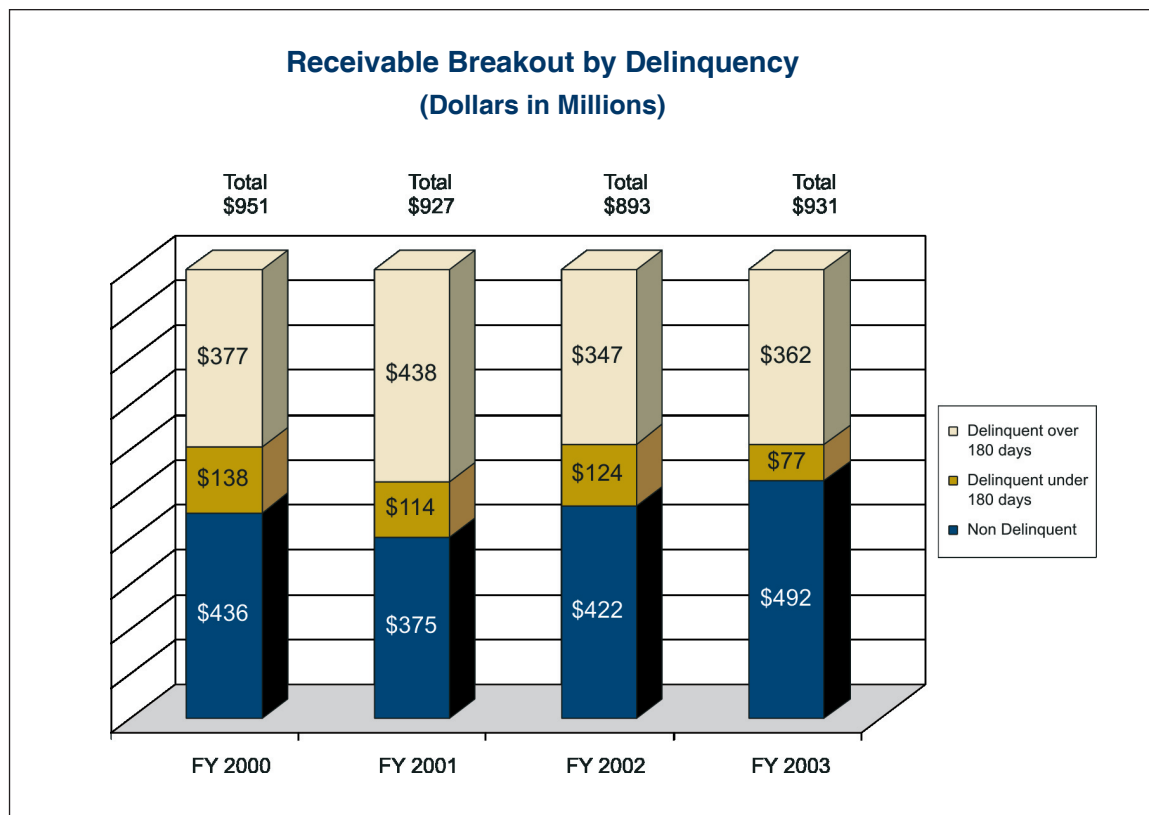


# Highlights

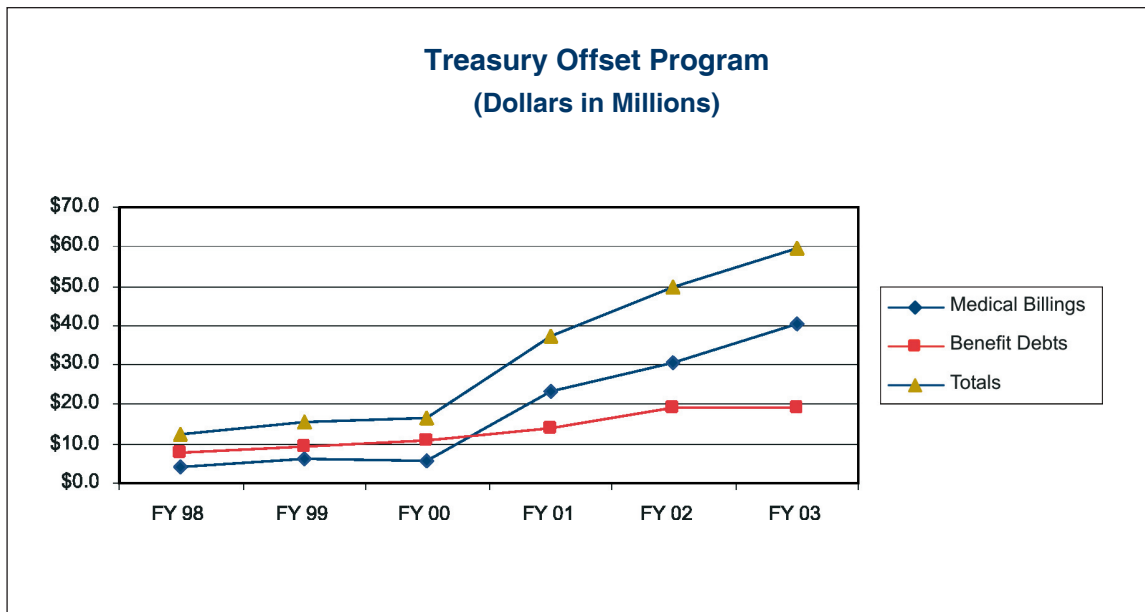
This chart depicts the total amount of benefit debt according to VA's delinquency status (delinquent over 180 days, delinquent under 180 days and non delinquent). A delinquent date is defined as one where a debt is not paid in full within 30 days from date of notification or is not in a current payment or offset status. We experienced an increase in new debt for FYs 2002 and 2003, but we were able to get more debtors in a repayment status, which accounts for the increase in non delinquent debt (from \$422 million in FY 2002 to \$492 million in FY 2003). Our debts over 180 days delinquent rose from \$347 million in FY 2002 to \$362 million in FY 2003, and they are expected to continue to increase in the future as a result of referring debts to Treasury for both cross servicing and offset under the Treasury Offset Program. Even though they are referred to Treasury for collection action, they remain on our books as a receivable and are aged accordingly.

This chart indicates that we are more successful at getting debtors into a payment status within the first 180 days of the collection process. This is evident, specifically, by the increase in the dollar value of non delinquent debt in FY 2003 and the decrease in the under 180 delinquent days total in FY 2003.



This chart depicts funds received from the Treasury Offset Program on delinquent medical debts (co-payments on pharmaceuticals or treatment received at a VA medical center, where the individual was not entitled or is required to pay a co-payment for services) and delinquent benefit debts (education, compensation, pension or loan guaranty programs, where the beneficiary becomes non-entitled to benefit payments or receives a reduced entitlement status based on changes in eligibility).

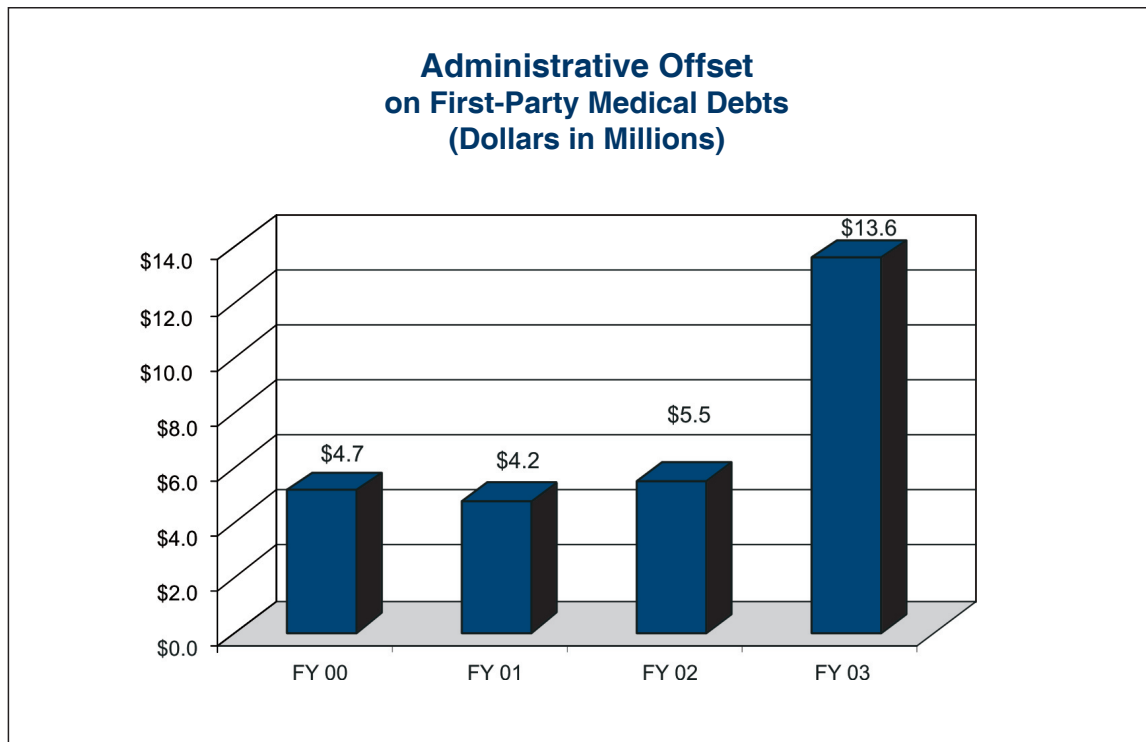
The DMC continued to experience an increase in offsets for medical billings and benefit debts. This trend follows a significant increase in offsets in FY 2001, totaling \$37.5 million, when weekly rather than annual referrals were made to Treasury. In addition, the referral process was automated to ensure that accounts are referred when eligible. This resulted in \$62.7 million offsets in FY 2003.



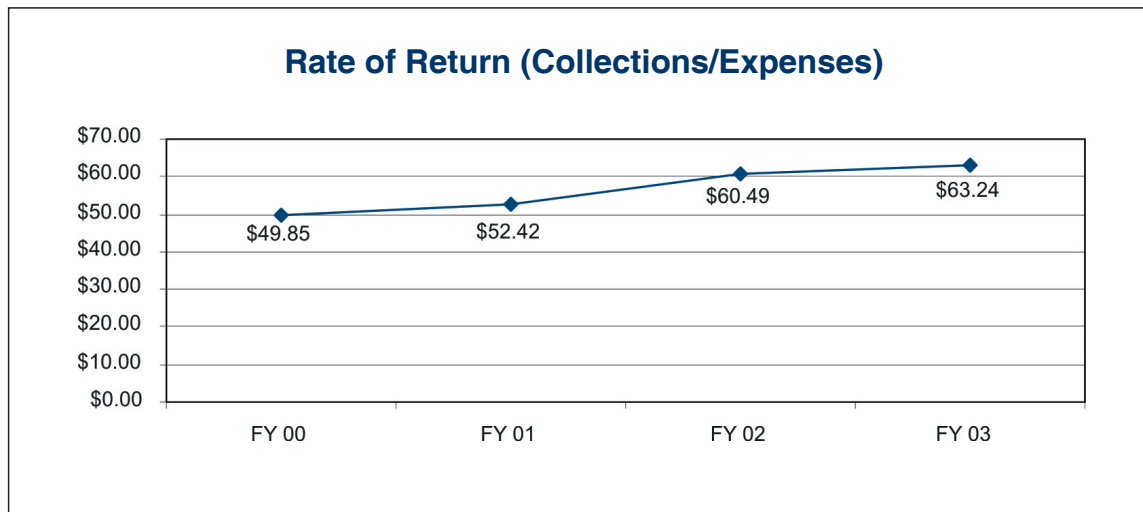
Offsets	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
<b>Medical Billings</b>	\$ 4,394,516	\$ 6,333,622	\$ 5,844,221	\$23,346,004	\$30,690,057	\$42,910,000
<b>Benefit Debts</b>	7,826,005	9,470,250	10,959,761	14,205,418	19,044,547	19,826,500
<b>Totals</b>	\$12,220,521	\$15,803,872	\$16,803,982	\$37,551,422	\$49,734,604	\$62,736,500

# Highlights

This chart depicts the total dollar amount of compensation/pension benefits that were offset and applied to liquidate delinquent first-party medical debts. VHA's delinquent medical debt file is compared against active benefit payments on a monthly basis to determine if benefits are available for offset. The number of delinquent medical accounts being referred for offset matching purposes increased 27 percent from an average of 345,118 during FY 2002 to 436,708 during FY 2003. This accounts for the significant increase in offsets from \$5.5 million in FY 2002 to \$13.6 million in FY 2003.



The following chart shows the DMC's rate of return on each dollar spent for debt collection. The rate is determined by dividing total collections by operating expenses. As the chart indicates, the DMC has improved its rate of return during the past four fiscal years. This is due to efforts to reduce operating expenses and implement initiatives aimed at improving our collection operation.



A variety of VA services (Veterans Canteen Service, Denver Distribution Center, VBA Loan Guaranty, Personnel and Accounting Integrated Data (PAID) State Tax and Financial Management System (FMS) Payment Processing) have been streamlined by moving operations from a paper-based system to Electronic Data Interchange/Electronic Funds Transfer (EDI/EFT). Of the approximately 5.9 million total payments made to vendors in FY 2003, 3.5 million were processed by EFT.

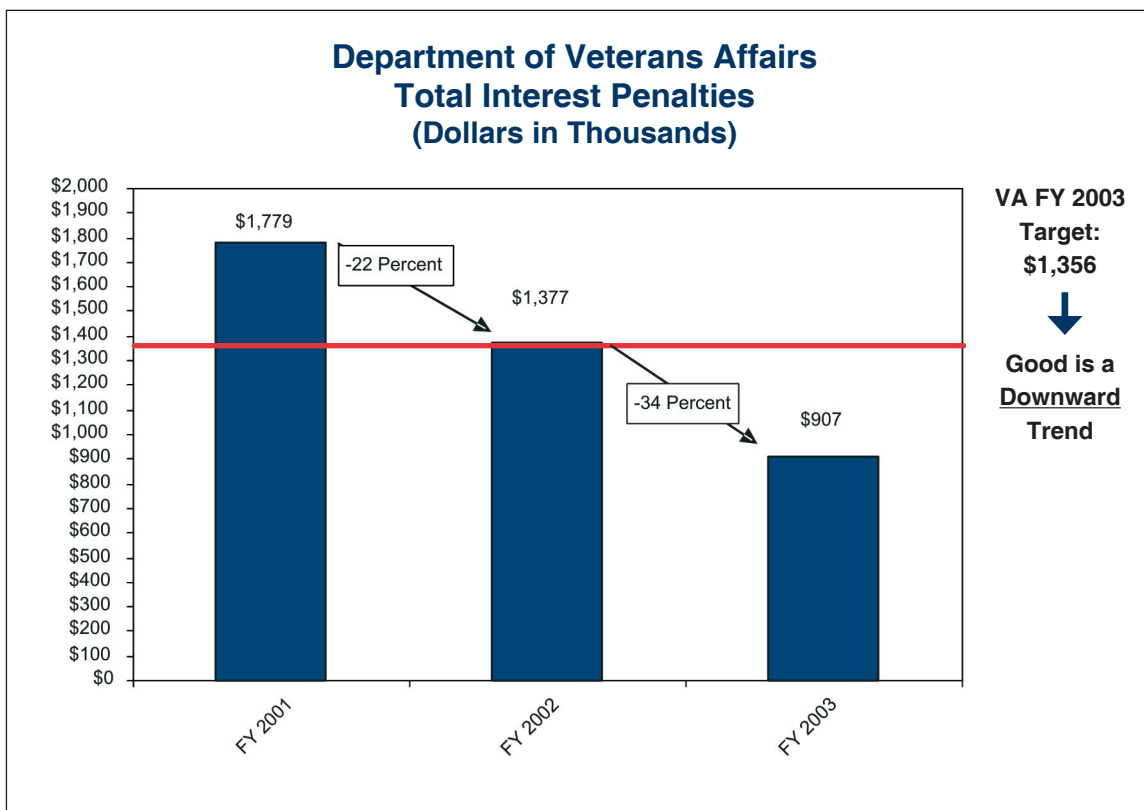
Electronic Payment to Vendors				
	Number of Invoices Paid by EDI/EFT	Number of Invoices Paid by Check	Percentage	Total Payments
FY 2001	3,488,932	1,122,726	76%	4,611,658
FY 2002	3,284,082	1,837,661	64%	5,121,743
FY 2003	<u>3,537,522</u>	<u>2,434,634</u>	59%	<u>5,972,156</u>
Total <sup>1</sup>	10,310,536	5,395,021	66%	15,705,557

<sup>1</sup> The value of these payments total \$10.1 billion, \$7.2 billion of which were made by EFT.

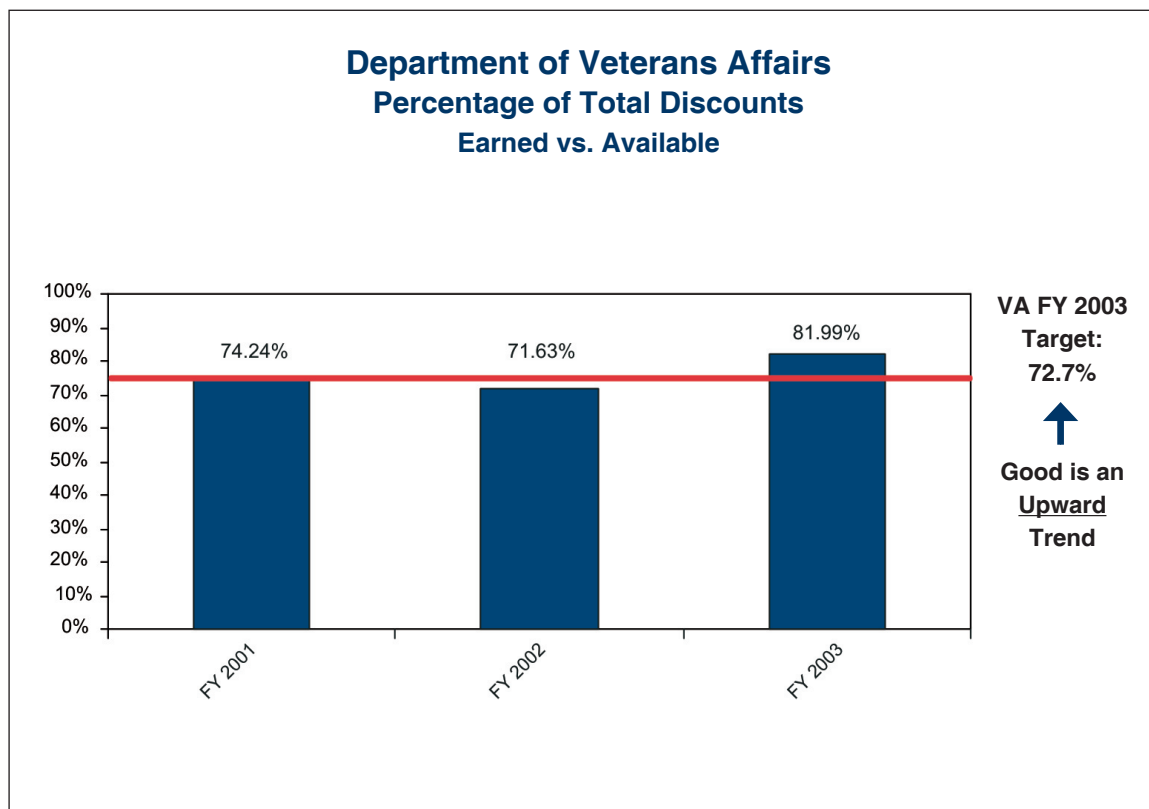
# Highlights

VA continued to significantly improve vendor payment processes throughout FY 2003. The Department processed 5.9 million invoices subject to the Prompt Payment Act, worth over \$10.1 billion, with nearly 97 percent paid on time. In FY 2003, interest payments VA-wide declined from \$1.3 million to \$907,000, a 34 percent improvement over 2002 levels. At the same time, discounts earned increased by \$526,000 (30 percent) over FY 2002 levels and we expect this improved performance level to continue. Combined, payment processing improvements saved VA \$996,000.

As a result of the FSC's and VA field facilities' efforts to curb interest penalties, the amount and number of interest penalties paid have decreased. The FSC established several management tools that provide the current status of all invoices received, age of those invoices, and their volume. The reports provide management with real time information, allowing them to act quickly to ensure payments are processed timely.



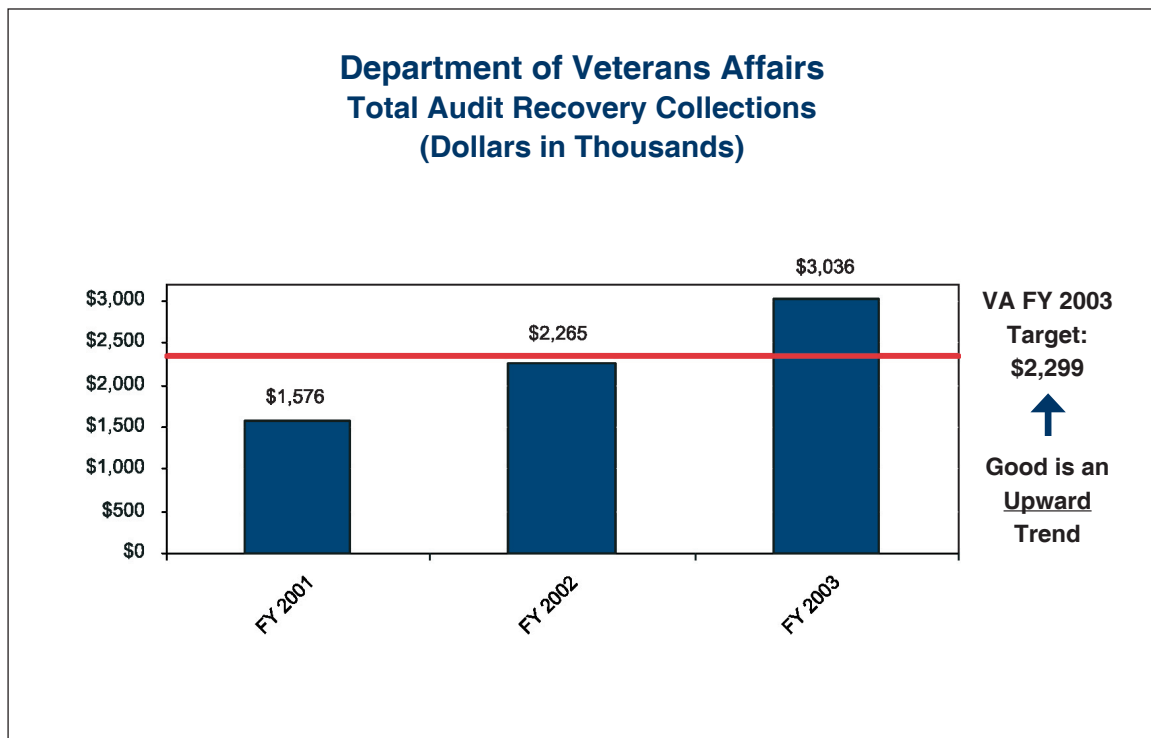
VA's focus on maximizing discounts earned has boosted its purchasing power. During FY 2003, VA surpassed its 72.7 percent target. Significant strides were made in increasing discounts earned, raising the percentage earned to 81.99 percent—a 14 percent improvement over FY 2002 levels (71.63 percent). Total discounts earned jumped from \$1.7 million in FY 2002 to \$2.3 million in FY 2003.



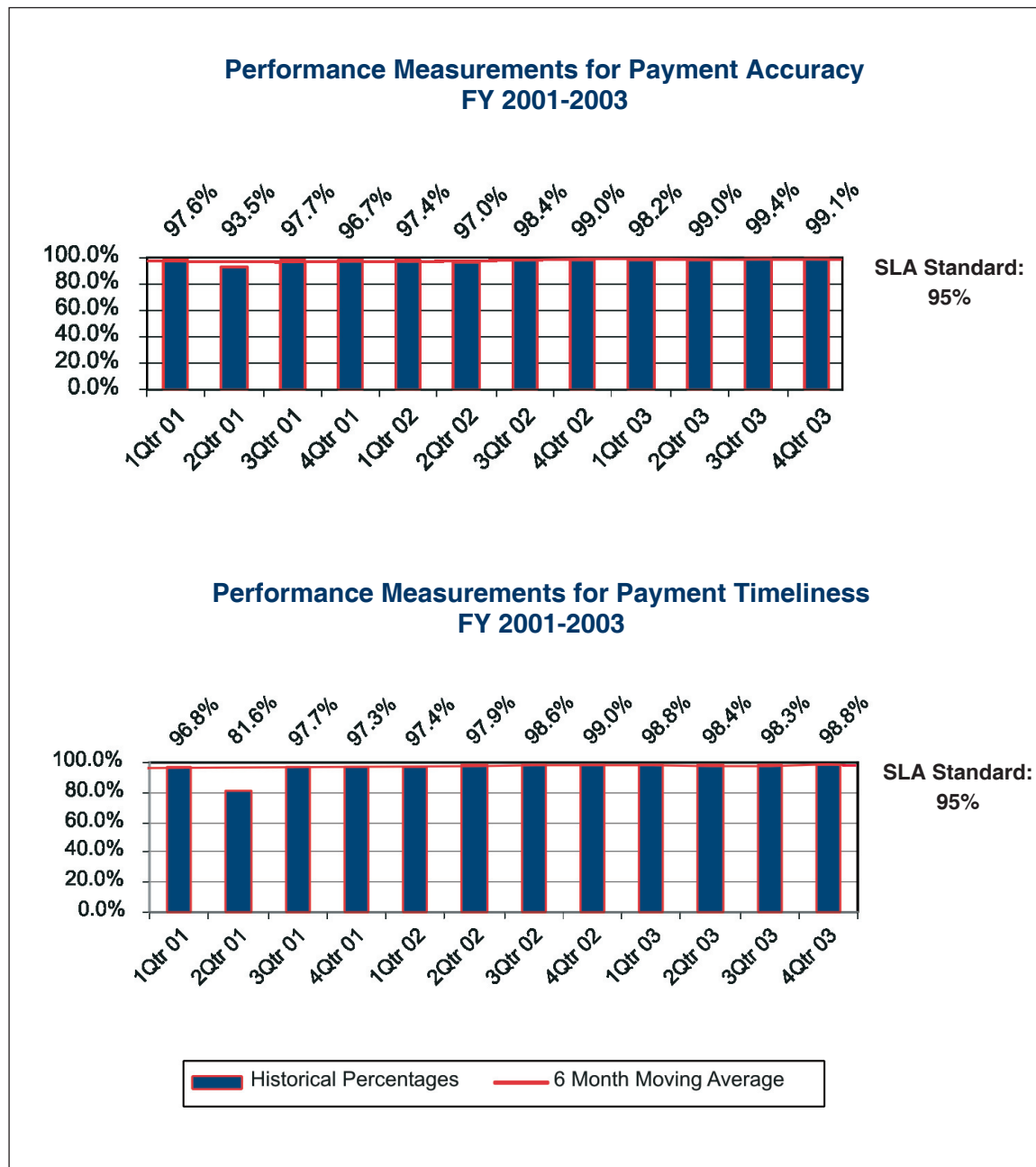
# Highlights

On behalf of the Department and in accordance with Public Law 107-107 (Recovery Audits), the FSC performs a daily review of potential duplicate vendor payments to identify, prevent, and recover funds erroneously paid to vendors. In order to maintain VA internal controls, the FSC staff reviews daily reports created from tables in FMS and conducts payment history searches for potential duplicate payments. Whenever possible, scheduled payments are cancelled before Treasury issues the payment. Vendor statements are also reviewed to ensure that outstanding prior year credits are properly utilized.

VA has steadily increased audit recoveries. Audit recoveries totaled \$1.6 million in FY 2001, \$2.3 million in FY 2002 and \$3.0 million in FY 2003.



The FSC tracks payment accuracy and timeliness rates. Quarterly, statistical sampling is used to evaluate the accuracy and timeliness of payments to evaluate performance against the established standards in customer agreements. Over the last 10 reporting periods, performance has exceeded our 95 percent standards in both areas. Our 4th quarter payment accuracy rate was 99.1 percent and our 4th quarter payment timeliness rate was 98.8 percent.

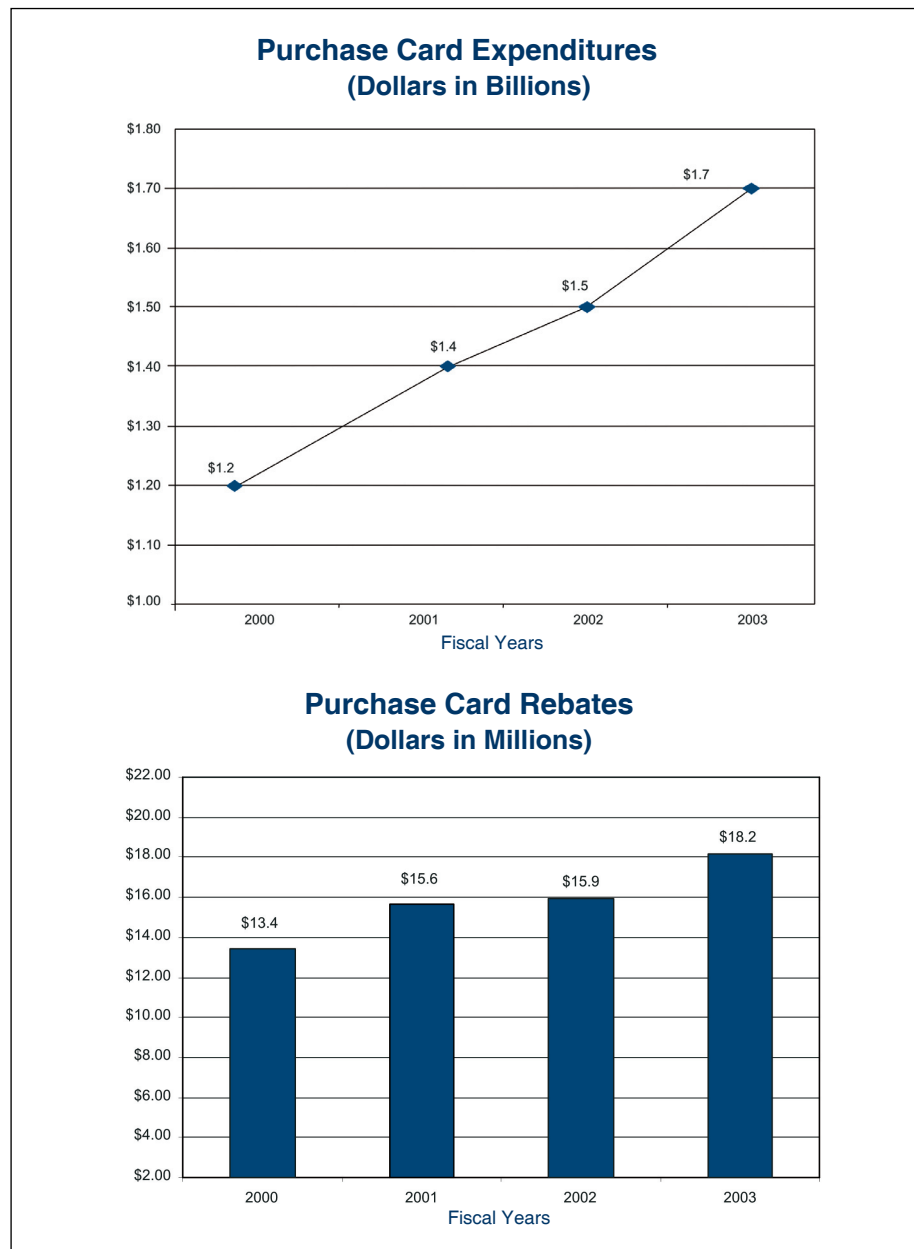




# Highlights

The Department has aggressively used the governmentwide commercial purchase card program since FY 2000, representing \$1.2 billion in purchases. In FY 2003, over 3.2 million purchase card transactions were processed, representing over \$1.7 billion in purchases.

The success of VA's purchase card program is due largely to our Credit Card System (CCS) and electronic reconciliation procedures. CCS enables the FSC to electronically receive and process credit card payments daily, resulting in significant rebates to our customers. The rebates associated with the daily electronic billing and payment process for centrally billed card accounts continues to increase. VA rebates increased from \$13.4 million in FY 2000 to \$18.2 million in FY 2003.



The FSC combines technical expertise and industry knowledge to tailor Electronic Commerce/Electronic Data Interchange (EC/EDI) solutions to customers. As we sharpened our EC/EDI experience and knowledge, we applied them to other areas. We are continuing our collaboration with VBA to allow mortgage loan applications to be received and processed electronically, and electronic mortgage guaranty certificates to be returned to the loan service within 2 business days. Additional initiatives are underway to increase VA's efficiency in servicing mortgage benefits to our veterans.

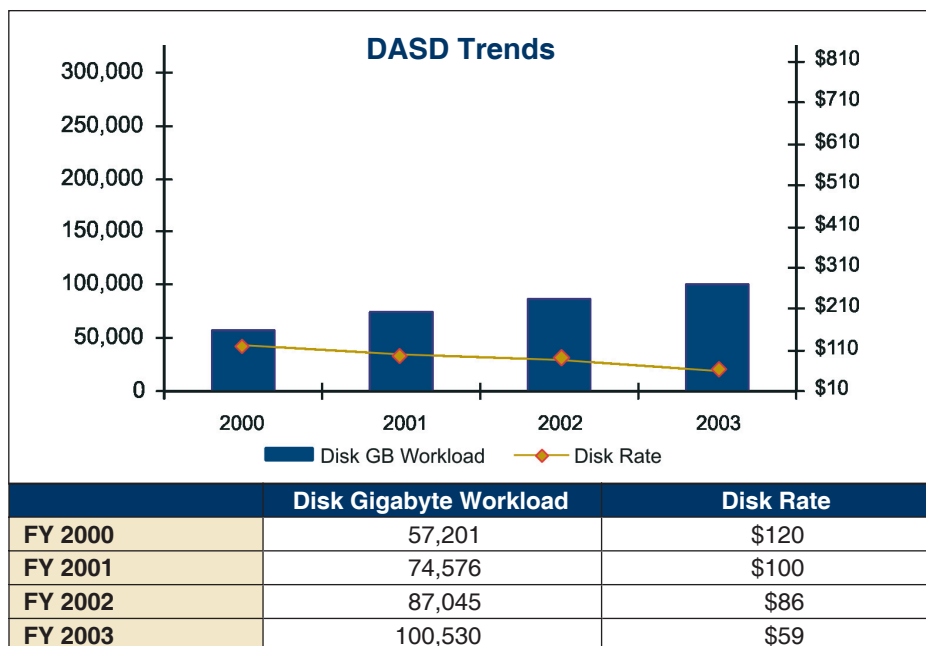
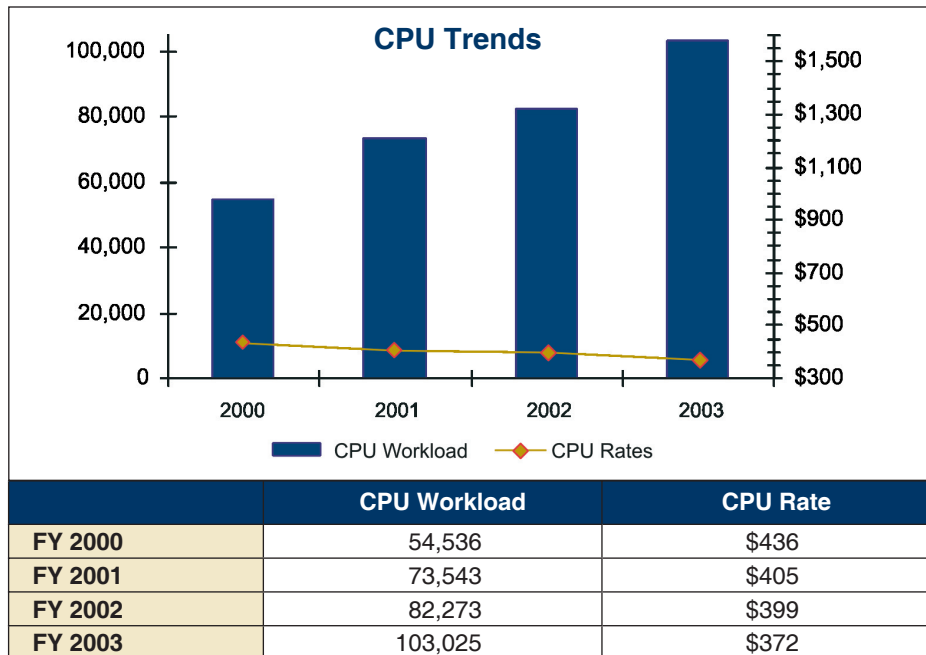
We also continue to support a critical VHA initiative for the electronic exchange of healthcare claims and payment data. Our involvement extends to identifying business requirements, designing business models, developing data exchange processes, providing customized editing and tracking functions, and mitigating development and deployment issues.

From FY 2002 to FY 2003, the total number of EDI transactions processed increased from 5.27 million to 10.4 million—a 97 percent increase. This increase was attributable to the following projects:

<b>Electronic Commerce/Electronic Data Interchange (EC/EDI) Projects</b>		
<b>Total Customer</b>	<b>FY 2002</b>	<b>FY 2003</b>
VHA Chief Business Office Medical Claims	1,334,529	5,359,526
VBA Loan Guaranty Mortgage Status Updates	281,801	523,437
VBA Loan Guaranty Certificate Processing	115,766	304,044
VBA Mortgage Loan Application Center	726,554	709,713
Veterans Canteen Service EFT Payments	432,042	436,162
Veterans Canteen Service Invoices	1,554	14,193
Veterans Canteen Service Purchase Orders	0	6,546
Denver Distribution Center Payment Vouchers	216,800	260,523
Denver Distribution Center Billing Documents	2,953	3,318
Denver Distribution Center Invoices	48,769	106,555
Other (EFT Payments, State Taxes, Certified Invoices, Computer Assisted Payment Processing System, Prime Vendor)	2,110,380	2,676,487
<b>Total</b>	<b>5,271,149</b>	<b>10,400,504</b>

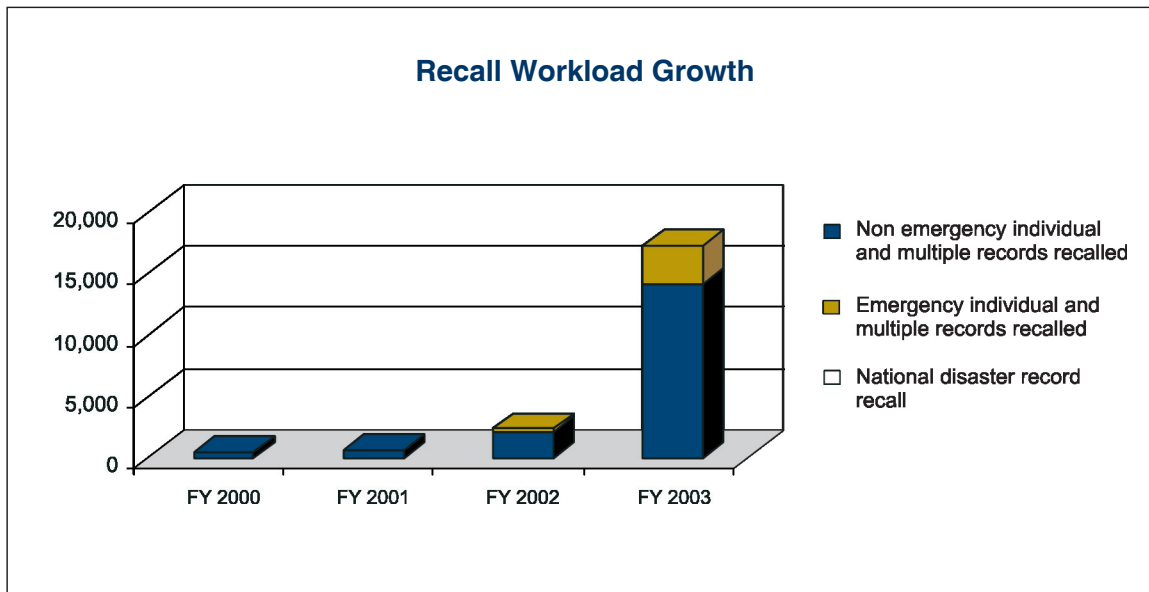
# Highlights

The AAC central processing unit (CPU) and direct access storage devices (DASD) rates were developed in FY 1993 and have been revised at least annually in subsequent years. The following charts illustrate decreasing rates as workload volumes have generally increased. The AAC is actively working to reduce CPU and DASD costs, despite increasing software costs. The industry-wide decrease in hardware costs per unit and the AAC usage of best practices resulted in a continued decline in CPU and DASD rates in FY 2000-2003, while workload volumes increased.



The following chart depicts actual FY 2000 through FY 2003 annual workload for non emergency and emergency recalls. National disaster record recalls will only occur in the event of a national disaster.

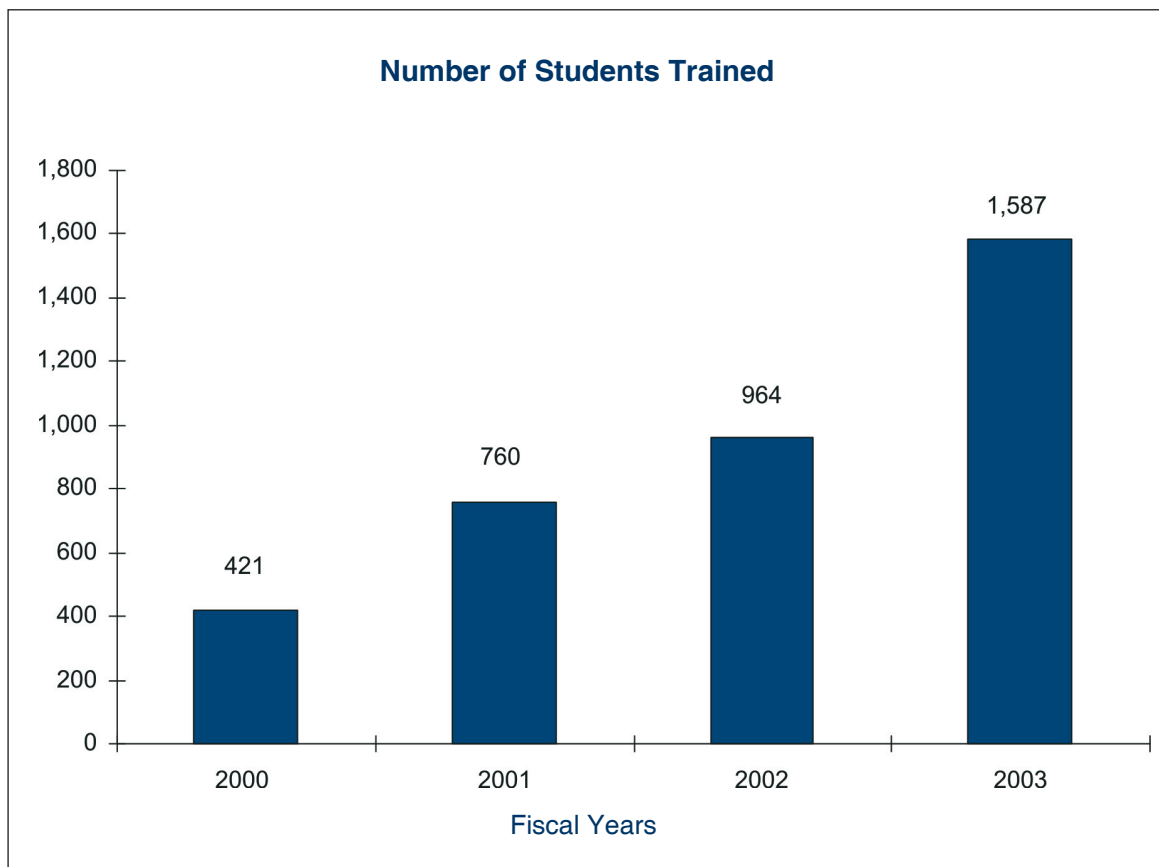
With the relocation of VHA records from NARA, the RC&V is experiencing an exponential growth in business. Workload projections in labor hours for the recall of records (emergency and non emergency) by VHA field facilities, re-files, and interfiles are expected to increase dramatically when all VHA records have been relocated. Although NARA provided preliminary estimates of 70,000 recalls per year, after we received all 960,000 boxes, the RC&V staff calculated a “worse case” scenario of 52,000 recalls (which is a mid-point between NARA’s estimates and the RC&V’s original best estimate).



	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
<b>Non emergency individual and multiple records recalled</b>	425	607	2,103	14,106
<b>Emergency individual and multiple records recalled</b>	96	59	257	3,128
<b>National disaster record recall</b>	0	0	0	0

# Highlights

The LETC played a vital role in helping VHA, the Indian Health Service, Tripler Army Medical Center, National Guard, National Museum of Art and Washington Navy Yard meet their specific training needs. In FY 2003, 95 percent of the enrolled students graduated from the LETC's training program. Enrollment drastically increased from 421 students in FY 2000 to 1,587 in FY 2003.



The critical elements of ensuring a secure work environment have increased the number of government employees and contractors subject to background investigations and clearances. The SIC worked closely with VA staff and regional offices, as well as the LETC, to ensure all individuals subject to background investigations received expeditious processing. As a result, 1,774 investigations were conducted in FY 2003, as compared to 700 in FY 2000, 917 in FY 2001 and 1,589 in FY 2002.

