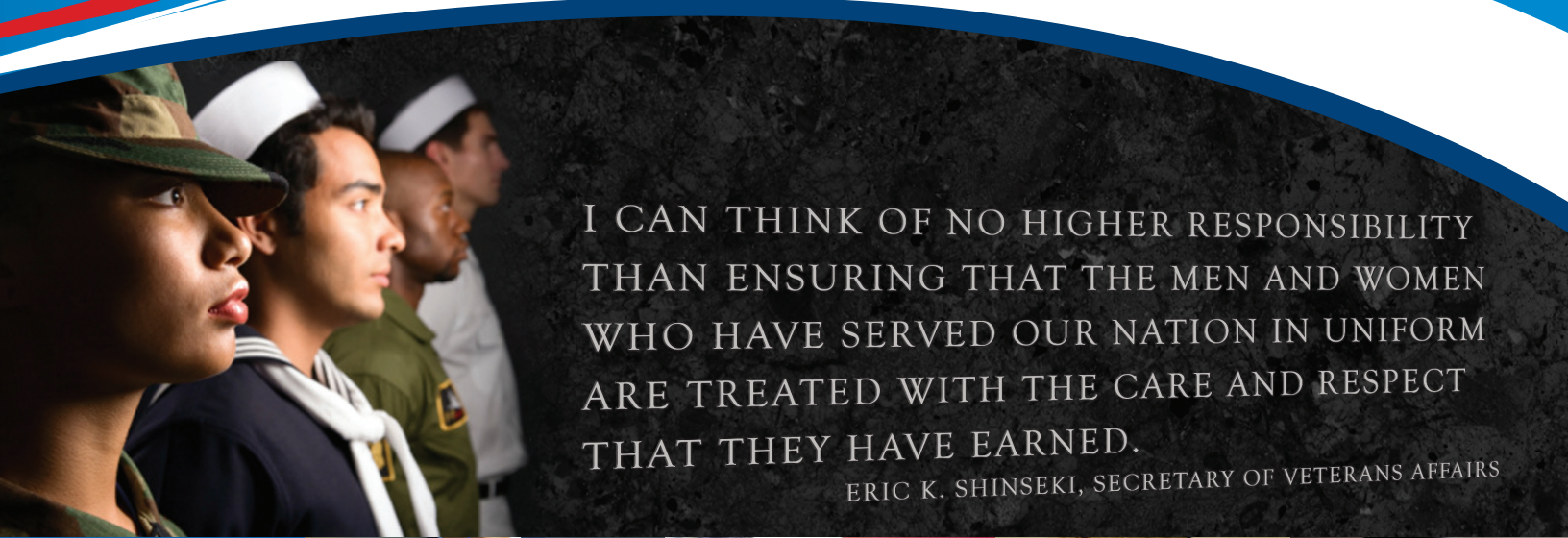




U.S. Department
of Veterans Affairs



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

ERIC K. SHINSEKI, SECRETARY OF VETERANS AFFAIRS



2011 Highlights for the Citizen

Honoring All Who Have Served

Purpose of the Highlights: *What it Contains*



The *Highlights for the Citizen* is based on VA's full Performance and Accountability Report (PAR). The *Highlights* communicates VA's most important performance results, financial statements, and other information in an easy-to-read format.

The PAR, together with its *Highlights for the Citizen* companion, contains performance targets and results achieved during 2011. It is VA's report card and communicates to the American people how well VA has done, the impact VA has had in improving Veterans' quality of life, and the forward-looking strategies we are employing to achieve and maintain excellence.

VA's Mission: *What We are Here to Do*



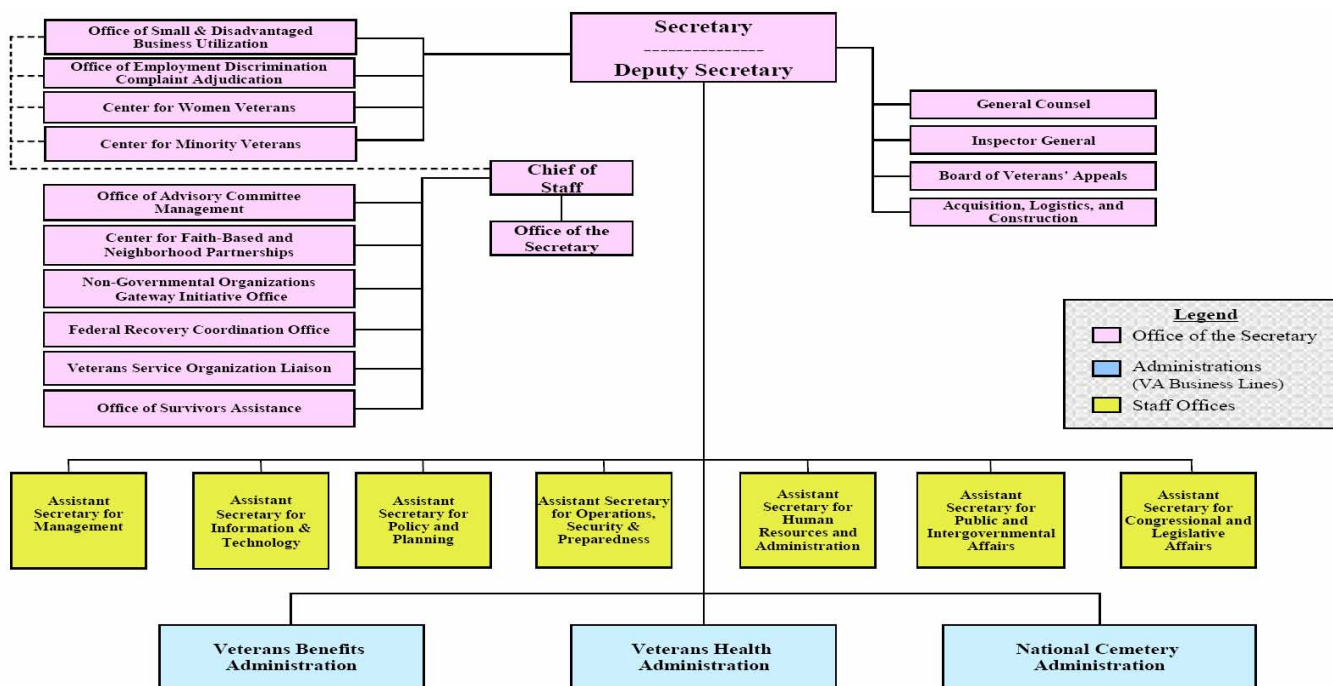
To fulfill President Lincoln's promise – "To care for him who shall have borne the battle, and for his widow, and his orphan" – by serving and honoring the men and women who are America's Veterans.

President Lincoln's immortal words – delivered in his Second Inaugural Address more than 140 years ago – describe better than any others the mission of the Department of Veterans Affairs. We care for Veterans, 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 VA's employees are proud to fulfill.

Our Organization: *How We are Structured*



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





**THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON**

February 15, 2012

To the American People,

I am pleased to provide you with the *Department of Veterans Affairs (VA) 2011 Highlights for the Citizen*. This is a short “user-friendly” summary of our accomplishments in improving the timeliness, accessibility, and quality of health care and benefits service delivery. It also transparently describes the challenges we still face—challenges that we are aggressively tackling to further strengthen the delivery of benefits and services to Veterans. Further details on information in this report may be found in VA’s 2011 Performance and Accountability Report (PAR).

This past year, VA has made progress in areas of significance for Veterans and the American people. On the path to ending Veteran homelessness by 2015, more than 26,000 homeless Veterans were provided with permanent housing through our voucher program. We processed more than 1 million disability claims for the second year in a row in a concerted effort to eliminate the claims processing backlog and increased the national accuracy rate for pension maintenance claims to 97 percent. While last year 99 percent of primary health care appointments were completed within 30 days of the patient’s desired date, that goal has been pushed to just 14 days, and VA achieved that window 94 percent of the time. We continued to increase access to burial benefits through funding the establishment of four new State Veterans Cemeteries. VA also continued to make progress in improving its information security posture. This has resulted in a more comprehensive security program that better protects sensitive information. VA continued to excel in financial stewardship of VA resources as demonstrated by receiving our 13th consecutive unqualified (clean) audit opinion on our consolidated financial statements.

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

We are focused on transforming VA into a 21st century organization that is people-centric, results-driven, and forward-looking while fulfilling our Nation’s enduring commitment to Veterans. We continue to implement our strategies so that Veterans receive the services and benefits they deserve. We hold ourselves to the same high standards of performance that the Nation and its Veterans do. The linkage between our goals, objectives, strategies, and programs has never been clearer, and our employees’ performance is evaluated carefully on the basis of success against the Department’s plans.

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

Sincerely,

A handwritten signature in blue ink, reading "Eric K. Shinseki", is positioned below the word "Sincerely,".

Eric K. Shinseki



2011 Highlights for the Citizen

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Notes

⁽¹⁾ In this report, with the exception of table and chart titles, references to years (e.g., 2008, 2010) are fiscal years unless stated otherwise.

⁽²⁾ Questions about this report should be directed to VA’s Office of Performance Management at **202-461-7389**. An electronic version is available on the [Web](http://www.va.gov/budget/report/) at www.va.gov/budget/report/.



Executive Summary

Introduction

In 2011, with more than \$132 billion in obligations and approximately 291,000 full-time equivalent employees, VA took numerous actions that helped improve the quality of life for America's Veterans and their families. Our major achievements are summarized below.

Implementing Major Initiatives

VA has 16 major initiatives that continue to serve as a platform to transform VA into a 21st century organization that is people-centric, results-driven, and forward-looking. Each major initiative is designed to solve a key problem facing the Department and/or the Veterans we serve. Information on how well VA is doing on specific initiatives begins on page I-68 of the 2011 PAR.

Medical Services: *Delivering High-Quality Health Care*

In 2011, VA maintained the largest integrated health care system in America. Throughout the year, VA implemented new innovative practices to improve Veterans' access to health care, such as telemedicine and mobile clinics, to provide care to more than 6 million unique patients. Our commitment to delivering timely, high-quality health care to America's Veterans while controlling costs remains a top priority.

Key performance results for 2011 include:

- **Patient Access:** Ninety-four percent of primary care appointments were completed within 14 days of desired appointment date.
- **Quality of Health Care:** VA continues to maintain high performance on nationally recognized industry standards such as the Clinical Practice Guidelines Index (CPGI) and

the Prevention Index (PI). Compared to last year's ratings, the CPGI remained high at 91 percent, and the PI improved to 92 percent.

- **Rural Health:** Since its inception in 2007, the Veterans Health Administration's Office of Rural Health (ORH) has significantly expanded health care access to Veterans residing in rural and highly rural areas by supporting over 500 projects/programs across the country and in every Veterans Integrated Service Network. From October 1, 2009, to December 31, 2010, more than 416,000 rural Veterans were impacted by ORH projects. ORH has supported the rural expansion of mental health programs, the home-based primary care program and transportation programs, health literacy projects, and rural provider education and training programs. In addition, ORH has supported the opening of new VA health care facilities in rural areas and has increased access to specialty care by supporting innovative models of care that utilize telehealth technologies.
- **Suicide Hotline and Suicide Prevention:** In 2011, the National Veterans Suicide Prevention Hotline was renamed the Veterans Crisis Line to encourage Veterans and their families and friends to place calls at the first signs of crisis. People who know a Veteran best may be the first to recognize emotional distress and reach out for support well before a Veteran is at risk of suicide.
To make sure all Veterans and their loved ones are aware of the Veterans Crisis Line, VA is coordinating with communities and partners nationwide to let Veterans and their loved ones know that support is available whenever they need it.



Through July 2011, 81,355 Veterans had called the Veterans Crisis Line. Over 9,400 callers identified themselves as family or friends of Veterans, and 1,824 were identified as active duty Servicemembers. There have been more than 5,526 rescues of actively suicidal Veterans, and local community rescue services were dispatched to assist them.

In addition to these calls, 20,000 "chatters" worked with VA counselors on a one-on-one basis via the Online Chat Service.

- National Caregiver Support Line Opened: The VA Caregiver Support Line opened February 1, 2011, at the Canandaigua VA Medical Center campus. This support line serves as a resource/referral center for caregivers, Veterans, and others seeking caregiver information; provides referrals to local VA Medical Center Caregiver Support Coordinators and VA/community resources; and provides immediate access to emotional support resources. The Support Line is also available to respond to inquiries about the new caregiver benefits associated with Public Law 111-163, Caregivers and Veterans Omnibus Health Services Act of 2010.
- Homeless Veterans: Program enhancements under VA's Plan to Eliminate Homelessness Among Veterans are projected to annually provide housing, health care, benefits, employment, and residential stability to more than 300,000 Veterans and their families through 2015. In 2011, more than 97,000 Veterans are projected to be served by VA outreach initiatives (based on VA Monthly Homeless Report), a 7 percent increase from the previous year. Through the Supportive Services for Veteran Families, \$59.5 million in grants were distributed to 85 community agencies in 2011 to prevent Veterans and their families from falling into homelessness. In partnership with the

Department of Housing and Urban Development, VA currently has more than 25,000 Veterans actively housed in permanent housing as of August 2011. These Veterans were also provided with dedicated case managers and access to high quality VA health care.

- Telehealth Programs: VA's telehealth programs are the largest and most sophisticated in the Nation. These programs' dedicated mission is to make care accessible to Veterans. Every day in 2011, home telehealth services supported 60,000 Veterans—helping people with chronic medical and mental health conditions to live independently in their own homes and local communities. This number represents a 30 percent increase over 2010. VA's Clinical Enterprise Videoconferencing Network (CEVN) interconnects 2,500 care settings in VA (clinician's offices, ambulatory care clinics, and VET Centers) and through the third quarter of 2011, CEVN provided telemental health care to 44,548 Veterans, a growth of 18 percent in the current year. Telemental health delivers services to these Veterans in non-stigmatizing settings. Over the same time, telehealth-based services to rural areas increased by 23 percent making VA services more convenient and accessible to rural Veteran patients by lessening their need to travel to care. Additional telehealth initiatives include: Internet protocol video into the home, telepathology, teledermatology, tele-intensive care, interactive voice response (as a mobile application), and ongoing expansion of all telehealth services as part of VA's Transformation Agenda.
- Graduate Medical Education Enhancement: VHA conducts education and training programs to enhance the quality of care provided to Veterans within the VA health care system. Through its partnerships with



affiliated academic institutions, VA conducts the largest education and training effort for health professionals in the Nation. In 2011, 36,747 medical residents, 20,516 medical students, 239 Advanced Fellows, and 1,267 dental residents and dental students received some or all of their clinical training in VA. Despite predicted shortages in the U.S. physician workforce, VA is currently the only Federal agency that is expanding funded resident positions.

Benefits: Ensuring a High Quality of Life After Military Service

VA is providing compensation and pension benefits to over 4.1 million Veterans and beneficiaries. In 2011, VA received over 1.3 million claims for disability benefits and processed more than 1,032,000 of these claims.

Despite the 10 percent increase in workload from 1,192,346 in 2010 to 1,311,091 in 2011, VA achieved a number of significant positive performance results in the benefits delivery area:

- Agent Orange/Nehmer Claims Processed: VA completed almost 158,000 of the more than 220,000 Agent Orange claims. Since the publication of the new regulation establishing the presumptive conditions on August 31, 2010, the Veterans Benefits Administration (VBA) has granted approximately 89,000 claims for the three new presumptive conditions for a total of \$2.21 billion dollars in retroactive payments.
- Joint VA/Department of Defense (DoD) Integrated Disability Evaluation System (IDES) Program: VA and DoD worked together to increase the number of sites for the IDES program from 27 to 115 within the United States and Puerto Rico in 2011. IDES simplifies the process for disabled Servicemembers transitioning to Veteran status, improves the consistency of disability ratings, and improves customer satisfaction. Currently, VA's portion of the integrated process was reduced from 182 days to 118 days.
- Seamless Transition: VA received 61,168 pre-discharge claims in 2011. VA received 30,893 claims through the Benefits Delivery at Discharge program and 30,275 claims through the Quick Start program. Both programs provide expedited claims processing, facilitating faster receipt of benefits.
- Quality: VA improved to a 97 percent national accuracy rate for compensation maintenance claims in 2011.
- Pension and Fiduciary Service: To increase oversight and delivery of benefits to our Veterans and beneficiaries most in need and most vulnerable, VA created a new Pension and Fiduciary Service.
- Insurance: VA issued life insurance policies to over 38,000 Veterans, many of whom are disabled and would not have been able to purchase life insurance in the commercial insurance industry due to their impaired insurability resulting from military service.
- Education: VA provided education benefits to approximately 924,000 students in 2011. The number of students receiving education benefits continues to increase since the implementation of the Post-9/11 GI Bill, with claims completed increasing 20 percent over the 2010 level to approximately 3.4 million in 2011.
- Vocational Rehabilitation and Employment: VA rehabilitated over 7,748 Veterans in 2011, providing nearly 6,300 of them with the required tools and skills needed to obtain and maintain employment. Nearly 1,500 Veterans were provided with assistance in gaining independence in daily living.
- Housing: In 2011, VA guaranteed approximately 357,600 loans to Veterans. Of these loans, 186,600 were for the purchase of a home and 171,000 were for



the refinance of a mortgage on a home loan. In 2011, VA also provided 1,235 Specially Adapted Housing grants to severely disabled Veterans and Servicemembers to construct an adapted dwelling or modify an existing one to meet their special needs.

Cemeteries: Honoring Veterans for Sacrifices on Behalf of the Nation

VA honors the service and sacrifices of America's Veterans through the construction and maintenance of national cemeteries as national shrines. In 2011, VA maintained more than 3.1 million gravesites at 164 properties, including 131 national cemeteries and 33 other cemetery installations.

Key performance results for 2011 are as follows:

- **More Veterans Served by Burial Option:** eighty-nine percent of Veterans are served by a burial option within a reasonable distance (75 miles) of their residence—up from 88.1 percent in 2010. This increase resulted from the following:
 - **Opening of 4 New State Veterans Cemeteries:** VA funded the establishment of four new State Veterans Cemeteries to serve Veterans in the areas of Alliance, Nebraska; Dublin, Virginia; Greenup, Kentucky; and Newton, Mississippi.
- **Timeliness:** VA achieved a 93 percent threshold of the proportion of graves in national cemeteries marked within 60 days of interment.
- **Quality:** Ninety-eight percent of survey respondents rated national cemetery appearance as "excellent."

Finance: Ensuring Proper Stewardship of Taxpayer Dollars

VA is extremely proud to have obtained an unqualified audit opinion on our financial statements for the 13th consecutive year. Over the past year, VA was also successful in remediating four out of five significant deficiencies. VA has made progress towards remediating the one remaining material weakness, "Information Technology (IT) Security Controls," and continues to aggressively implement changes to resolve the outstanding issues.

In 2011, VA implemented and enforced internal controls over processing of VA Form 1358, Obligation or Change in Obligation, by mandating population of data fields and segregation of duties. A Form 1358 Obligation records estimates of payments for goods and services when the quantities and delivery dates are unknown and provides VA a simplified procurement process.

VA continued to make substantial progress on its implementation of the American Recovery and Reinvestment Act (Recovery Act) of 2009. More than 98 percent of all contract awards for Recovery Act projects were competitively bid. In addition, Veteran-owned small business and Service Disabled Veteran-owned small business awards totaled 76 percent of all Recovery Act-awarded contract dollars. In 2011, VA continued to use Recovery Act funds to improve its medical facilities and national cemeteries, as well as to provide grants for State nursing homes and domiciliary facilities. Following the successful obligation of 100 percent of VA's Recovery Act funds in July 2010, VA concentrated efforts during 2011 to increase outlays.



VA Online: *Fast and Easy Access to Information*

The table below provides links to several Web sites that provide information for and about Veterans.

<i>What Information Do You Need?</i>	<i>Web Site</i>
<i>VA's Home Page</i>	www.va.gov
<i>Veterans Health</i>	www1.va.gov/health/index.asp
<i>Veterans Benefits</i>	www.benefits.va.gov
<i>Burial and Memorial Benefits for Veterans</i>	www.cem.va.gov
<i>Managing My Health as a Veteran</i>	www.myhealth.va.gov
<i>Mental Health Services</i>	www.mentalhealth.va.gov
<i>National Center for Post Traumatic Stress Disorder</i>	www.ptsd.va.gov
<i>Medical Research in VA</i>	www.research.va.gov
<i>Clinical Training Opportunities and Education Affiliates</i>	www.va.gov/oaa
<i>Online Benefits</i>	www.ebenefits.va.gov
<i>Opportunities for Veteran-Owned Small Businesses</i>	www.VetBiz.gov
<i>Board of Veterans' Appeals</i>	www.bva.va.gov
<i>Minority Veterans</i>	www.va.gov/centerforminorityVeterans
<i>Women Veterans</i>	www.va.gov/womenvet
<i>Survivors Assistance</i>	www.va.gov/survivors
<i>Operations, Security and Preparedness</i>	www.osp.va.gov
<i>VA's Budget Submission</i>	www.va.gov/budget/products.asp
<i>Recently Published VA Regulations</i>	www.va.gov/VA_Regulations
<i>Federal Legislation Concerning Veterans</i>	www.va.gov/oca/Vet_Legis.asp



<i>What Information Do You Need?</i>	<i>Web Site</i>
<i>VA's Social Media Sites</i>	www.va.gov/opa/SocialMedia.asp
<i>Human Resources Administration</i>	www.va.gov/vecs
<i>Reports, Surveys, or Statistics Regarding the Veteran Population</i>	www.va.gov/vetdata
<i>Freedom of Information Act</i>	www.foia.va.gov
<i>Privacy Policy Information</i>	www.va.gov/privacy
<i>VA Directives and Handbooks</i>	www.va.gov/vapubs
<i>Office of the Inspector General</i>	www.va.gov/oig/
<i>Office of Construction & Facilities Management</i>	www.cfm.va.gov
<i>Green VA</i>	www.green.va.gov
<i>Center for Faith-based and Neighborhood Partnerships</i>	www.va.gov/cfbnpartnerships



Department Overview

Our Programs: *Who We Serve*

As described on the previous pages, VA programs and services are as varied as the Veterans and family members we serve. From space-age technology used in prosthetic devices that bring mobility to the severely disabled, to the pension benefits paid to three survivors of Civil War Veterans, VA's commitment to those who have "borne the battle" continues. The chart below describes who and how many participants are being served by VA.

Program	Year-to-Year Comparison		
	2010 Participants ⁽¹⁾	2011 Participants ⁽¹⁾	Percent Change
Medical Care			
Unique Patients	5,833,600	6,029,500	3.4%
Compensation			
Veterans	3,181,700	3,354,700	5.4%
Survivors/Children	344,900	355,500	3.1%
Pension			
Veterans	310,200	313,700	1.1%
Survivors	195,000	202,000	3.5%
Education⁽²⁾⁽³⁾			
Veterans/Servicemembers	574,800	663,000	15.3%
Reservists	97,600	92,500	-5.2%
Survivors/Dependents	127,600	168,400	32.0%
Vocational Rehabilitation⁽²⁾			
Program Participants	107,100	106,300	-0.76%
Housing			
Loans Guaranteed	314,000	357,600	13.9%
Specially Adapted Housing (SAH) Grants Approved	1,500	1,235	-17.7%
Insurance			
Veterans	1,450,800	1,367,800	-5.7%
Servicemembers/Reservists	2,433,500	2,417,500	-0.7%
Spouses/Dependent Children	3,272,000	3,284,000	0.4%
Burial			
Interments	111,800	117,400	5.0%
Graves Maintained	3,065,700	3,147,400	2.7%
Headstones/Markers (Processed)	355,600	372,700	4.8%
Presidential Memorial Certificates	803,700	779,700	-3.0%

⁽¹⁾Whole numbers, rounded to nearest hundred.

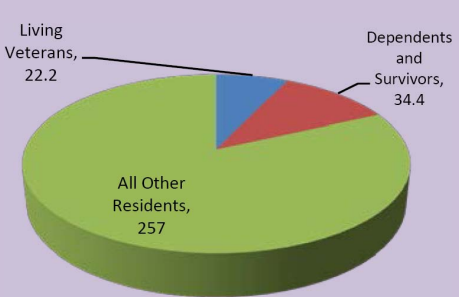
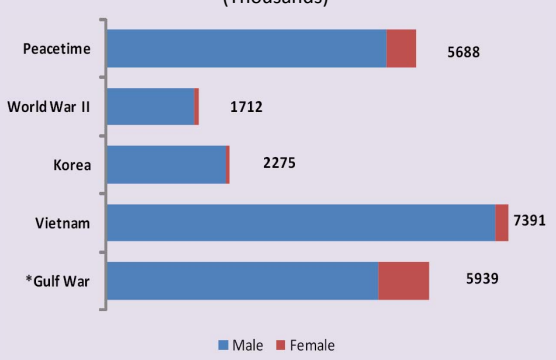
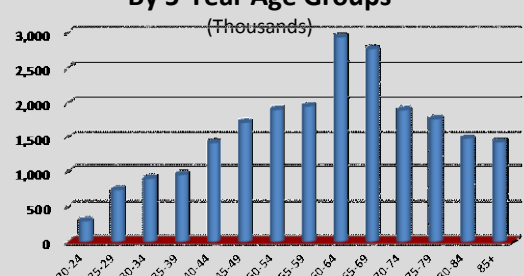
⁽²⁾Figures represent 12-month rolling data through September.

⁽³⁾Does not represent unique participants. Some participants trained under more than one education program.



America's Veterans: A Demographic Profile

Beginning with our Nation's struggle for freedom more than 2 centuries ago, approximately 45 million men and women have served this country during wartime periods. The charts below provide various social and demographic information on today's Veteran population.

Data	Analysis																														
<p>Veteran Population Compared to Total U.S. Population (Millions)</p>  <table border="1"> <caption>Veteran Population Compared to Total U.S. Population (Millions)</caption> <thead> <tr> <th>Category</th> <th>Value (Millions)</th> </tr> </thead> <tbody> <tr> <td>Living Veterans</td> <td>22.2</td> </tr> <tr> <td>Dependents and Survivors</td> <td>34.4</td> </tr> <tr> <td>All Other Residents</td> <td>257</td> </tr> </tbody> </table>	Category	Value (Millions)	Living Veterans	22.2	Dependents and Survivors	34.4	All Other Residents	257	<ul style="list-style-type: none"> • There are about 22.2* million living U.S. Veterans, 8 percent of whom are women. The percentage of women Veterans is expected to increase over time given the increased role of women in the Armed Forces. • There are an estimated 34 million dependents (spouses and dependent children) of living Veterans and survivors of deceased Veterans • Together, Veterans, dependents, and survivors make up about 18 percent of America's population. <p>* Pie chart shows number of Veterans living in the United States proper.</p>																						
Category	Value (Millions)																														
Living Veterans	22.2																														
Dependents and Survivors	34.4																														
All Other Residents	257																														
<p>Veteran Population by Period of Service* (Thousands)</p>  <table border="1"> <caption>Veteran Population by Period of Service (Thousands)</caption> <thead> <tr> <th>Period</th> <th>Total (Thousands)</th> </tr> </thead> <tbody> <tr> <td>Peacetime</td> <td>5688</td> </tr> <tr> <td>World War II</td> <td>1712</td> </tr> <tr> <td>Korea</td> <td>2275</td> </tr> <tr> <td>Vietnam</td> <td>7391</td> </tr> <tr> <td>*Gulf War</td> <td>5939</td> </tr> </tbody> </table> <p>■ Male ■ Female</p> <p>*The Gulf War figures include Veterans who have served in Operation Iraqi Freedom</p>	Period	Total (Thousands)	Peacetime	5688	World War II	1712	Korea	2275	Vietnam	7391	*Gulf War	5939	<ul style="list-style-type: none"> • Over 16.5 million (74 percent) of America's Veterans served during at least one wartime period. *(The sum of period of service will exceed number of all Veterans because Veterans who served in multiple periods are shown in each period.) • Vietnam Era Veterans account for the largest segment of the Veteran population. • About 77 percent of all women Veterans served during the post-Vietnam Era compared to 39 percent of men. • By 2020, the number of women Veterans enrolled in VA's health care system is expected to increase by 35 percent to 751,805 compared to 558,817 in 2011. 																		
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<p>Age Distribution of the Veteran Population By 5-Year Age Groups (Thousands)</p>  <table border="1"> <caption>Age Distribution of the Veteran Population (Thousands)</caption> <thead> <tr> <th>Age Group</th> <th>Approximate Value (Thousands)</th> </tr> </thead> <tbody> <tr><td>20-24</td><td>300</td></tr> <tr><td>25-29</td><td>600</td></tr> <tr><td>30-34</td><td>800</td></tr> <tr><td>35-39</td><td>1000</td></tr> <tr><td>40-44</td><td>1200</td></tr> <tr><td>45-49</td><td>1500</td></tr> <tr><td>50-54</td><td>1800</td></tr> <tr><td>55-59</td><td>2000</td></tr> <tr><td>60-64</td><td>2200</td></tr> <tr><td>65-69</td><td>2500</td></tr> <tr><td>70-74</td><td>2000</td></tr> <tr><td>75-79</td><td>1800</td></tr> <tr><td>80-84</td><td>1500</td></tr> <tr><td>85+</td><td>1400</td></tr> </tbody> </table>	Age Group	Approximate Value (Thousands)	20-24	300	25-29	600	30-34	800	35-39	1000	40-44	1200	45-49	1500	50-54	1800	55-59	2000	60-64	2200	65-69	2500	70-74	2000	75-79	1800	80-84	1500	85+	1400	<ul style="list-style-type: none"> • As of September 2011, the median age of all living Veterans was 62 years. • Men's median age was 63; women's 49. • The number of Veterans 85 and older totaled about 1,430,000, compared to 164,000 in 1990. • By 2020, the number of Veterans 85 and older enrolled in VA's health care system is expected to increase by 12 percent to 796,171 compared to 710,641 in 2011.
Age Group	Approximate Value (Thousands)																														
20-24	300																														
25-29	600																														
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35-39	1000																														
40-44	1200																														
45-49	1500																														
50-54	1800																														
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60-64	2200																														
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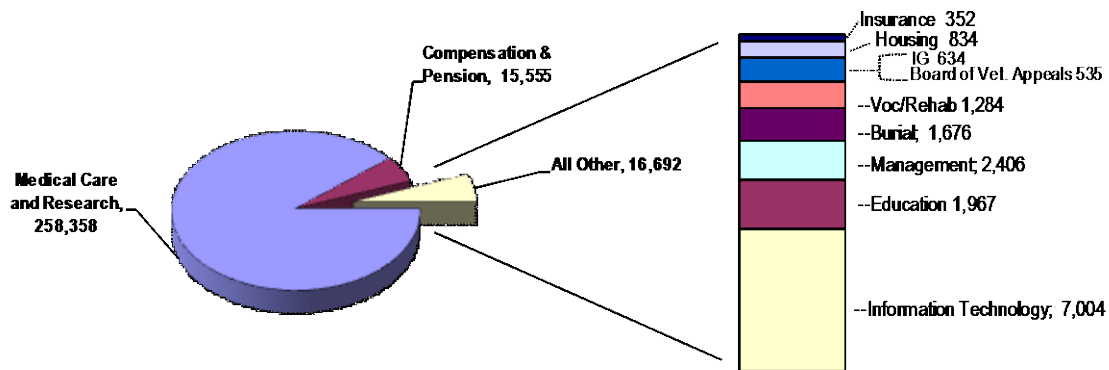


Resources: Our People

As of September 30, 2011, the Department employed about 291,000 full-time equivalent (FTE) employees nationwide. The charts below show the distribution of full-time equivalent employees by program area.

As shown below, more than 258,000 FTE support VA's health care system, one of the largest in the world. Of the remaining FTE, approximately 20,000 are involved with providing compensation and pension as well as other benefits to Veterans and their families. About 1,700 provide burial and memorial services for Veterans and their eligible spouses and children, and about 10,500, located primarily in the Washington, DC area, provide policy, administrative, information technology, and management support to the programs.

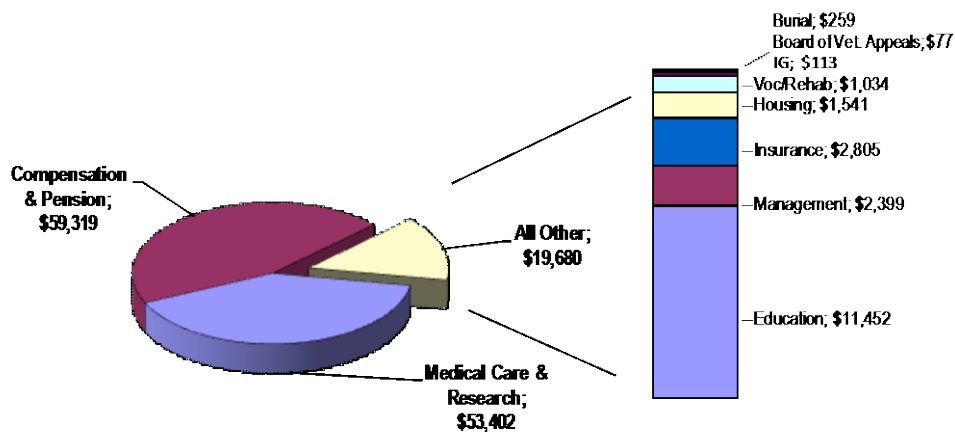
Number of Full-Time Equivalent Employees
as of September 30, 2011



Resources: Our Budget

In 2011, VA obligated approximately \$132.4 billion.* Approximately 98 percent of total funding went directly to Veterans in the form of monthly payments of benefits or for direct services such as medical care. The depictions below show how VA spent the funds with which it was entrusted.

2011 Obligations



* The obligation information shown above does not tie to the Obligations Incurred amounts shown in the Financial Statements in the 2011 PAR. The difference includes but is not limited to the fact that adjustments to prior-year expired funds are netted with Obligations Incurred in the Financial Statements.



Performance Scorecard

Color coding for
 ● Target Achieved
 ● Target Missed - Small Extent
 ● Target Missed - Great Extent

Integrated Objectives	Key Performance Measures (page references to pages in the 2011 PAR)	2010 Recap		2011 Recap				
		Targets	Results	Targets	Results	Target Achieved?		Improved From 2010?
						Yes	No	Yes/No/Same
Integrated Objective #1 MAKE IT EASIER FOR VETERANS AND THEIR FAMILIES TO RECEIVE THE RIGHT BENEFITS WHILE MEETING THEIR SERVICE DELIVERY EXPECTATIONS	Prevention Index IV (pp. II-3 and II-108)	89%	91%	93%	92%		No	Yes
	Clinical Practice Guidelines Index III (pp. II-4 and II-108)	86%	92%	92%	91%		No	No
	National accuracy rate - compensation entitlement claims (pp. II-5 and II-108)	90%	84%	90%	84%*		No	Same
	National accuracy rate - pension maintenance claims (pp. II-6 and II-108)	95%	96%	95%	97%*	Yes		Yes
	Percent of Compensation & Pension pending inventory that is more than 125 days old (pp. II-7 and II-108)	N/Av	36%	60%	60%*	Yes		No
	Average days to complete Education claims							
	Original claims (pp. II-8 and II-110)	24	39	23	24		No	Yes
	Supplemental claims (pp. II-9 and II-110)	10	16	12	12	Yes		Yes
	Default Resolution Rate (pp. II-10 and II-110) (***) Corrected	71.0%	76.3%	73.0%	83.0%	Yes		Yes
	Percent of graves in national cemeteries marked within 60 days of interment (pp. II-12 and II-110)	95%	94%	95%	93%		No	No
	Percent of applications for headstones and markers that are processed within 20 days for the graves of Veterans who are not buried in national cemeteries (pp. II-11 and II-110)	90%	74%	90%	93%	Yes		Yes
	Percent of Veterans served by a burial option within a reasonable distance (75 miles) of their residence (pp. II-21 and II-110)	87.8%	88.1%	89.0%	89.0%	Yes		Yes
	Non-institutional, long-term care average daily census (pp. II-29 and II-112)	93,935	85,940	109,256	93,736*		No	Yes
	Percent of primary care appointments completed within 14 days of the desired date (pp. II-33 and II-112)	N/Av	93%	93%	94%*	Yes		Yes
	Percent of specialty care appointments completed within 14 days of the desired date (pp. II-34 and II-112)	N/Av	93%	93%	95%*	Yes		Yes



Performance Scorecard

Color coding for
● Target Achieved
● Target Missed - Small Extent
● Target Missed - Great Extent

Integrated Objectives	Key Performance Measures (page references to pages in the 2011 PAR)	2010 Recap		2011 Recap					
		Targets	Results	Targets	Results	Target Achieved?		Improved From 2010?	
						Yes	No	Yes/No/Same	
	Percent of new patient appointments completed within 14 days of the desired date (pp. II-35 and II-112)	N/Av	84%	85%	89%*	Yes		Yes	
	Percent of respondents who rate the quality of service provided by the national cemeteries as excellent (pp. II-40 and II-112)	98%	95%	97%	95%		No	Same	
	Percent of respondents who rate national cemetery appearance as excellent (pp. II-41 and II-114)	99%	98%	99%	98%		No	Same	
Integrated Objective #2	EDUCATE AND EMPOWER VETERANS AND THEIR FAMILIES THROUGH OUTREACH AND ADVOCACY	Progress towards development of one new treatment for post-traumatic stress disorder (1 milestone over 1 year) (pp. II-54 and II-114)	94%	80%	100%	100%	Yes		Yes
		Percent of milestones completed leading to the use of genomic testing to inform the course of care (prevention, diagnosis, or treatment) of patients with mental illness (including PTSD, schizophrenia, and mood disorders) with mental illness (including PTSD, schizophrenia, and mood disorders) (pp. II-53 and II-114)	15%	25%	35%	35%	Yes		Yes
		Rehabilitation Rate (General) (pp. II-55 and II-114)	76%	76%	77%	77%*	Yes		Yes
		Rate of high client satisfaction ratings on services delivered (Insurance) (pp. II-65 and II-116)	95%	95%	95%	95%*	Yes		Same
Integrated Objective #3	BUILD OUR INTERNAL CAPACITY TO SERVE VETERANS, THEIR FAMILIES, OUR EMPLOYEES, AND OTHER STAKEHOLDERS	Percent of patients rating VA health care as 9 or 10 (on a scale from 0 to 10):							
		- Inpatient (pp. II-87 and II-116)	TBD	64%	65%	64%		No	Same
		- Outpatient (pp. II-88 and II-116)	TBD	55%	57%	55%		No	Same

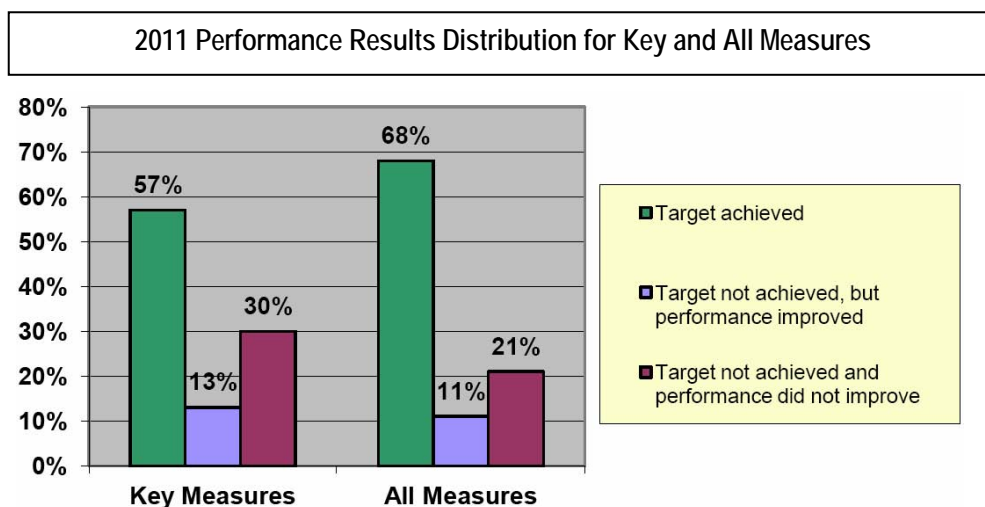
Notes: * Indicates partial or estimated actual data.



2011 Performance — A Department-Level Summary

Key Measures — Continuity and Type: Key measures are those that measure mission-critical activities. As of 2011, 17 of VA's 23 key measures have been in place for at least 5 years. This provides the Department's leadership with the ability to track significant performance trends over time and to make strategic adjustments when necessary.

Performance Results: Key vs. All Measures: The chart below shows how well VA performed in meeting its performance targets. As shown, VA achieved the target for 57 percent of its key measures and 68 percent of all measures. In addition, for key measures, 13 percent of the targets were not achieved, but performance improved from 2010. Further details on performance by Integrated Objective and Integrated Strategy are provided in Part II of the 2011 PAR.



Priority Goals

In 2011, VA focused on 6 priority goals. A list of these goals is provided below. Please refer to pages I-68–I-73 of the 2011 PAR for more details.

1. Eliminate Veteran Homelessness
2. Enable 21st Century Benefits Delivery and Services
3. Automate GI Bill benefits
4. Create Virtual Lifetime Electronic Records by 2012
5. Improve Veterans Mental Health
6. Build VRM Capability to Enable Convenient, Seamless Interactions



Major Management Challenges Identified by the OIG

The Department's Office of Inspector General (OIG), an independent entity, evaluates VA's programs and operations. The OIG submitted an update of the most serious management challenges facing VA. Please refer to pages II-137–II-195 of the 2011 PAR for more details.

VA is committed to addressing its major management challenges. Using the OIG's perspective as a catalyst, we will take whatever steps are necessary to help improve services to our Nation's Veterans. We welcome and appreciate OIG's perspective on how the Department can improve its operations to better serve America's Veterans. The table below shows the estimated resolution timeframe to resolve each challenge.

Major Management Challenge		Estimated Resolution Timeframe (Fiscal Year)	Page # (in PAR)
No.	Description		
OIG 1	Health Care Delivery		II-142
1A	Quality of Care	2012	II-142
1B	Access to Care	2012	II-146
1C	Effective Treatment of New and Significantly Increased Health Problems Associated with OEF/OIF/OND	2012	II-150
1D	Accountability of Pharmaceuticals in VHA Medical Facilities and Consolidated Mail Outpatient Pharmacies (CMOPs)	2014	II-152
1E	Health Care Business Processes	2012	II-154
OIG 2	Benefits Processing		II-156
2A	Effectively Managing Disability Benefits Claims Workload	2012	II-157
2B	Improving the Quality of Claims Decisions	2012	II-161
2C	VA Regional Office Operations	2012	II-163
2D	Improving the Management of VBA's Fiduciary Program	2012	II-165
2E	Addressing Benefit Issues Related to MST	2012	II-167
2F	Timely Processing of Post 9/11 GI Bill Benefits Payments	2013	II-169
OIG 3	Financial Management		II-170
3A	Achieving Financial Management System Functionality and Effective Financial Management Oversight	2012	II-170
3B	Reporting and Reducing Improper Payments	2012	II-173
3C	Improving Oversight of VA Workers' Compensation Program	2013	II-175
OIG 4	Procurement Practices		II-176
4A	Improve Oversight for VA's VOSB and SDVOSB Programs	2012	II-176
4B	Improve Oversight of Procurement Activities	2012	II-178
4C	Effective Contract Administration	2012	II-180
4D	Compliance with Laws and Regulations	2012	II-181
OIG 5	Information Management		II-184
5A	Development of an Effective Information Security Program and System Security Controls	2012	II-184
5B	Strengthening Information Technology Governance	2012	II-186



Major Management Challenge		Estimated Resolution Timeframe (Fiscal Year)	Page # (in PAR)
No.	Description		
5C	Effective Oversight of Active IT Investment Programs and Projects	2013	II-188
	Appendix		II-191

High-Risk Areas Identified by GAO

The U.S. Government Accountability Office (GAO) evaluates VA's programs and operations. In February 2011, GAO issued an update to its High-Risk Series (GAO-11-278). The GAO-identified High-Risk Areas (HRA) (specific to VA as well as Governmentwide) are summarized in the PAR. Please refer to pages II-196–II-207 of the 2011 PAR for more details.

The table below shows the estimated resolution timeframe for VA to eliminate its part of each HRA.

High-Risk Area		Estimated Resolution Timeframe (Fiscal Year)	Page # (in PAR)
No.	Description		
GAO 1	Improving and Modernizing Federal Disability Programs	2012	II-197
GAO 2	Strategic Human Capital Management: A Governmentwide High-Risk Area	2012	II-200
GAO 3	Managing Federal Real Property: A Governmentwide High-Risk Area	2012	II-202
GAO 4	Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures: A Governmentwide High-Risk Area	2012	II-204
GAO 5	Management of Interagency Contracting: A Governmentwide High-Risk Area	2012	II-205
	Appendix		II-207



Letter from the Chief Financial Officer

February 15, 2012

The Department of Veterans Affairs (VA) is very pleased to have received its 13th consecutive unqualified ("clean") audit opinion on the Department's consolidated financial statements.

Following the elimination of three material weaknesses in 2010, VA continued to make additional progress by reducing the number of significant deficiencies in 2011. Work continued in 2011 to address the one remaining material weakness, Information Technology Security Controls. This material weakness has been carried forward into 2012.

The clean opinion and reduction in significant deficiencies would not have been possible without the exceptional leadership of VA's financial management senior executive team. Ed Murray, Shirley Pratt, Katherine Palmer, Paul Kearns, Jamie Manker and Ron Walters deserve special thanks for their leadership over the past year. VA's success in 2011 reflects the dedication and hard work of our staff throughout the Department. Congratulations to all who helped make 2011 a year of high achievement in VA financial management.

Based on an assessment of our financial management priorities that was completed in 2010, VA developed a set of 11 financial management initiatives. These financial management priorities drove our efforts during this past year, and are helping us meet our financial management goals of:



Reducing Operating Costs, Eliminating Improper Payments, Strengthening Internal Controls, and Enhancing Data and Analysis. These initiatives are also setting the stage for a lower-risk financial management system replacement at the appropriate time in the future.

In support of Secretarial transformation objectives, we successfully completed 7 of the 11 initiatives and made substantial progress on the remaining 4 that are multi-year projects. VA completed a Departmentwide effort to enforce and improve internal controls and segregation of duties for obligation processing of \$14 billion (Form 1358), thus remediating long-standing GAO and OIG findings. VA also completed a major element of the Systems to Drive Performance initiative by delivering a set of dashboards that provides cost and workload program data to management. This will support and enhance decision-making related to budget,



performance, and resource allocation, allowing management to derive greater value out of VA resources.

Additionally, by September 30, 2011, VA met all mandates of the Recovery Act and USAspending.gov in support of these Administration priorities. By September 30, 2011, VA had made outlays totaling over \$1.569 billion (85 percent) of Recovery Act funds. For USAspending.gov, VA reported 100 percent of all required contract, grant, loan, and other assistance program spending. Finally, VA completed an important component of the financial management portion of the Secretary's Integrated Operating Model (IOM) major initiative and provided financial management training to nearly 5,400 employees in VA's financial management workforce (80 percent).

In addition to the priority initiatives, VA also completed its 3-year Financial Policy Improvement Initiative (FPPI) to update its entire body of Departmental financial policies. VA successfully updated 169 chapters; these policies are available on VA's Intranet. The Office of Finance will continue the progress made under the FPPI by continuing to review, update, and publish VA financial policy to maintain compliance with Federal guidance. Going forward, all policies will be reviewed every 3 years and updated as appropriate.

VA's Franchise Fund received its 14th successive unqualified audit opinion on its 2011 consolidated financial statements. In addition, the Supply Fund received an unqualified opinion in 2010 and again in 2011.

VA is dedicated to ensuring the proper stewardship of resources entrusted to it by Congress and the American people. We are proud of our many accomplishments, and know that a lot of work remains.

We continually strive to improve our financial stewardship and have set new goals to enhance our performance. We will continue to promote sound business practices and improve accountability which ultimately results in what's most important — more and better services to our Nation's Veterans.



W. Todd Grams



Financial Highlights

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

VA received an unqualified (“clean”) opinion on the Department’s financial statements for 2011 and 2010 from the external auditing firm of Clifton Gunderson LLP. As a result of its audit work, Clifton Gunderson LLP reported one material weakness in internal controls. The sole material weakness was for “Information Technology (IT) Security Controls,” a repeated condition. In addition, the auditors reported two significant deficiencies, down from five significant deficiencies in 2010. Accrued Operating Expenses is a repeat significant deficiency from 2010. Loan Guaranty Reporting is a new significant deficiency.

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. Under the purview of the FPIAR office, VA remediated long-standing GAO and OIG findings by implementing and enforcing internal controls—mandating population of data fields and

segregation of duties for VA Form 1358 obligation processing by implementing software enhancements. It also defined specific approved uses for 1358s. These enhancements met a Congressional mandate for strengthening internal controls over the authorization and purchase of goods and services.

VA’s financial improvement successes in 2011 reflect the dedication and hard work of staff throughout VA’s Administrations and staff offices. In 2012, VA will focus on continuing progress toward remediating the remaining material weakness and significant deficiencies identified by the external auditors and management’s assessment process.

VA programs operated at a net cost of \$180.9 billion in 2011 compared to a net cost of \$333.6 billion in 2010 or an overall decrease in net cost of \$152.7 billion or 46 percent. The decrease is due to a reduction in the Changes in Actuarial Liabilities estimate of Veterans’ compensation and burial costs of \$164.9 billion partially offset by a \$12.2 billion increase in Net Program Costs by Administration before Changes in Veterans Benefits Actuarial Liabilities. The decrease in the Changes in Actuarial Liabilities included in net cost resulted from several factors. First, the recognition of three new presumptive disability benefits in 2010 resulted in the initial cost of \$105.9 billion being recorded in the prior period. These costs are associated with Vietnam Veterans who have any of three specific illnesses from an association with herbicides used in Vietnam, including Agent Orange, making them eligible to receive compensation for their illnesses. Second, the decrease in costs resulted from the application of comparable methodologies in 2011 and 2010 for determining the appropriate discount rates and cost of living adjustment rates from adopting SFFAS No. 33, *Pensions, Other*



Retirement Benefits and Other Postemployment Benefits: Reporting Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates, effective October 1, 2009. Last, the decrease in costs resulted from the comparable application of refinements in valuation techniques due to improved computer software modeling capability and information used in computing the actuarial liabilities consistently applied since adoption in 2010. Please see Note 13 to the financial statements on pages III-37–III-41 of the 2011 PAR for more information.

Net Program Costs by Administration before Changes in Veterans Benefits Actuarial Liabilities in the Consolidated Statements of Net Cost totaled \$122 billion and \$109.8 billion for 2011 and 2010, respectively. Of this \$12.2 billion increase in net costs, approximately \$7.5 billion related to VBA and approximately \$4.4 billion related to VHA.

The VBA increase in net costs was primarily a result of increased compensation payments of \$6 billion and increased costs from participation in the new Post-9/11 GI Bill of \$1.9 billion. The increased compensation costs are attributable to an increase in the number of payments to Veterans and survivors by 1.8 million or 4 percent compared to 2010 and a \$2.6 billion increase in compensation payments related to the three new presumptive disability benefits, including Agent Orange illnesses which were authorized to begin being paid in 2011. The increased costs related to the new Post-9/11 GI Bill are attributed to a 3.1 million increase (76 percent) in the number of education benefits payments over 2010. The VHA increase in net costs relates primarily to the increased number of Veterans receiving medical care at VA hospitals and medical facilities and increased costs associated with additional staff hired to meet Veteran medical demands.

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.

Substantially all the \$58.9 billion increase in the Federal Employee and Veterans Benefits Liabilities in 2011 relates to a decrease in the 10-year average discount rate used to compute the actuarial balance of Veterans Benefits Liabilities, which increased the liability by \$51.9 billion. It should be noted that the future cash flows to liquidate the actuarial estimated liability are not supported by identifiable assets as they are anticipated to be funded from the future general revenues of the U.S. Government.

In the area of debt management, through September 2011, VA referred \$895 million (99 percent) of eligible debt to Treasury for offset under the Treasury Offset Program. Under the cross-servicing program, VA referred \$189 million (98 percent) of eligible debt to Treasury for collection.

Through September 2011, the Department has collected \$1.4 billion in delinquent benefit debt. In addition, we have collected \$38.6 million through administrative offset on delinquent first party medical debt during 2011.

Based on an assessment of our financial management priorities that was completed in 2010, VA developed a set of 11 financial management initiatives. These financial management priorities drove our efforts during this past year, and are helping us meet our financial management goals of: Reducing Operating Costs, Eliminating Improper Payments, Strengthening Internal Controls, and Enhancing Data and Analysis. These initiatives are also setting the stage for a lower-risk financial management system replacement at the appropriate time in the future.



In support of Secretarial transformation objectives, we successfully completed seven of these initiatives and made substantial progress on the remaining four that are multi-year projects. VA completed a Departmentwide effort to enforce and improve internal controls and segregation of duties for VA Form 1358 obligation processing, thus remediating long-standing GAO and OIG findings. VA also completed a major initiative to develop Systems to Drive Performance by delivering a set of dashboards that provides cost and workload program data to support and enhance decision-making related to budget, performance, and resource allocation, allowing management to derive greater value out of VA resources. Additionally, by September 30, 2011, VA met all mandates of the Recovery Act and USAspending.gov in support of these Administration priorities. In 2011, VA continued to ensure that all Recovery Act transparency, reporting, and accountability goals were met. By September 30, 2011, VA had made outlays totaling over \$1.569 billion (85 percent) of Recovery Act funds. For USAspending.gov, VA reported 100 percent of all required contract, grant, loan, and other assistance program spending. Finally, VA provided financial management training to 5,400 of VA's financial management workforce (80 percent).

During 2011, the Department continued the aggressive use of the Governmentwide purchase card program, processing over 5.2

million transactions representing \$3.5 billion in purchases. This generated over \$73 million in refunds for VA compared to approximately \$70 million during 2010. VA's daily electronic billing and payment process for centrally billed accounts, along with a higher negotiated refund rate, allow VA to maximize refunds that are returned to VA entities for use in Veterans programs.

Throughout 2011, VA continued to make operational enhancements which resulted in improvements in interest paid, discounts earned, and audit recoveries. Interest improvements occurred largely because the Department centralized payment of VHA-certified payments at the Financial Services Center (FSC) in Austin, Texas, while the percentage of discounts earned increased because of operational improvements implemented at the FSC. Interest penalties paid per million dollars disbursed improved almost 29 percent from \$64 per million in 2010 to \$45 per million in 2011. At the same time, VA earned nearly 97 percent (\$5.1 million) of its available discounts.

During 2011, the FSC collected improper payments and recovered unapplied vendor statement credits totaling nearly \$4 million. Since the program's inception in 2001, VA has recovered \$37.7 million and cancelled another \$80.6 million in improper payments before making payment.

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 and the Federal Financial Management Improvement 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 Governmentwide 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.

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. This 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.

Management Assurances

During 2011, the Secretary of Veterans Affairs emphasized the importance of managers implementing strong internal controls that will enhance the Department's diligent stewardship and wise application of taxpayers' assets and programs to deliver timely and high quality benefits.

OMB Circular A-123, Appendix A, *Management's Responsibility for Internal Control*, defines the requirements for conducting management's assessment of internal control over financial reporting in Federal agencies. In 2011, VA completed a comprehensive assessment of internal controls over financial reporting that covered approximately 19 key business processes that directly affect specific financial management statement accounts and impact the internal control over financial reporting. Management's assessment of internal control over financial reporting included an evaluation of such elements as the design and operating effectiveness of key financial reporting, controls, process documentation, accounting and finance policies and our overall control environment. VA engaged an independent public accounting firm to assist in an internal control assessment pursuant to OMB Circular A-123, Appendix A, *Management's Responsibility for Internal Control*.

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



Part III - VA's Financial Position and Management Controls

through self-assessment procedures conducted by Department managers.

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. One material weakness was identified under FMFIA, "Information Technology (IT) Security Controls,"

which was carried forward from 2010 into 2011 and has been carried forward into 2012.

Based on the results of VA's internal control assessment, no additional material weaknesses were identified in 2011. As the internal control programs mature, VA is increasingly able to improve its internal control environment and assessment of risk.



Condensed Financial Statements

DEPARTMENT OF VETERANS AFFAIRS

CONDENSED CONSOLIDATED BALANCE SHEETS* (dollars in millions)

As of September 30,	2011	2010
ASSETS		
Fund Balance with Treasury	\$ 40,211	\$ 43,155
Investments and Other Assets - Intragovernmental Public	10,822	11,613
Accounts and Loans Receivable, Net	4,039	4,993
General Property and Equipment, Net	18,686	16,730
Other Assets	305	302
TOTAL ASSETS	\$ 74,063	\$ 76,793
LIABILITIES		
Intragovernmental Liabilities Public	\$ 2,999	\$ 3,530
Federal Employee and Veterans Benefits Liabilities	1,535,591	1,476,662
Insurance Liabilities	11,113	11,732
Other Liabilities	14,658	18,087
TOTAL LIABILITIES	1,564,361	1,510,011
NET POSITION	(1,490,298)	(1,433,218)
TOTAL LIABILITIES AND NET POSITION	\$ 74,063	\$ 76,793

CONDENSED CONSOLIDATED STATEMENTS OF NET COST* (dollars in millions)

For the Years Ended September 30,	2011	2010
NET PROGRAM COSTS		
Veterans Health Administration	\$ 52,521	\$ 48,084
Veterans Benefits Administration	65,368	57,865
National Cemetery Administration	279	274
Indirect Administrative Program Costs	3,821	3,532
NET PROGRAM COSTS BY ADMINISTRATION BEFORE CHANGES IN VETERANS BENEFITS ACTUARIAL LIABILITIES	121,989	109,755
NET (GAIN)/LOSS FROM ACTUARIAL LIABILITY CHANGES	58,900	223,800
NET COST OF OPERATIONS	\$ 180,889	\$ 333,555

*For a full set of financial statements and footnotes, see Part III of the 2011 PAR at www.va.gov/budget/report



DEPARTMENT OF VETERANS AFFAIRS

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

For the Years Ended September 30,

	2011	2010
Cumulative Results of Operations		
Beginning Balance	\$ (1,447,603)	\$ (1,293,413)
Cumulative Change in Accounting Principle	-	66,500
Beginning Balance as Adjusted	<u>(1,447,603)</u>	<u>(1,226,913)</u>
Financing Sources, Primarily Appropriations Used	126,146	112,865
Net Cost/(Benefit) of Operations	<u>180,889</u>	<u>333,555</u>
Net Change	(54,743)	(220,690)
Ending Balance – Cumulative Results	\$ (1,502,346)	\$ (1,447,603)
Unexpended Appropriations		
Beginning Balance	\$ 14,385	\$ 1,998
Appropriations Received	122,580	123,922
Appropriations Used and Other Changes	<u>(124,917)</u>	<u>(111,535)</u>
Total Unexpended Appropriations	12,048	14,385
Total Net Position	<u>\$ (1,490,298)</u>	<u>\$ (1,433,218)</u>

* For a full set of financial statements and footnotes, see Part III of the 2011 PAR at www.va.gov/budget/report



DEPARTMENT OF VETERANS AFFAIRS

CONDENSED COMBINED STATEMENTS OF BUDGETARY RESOURCES*
(dollars in millions)

for the Year Ended September 30, 2011

Budgetary Resources

	Budgetary	Non-Budgetary Credit
Unobligated Balance at the Beginning of the Period	\$ 23,791	\$ 2,373
Net Increase in Budget Authority	131,216	4,467
Total Budgetary Resources	\$ 155,007	\$ 6,840

Status of Budgetary Resources

Obligations Incurred	\$ 131,889	\$ 3,410
Unobligated Balance Available	20,345	-
Unobligated Balance Not Yet Available	2,773	3,430
Total Status of Budgetary Resources	\$ 155,007	\$ 6,840

Obligated Balance, Net End of Period

\$ 16,521 \$ 286

Net Outlays

\$ 127,181 \$ (1,305)

for the Year Ended September 30, 2010

Budgetary Resources

	Budgetary	Non Budgetary Credit
Unobligated Balance at the Beginning of the Period	\$ 11,210	\$ 2,580
Net Increase in Budget Authority	132,907	3,886
Total Budgetary Resources	\$ 144,117	\$ 6,466

Status of Budgetary Resources

Obligations Incurred	\$ 120,326	\$ 4,093
Unobligated Balance Available	21,175	-
Unobligated Balance Not Yet Available	2,616	2,373
Total Status of Budgetary Resources	\$ 144,117	\$ 6,466

Obligated Balance, Net End of Period

\$ 20,068 \$ 279

Net Outlays

\$ 108,562 \$ (316)

* For a full set of financial statements and footnotes, see Part III of the 2011 PAR at www.va.gov/budget/report



Summary of Financial Statement Audit

The following table provides a summary of the audit-related material weakness outlined in the 2011 Performance and Accountability Report.

one material weakness related to “Information Technology (IT) Security Controls.” No new material weaknesses were found.

During 2011, VA continued its remediation plans to correct the one material weakness identified in prior years for “Information Technology (IT) Security Controls.” As of September 30, 2011, VA continues to report

Table 1 - Summary of Financial Statement Audit

Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
IT Security Controls	✓				✓
<i>Total Material Weaknesses</i>	1	0	0	0	1



KEY REPORT OFFICIALS

W. TODD GRAMS

Executive In Charge, Office of Management, CFO

DAVE ZLOWE

Director, Office of Performance Management, Performance Improvement Officer

GEORGE J. OPPER

Inspector General

EDWARD J. MURRAY

Deputy Assistant Secretary for Finance, Deputy CFO

DANIEL A. TUCKER

Deputy Assistant Secretary for Budget

BELINDA J. FINN

Assistant Inspector General for Audits and Evaluations

KATHERINE PALMER

Associate Deputy Assistant Secretary for Financial Policy

SUE SCHWENDIMAN

Director, Financial Audits Division, Office of Inspector General

STEVE MACQUEEN

Director, Management & Financial Reports Service

MELANIE GRIFFIN

Management Analysis Officer, Office of Performance Management

CHERYL PECKENPAUGH

Management Analysis Officer, Office of Performance Management

W. PAUL KEARNS

CFO, Veterans Health Administration

JAMIE MANKER

CFO, Veterans Benefits Administration

RONALD E. WALTERS

Deputy Under Secretary for Finance and Planning and CFO, National Cemetery Administration

GREGG BUCKLEY

Veterans Health Administration, Director, Strategic Planning Service

WILLIAM KANE

Veterans Benefits Administration, Director, Performance Analysis and Integrity

PAIGE LOWTHER

National Cemetery Administration, Director, Policy and Planning Service



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Office of Management
810 Vermont Avenue, NW
Washington, DC 20420
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