligible Native American Veterans 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 minus 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, more clear and easy to understand. 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, with an estimated useful life of two 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)

Posttraumatic Stress Disorder (PTSD)
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. VA is committed to providing an integrated, comprehensive, and cost-effective continuum of care for Veterans with PTSD. (Medical Care)

Research and Development (R&D)
R&D 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 (GAAP) such that there is more than a remote likelihood that a misstatement of the entity's financial statements, that is more than inconsequential, will not be prevented or detected 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. (Medical Care)

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 (TBI)
A structuraland/or physiological disruption of brain function resulting from an external force. (Medical Care)

Unobligated balances
This term is defined as balances of budgetary resources that have not yet been obligated. (Financial)

VA domiciliary
A VA domiciliary provides comprehensive health and social services in a VA facility for eligible Veterans who are ambulatory and do not require the level of care provided in nursing homes. (Medical Care)

VA hospital
See VA Medical Center

VA Medical Center (VAMC)
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 (RO)
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. (Benefits)

Vendee loans
This term is defined as a direct loan made by VA to a third-party borrower for the acquisition price of foreclosed real estate sold by VA after the transfer of the property to VA by a private sector mortgage lender upon default of a loan subject to the VA Loan Guaranty program. (Financial)

Veterans Integrated Service Network (VISN)
VA's 21 VISNs are integrated networks of health care facilities that provide coordinated services to Veterans to facilitate continuity through all phases of health care and to maximize the use of resources. (Medical Care)

Abbreviations and Acronyms

ACSI
American Customer Satisfaction Index

ADUSH
Assistant Deputy Under Secretary for Health

AMC
Appeals Management Center

BDD
Benefits Delivery at Discharge

BHIE
Bi-Directional Health Information Exchange

CAP
Combined Assessment Program

CBOC
Community-Based Outpatient Clinic

CDM
Continuous Diagnostics and Mitigation

COTS
Commercial Off-the-Shelf

CRISP
Continuous Readiness in Information Security Program

CVT
Clinical Video Telehealth

DHS
Department of Homeland Security

DIC
Dependency and Indemnity Compensation

DoD
Department of Defense

DSS
Decision Support System

E-GOV
Electronic Government

EHR
Electronic Health Record

EWL
Electronic Wait List

FDC
Fully Developed Claims

FFMIA
Federal Financial Management Improvement Act

FISCAM
Federal Information Systems Control Audit Manual

FISMA
Federal Information Security Management Act

FMFIA
Federal Managers' Financial Integrity Act

FMS
Financial Management System

FSC
Financial Services Center

FTE
Full-time Equivalent

FY
Fiscal Year

GAO
Government Accountability Office

HCS
Health Care System

HHS
Health and Human Services

HRA
Human Resources & Administration

HT
Home Telehealth

HUD
Housing and Urban Development

HUD-VASH
Housing and Urban Development and VA Supportive Housing

HVOC
Homeless Veterans Outreach Coordinators

IA
Interagency Agreement

ICAM
Identity Credential Access Management

IDES
Integrated Disability Evaluation System

iEHR
Integrated Electronic Health Record

IPERA
Improper Payments Elimination and Recovery Act

IPO
Interagency Program Office

IT
Information Technology

IWTD
Individuals With Targeted Disabilities

MCAO
Managerial Cost Accounting Office

MMU
Mobile Medical Units

MSN
Memorial Service Network

NCA
National Cemetery Administration

NEAR
New Enrollees Appointment Request

NIST
National Institute of Standards and Technology

OEF/OIF/OND
Operation Enduring Freedom/Operation Iraqi Freedom/Operation New Dawn

OIA
Office of Informatics and Analytics

OIG
Office of Inspector General

OIT
Office of Information and Technology

OMB
Office of Management and Budget

OPE
Office of Performance, Efficiency, and Staffing

OPM
Office of Personnel Management

OSC
Office of Special Counsel

P&F
Pension and Fiduciary

PAID
Personnel and Accounting Integrated Data

PAR
Performance and Accountability Report

PIT
Point-In-Time

PIV
Personal Identity Verification

PMC
Presidential Memorial Certificate

PP&E
Property, Plant & Equipment

PPBE
Planning, Programming, Budgeting, and Execution

PTSD
Posttraumatic Stress Disorder

PVAHCS
Phoenix VA Health Care System

QA
Quality Assurance

QRT
Quality Review Team

RBPS
Rules-Based Processing System

RO
Regional Office

RPO
Regional Processing Office

RVSR
Rating Veterans Service Representative

SAH
Specially Adapted Housing

SCIP
Strategic Capital Investment Planning

SECVA
Secretary of Veterans Affairs

SEP
Stakeholder Enterprise Portal

SES
Senior Executive Service

SFT
Store and Forward Telehealth

SHA
Separation Health Assessment

SQC
Statistical Quality Control

SSA
Social Security Administration

SSVF
Supportive Services for Veteran Families

STAR
Systematic Technical Accuracy Review

TBI
Traumatic Brain Injury

TIC
Trusted Internet Connections

TMC
Travel Management Center

USB
Under Secretary for Benefits

USC
Unified Communications Strategy

U.S.C.
United States Code

USH
Under Secretary for Health

USICH
U.S. Interagency Council on Homelessness

VA
Veterans Affairs

VAMC
VA Medical Center

VBA
Veterans Benefits Administration

VCGP
Veterans' Cemetery Grant Program

VCM
Virtual Care Modality

VEC
Veterans Employment Center

VHA
Veterans Health Administration

VISN
Veterans Integrated Service Network

VistA
Veterans Health Information System and Technology Architecture

VRC
Vocational Rehabilitation Counselor

VRM
Veterans Relationship Management

VR&E
Vocational Rehabilitation and Employment

VSC
Veterans Service Center

VSO
Veterans Service Organization

VSR
Veterans Service Representative

VA Online: Fast and Easy Access to Information

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

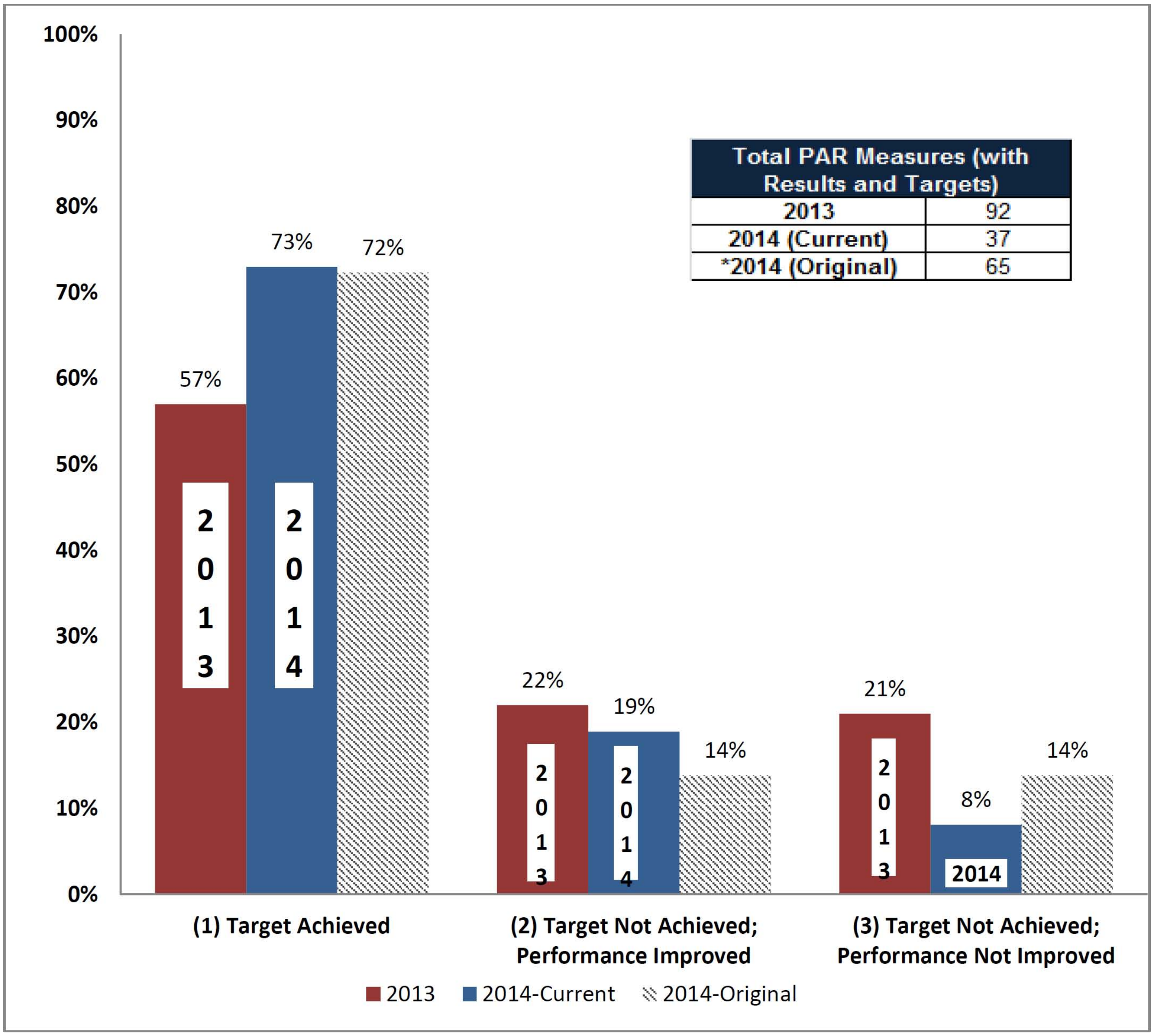
What Information Do You Need?	*Web Site*
VA's Home Page	www.va.gov
VA's PAR Submission and Strategic Plans	www.va.gov/performance
VA's Budget Submission	www.va.gov/budget/products.asp
Health Care in VA	www1.va.gov/health/index.asp
VA Health Quality and Safety Performance	www.hospitalcompare.va.gov
Managing 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.ebenefits.va.gov/ebenefits/jobs www.vaforvets.va.gov
Education Benefits for Veterans	www.gibill.va.gov
Insurance Benefits for Servicemembers and Veterans	www.benefits.va.gov/insurance
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	http://www.va.gov/ORPM/

What Information Do You Need?	***Web Site***
Vocational Rehabilitation and Employment ***Disability Compensation for Veterans***	www.benefits.va.gov/vocrehab
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 Information	www.va.gov/homeless/
Pension	www.benefits.va.gov/pension/
Educational and Vocational Counseling (Chapter 36)	www.benefits.va.gov/vocrehab/edu_voc_counseling.asp

Canceled Measures

The table below contains the performance history of the measures that were deleted from VA's performance portfolio in FY 2014. VA will continue to monitor and track these measures internally, but they have been deleted from publicly-facing documents because they were operational measures, rather than outcomes, or they did not address Veteran satisfaction with the services and benefits VA provides.

For the sake of comparison, the original 2014 VA portfolio of metrics is displayed.



Note: The chart above depicts those measures for which both actual data and targets were available at the time of this document's publication.

Canceled Performance Measures					
Performance Indicators	*Historical Performance Results*				
	2010	*2011*	*2012*	*2013*	*2014*
VHA Measures being deleted					
[2014-2015] Percent of Veterans who report "yes" to the Shared Decision-making questions in the Inpatient Surveys of the Health Experiences of Patients. (SHEP)	N/Av	N/Av	N/Av	74%	74.0% (Final)
[2014-2015] Percent of Veterans participating in telehealth.	N/Av	N/Av	9%	11%	16.0% (Final)
[2014-2015] Percent of patient rating VA health care as a 9 or 10 (on a scale from 0 to 10) [FY15 APP will change to: The average patients rating of VA health care on a scale from 0 to 10]					
Inpatient	64%	64%	64%	65%	65%
Outpatient	55%	55%	55%	54%	52%
[2014-2015] Percent of established primary care patients with a scheduled appointment within 14 days of the desired date for the appointment.	N/Av	N/Av	N/Av	93%	93.0% (Final)
[2014-2015] Percent of new primary care appointments completed within 14 days of the create date for the appointment.	N/Av	N/Av	N/Av	47%	47.0% (Final)
[2014-2015] Percent of new specialty care appointments completed within 14 days of the create date for the appointment.	N/Av	N/Av	N/Av	41%	43.0% (Final)
[2014-2015] Percent of established specialty care patients with a scheduled appointment within 14 days of the desired date for the appointment.	N/Av	N/Av	N/Av	93%	93.0% (Final)
[2014-2015] Percent of new primary care appointments completed within 30 days of the create date for the appointment.	N/Av	75%	70%	72%	86.0% (Final)
[2014-2015] Percent of established primary care patients with a scheduled appointment within 30 days of the desired date for the appointment.	N/Av	N/Av	N/Av	96%	96.0% (Final)
[2014-2015] Percent of new specialty care appointments completed within 30 days of the create date for the appointment.	N/Av	72%	68%	68%	71.0% (Final)
[2014-2015] Percent of established specialty care patients with a scheduled appointment within 30 days of the desired date for the appointment.	N/Av	N/Av	N/Av	96%	96.0% (Final)
[2014-2015] 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.	11%	15%	15%	53%	67.0% (Final)
[2014-2015] The 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	68%	75.0% (Final)
[2014-2015] Percent of new mental health appointments completed within 14 days of the create date for the appointment.	N/Av	N/Av	N/Av	66%	70.0% (Final)
[2014-2015] Percent of established mental health patients with a scheduled appointment within 14 days of the desired date for the appointment.	N/Av	N/Av	N/Av	95%	95.0% (Final)
VBA Measures being deleted					
[2015-2016] BACKLOG: National Accuracy Rate - Disability Compensation Rating Claims -- Issue-Based (Supports Agency Priority Goal)	N/Av	N/Av	N/Av	96.0%	95.9%
[2015-2016] Improve national issue-based rating accuracy for disability claims	N/Av	N/Av	N/Av	96.0%	95.8%
[2015-2016] National Accuracy Rate - Compensation Non-Rating Claims	N/Av	97.0%	95.0%	95.0%	93.0%
[2015-2016] Average Days to Complete - Pension Maintenance Claims	N/Av	N/Av	135	179	75
[2015-2016] Average Days to Complete - Burial Claims	76	113	178	174	90
[2015-2016] National Accuracy Rate - Original and Reopened Pension Claims	96.0%	98.0%	98.0%	98.0%	98.0%
[2015-2016] National Accuracy Rate - Pension Maintenance Claims	96.0%	97.0%	98.0%	98.0%	98.0%
[2015-2016] National Accuracy Rate - Burial Claims	96.0%	97.0%	100%	N/Av	98.0%
[2015-2016] National Accuracy Rate - Fiduciary Work	85.0%	88.0%	86.0%	90.0%	92.0%
[2015-2016] Payment Accuracy Rate	95.0%	98.0%	98.0%	98.0%	98.0%
[2015-2016] Accuracy Rate of Vocational Rehabilitation Program Completion Decisions	96.0%	97.0%	97.0%	97.0%	98.0%
NCA Measures being deleted					
[2015-2016] Percent of applications for headstones and markers that are processed within 30 days for the graves of Veterans who are not buried in national cemeteries	74.0%	93.0%	88.0%	79.0%	81%*
[2015-2016] Percent of graves in national cemeteries marked within 60 days of interment	94.0%	93.0%	89.0%	95.0%	95.0%
[2015-2016] Percent of headstones and markers that are delivered undamaged and correctly inscribed	96.0%	95.0%	96.0%	96.0%	96.0%

BVA & Staff Offices Measures being deleted					
[2014-2015] [BVA] Appeals Resolution Time (Average Number of Days from NOD to Final Decision)	656	747	903	912	955
[2015-2016] [BVA] BVA Cycle Time (Excludes Representative Time) (Average Number of Days)	99	119	117	135	202
[2015-2016][BVA] Percent of Total Hearings that are Conducted via Video Conference	29.0%	29.0%	40.0%	51.0%	54.0%
[2015-2016] [BVA] BVA Pending Inventory	21,112	20,287	25,599	47,159	38,675
[2015-2016][HR&A] Percent of employees in mission critical and key occupations who participated in a competency-based training program within the last 12 months	N/Av	50.5%	49.2%	43.3%	45.0%
[2015-2016] [HR&A] Percent of Title 5 employees hired through competitive examining process within 80 days.	45.95%	48.0%	51.0%	66.0%	59.0%
[2015-2016] [OALC] Percent of facilities customers that are satisfied with services being provided	N/Av	85.0%	83.0%	82.0%	80.0%
[2015-2016] [OALC] Percent of major projects and/or phases transferred to the VA facility upon construction completion in the quarter identified.	N/Av	N/Av	N/Av	N/Av	N/Av
[2015-2016] [OALC] Percent of projects transferred to the VA facility upon lease acceptance in the quarter identified.	N/Av	N/Av	N/Av	N/Av	N/Av
[2015-2016] [OGC] Medical Malpractice Torts Adjudicated within 180 days (Veteran-Centered)	38.5%	54.2%	54.2%	54.2%	54.2%
[2015-2016] [OI&T] Number of Material Weaknesses	1	1	1	1	0
[2015-2016] [OI&T] Percentage of on-time IT project delivery commitments achieved	89.0%	89.0%	80.0%	82.0%	80.0%
[2015-2016] [OI&T] The enterprise VA American Customer Service Index for internal customer satisfaction with VA IT services	67	71	73	69	70
[2015-2016] [OI&T] Achieve or exceed Service Delivery and Availability for enterprise systems	N/Av	N/Av	N/Av	N/Av	96.0%
[2015-2016] Percent of current year (CY) electricity consumption generated with renewable energy sources. (OM_OAEM)	7.0%	13.0%	13.0%	14.0%	14.0%
[2015-2016] [OM_OF] Commercial Small Business Payment Timeliness (% of Small Businesses paid within 15 days of receipt of proper documentation)	N/Av	N/Av	90.0%	95.0%	97.0%
[2015-2016] [OM_OF] Overall Commercial Vendor Payment Timeliness (% of Commercial Vendors paid within 15 days of receipt of proper documentation)	N/Av	N/Av	67.0%	86.0%	87.0%
[2015-2016] [OM_OF] VA Debt Management Center Customers Who Gain Telephone Access (% of Veterans or beneficiaries who contacted VA Debt Management Center's toll-free phone line without receiving a busy signal)	5.0%	74.0%	92.0%	98.0%	98.0%
[2015-2016] [OSVA-OSDBU] Percent of total procurement dollars awarded to service-disabled Veteran-owned small businesses	20.0%	18.3%	20.0%	19.4%	10.0%
[2015-2016] [OSVA-OSDBU] Percent of total procurement dollars awarded to Veteran-owned small businesses	23.0%	20.5%	22.0%	21.7%	12.0%
[2015-2016] [OSVA-OSDBU] Percent of complete verification applications in the Vendor Information Pages (VIP) database that are processed within 60 days	N/Av	93.0%	95.0%	100.0%	95.0%

* NCA measured performance for this measure in 2014 based on a 30-day timeliness standard. This is due to the implementation in 2014 of operational changes in headstone and marker application processing designed to ensure compliance with the Dignified Burial and Other Veterans' Benefits Improvement Act of 2012, which requires VA to ensure that Veterans who receive burial and memorial benefits have not committed certain sex crimes

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