

FINANCIAL INDICATORS

- 1. PURPOSE:** This Veterans Health Administration (VHA) Directive provides policy for the VHA Financial Indicators (FI) process under the oversight of the VHA Office of Finance.
- 2. SUMMARY OF MAJOR CHANGES:** This update establishes a VHA Directive for the VHA FI. The membership requirements of the FI Workgroup and the Financial Indicator Waiver Committee (FIWC) were changed to more fully utilize existing expertise, increase management flexibility, improve coverage during recurring meetings, and provide continuity during periods of membership transition.
- 3. RELATED ISSUES:** None.
- 4. RESPONSIBLE OFFICE:** The VHA Chief Financial Officer (CFO) (10A3) is responsible for the content of this Directive. Questions can be addressed to VHA CFO Accounting Policy at 202-461-1099.
- 5. RESCISSIONS:** VHA Directive 2008-026, dated May 9, 2008 is rescinded.
- 6. RECERTIFICATION:** This VHA Directive is scheduled for recertification on or before the last working day of February 2021.

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1. PURPOSE: This Veterans Health Administration (VHA) Directive provides policy for the VHA Financial Indicators (FI) process under the oversight of the VHA Office of Finance. **AUTHORITY:** Chief Financial Officers Act of 1990 (Public Law 101-576) and 38 U.S.C. 309.

2. BACKGROUND:

a. VHA FI allow managers at VA medical facilities, Veterans Integrated Service Networks (VISN) and the VHA Office of Finance to monitor and measure financial operations data in Department of Veterans Affairs' (VA) official accounting system, in accordance with VA Office of Financial Policy guidance. FI are designed to encourage and promote compliance with specific aspects of VA financial management policies, thus implementing the requirements of the Chief Financial Officers Act and improving audit results. FI are reported at the national, VISN, and VA medical facility level, and are used to evaluate financial management. The FI reports provide information that can be used to identify exceptions, anomalies, trends, and issues requiring management intervention or elevation to the VHA Associate CFO for Financial Management and Accounting Systems (AsCFO). **NOTE:** *The FI are designed to drive performance improvements and are not intended to be punitive in nature.*

b. FI data are tracked and compiled by the VHA Support Service Center (VSSC) and a report published on the VSSC web page. **NOTE:** *The report and other financial indicator links can be accessed through the following web link at: http://vssc.med.va.gov/products.asp?PgmArea=11&sub_ID=37. This is an internal VA Web site that is not available to the public.*

3. POLICY: It is VHA policy that the FI process must be used by managers at all VA medical facilities, VISNs, and the VHA Office of Finance as a means of evaluating financial management processes within VHA, as well as to promote improvements in compliance with Federal financial management standards. Use of the FI as a management tool to seek out process improvements will lead to fewer auditor findings of anomalies, and will also increase the likelihood of VA receiving a clean audit opinion from the external auditors every year.

4. RESPONSIBILITIES:

a. **VHA Chief Financial Officer.** The VHA Chief Financial Officer (CFO) or designee is responsible for oversight of the VHA FI Workgroup and the VHA FI Waiver Committee (FIWC), the two workgroups established to support the FI reporting process. The VHA CFO has delegated this responsibility to the AsCFO.

b. **VHA Associate CFO for Financial Management and Accounting Systems.** Under authority delegated by the VHA CFO, the VHA AsCFO provides oversight for the VHA FI Workgroup and the VHA FIWC. The AsCFO is responsible for:

(1) Appointing both VHA FI Workgroup and FIWC members to serve a 2-year term. Appointments are to be constituted in such a way that approximately one half of the members complete their term each year. Membership represents geographic diversity as well as facility complexity and subject matter expertise.

(2) Serving in a key leadership capacity within the workgroups, supporting facilities and VISNs in meeting FI goals through feedback and sharing of best practices. This responsibility may be redelegated.

(3) Determining which FI criteria recommended by the workgroups will be incorporated into the current group of FI, and communicating current FI Criteria to managers. The primary method of communicating this information is via the VSSC Web site.

(4) Issuing a call memorandum to medical facility Directors through the VISN Directors to fill upcoming vacancies. Medical facility Directors should submit nominations (see paragraphs 4.d.(1) and 4.e.(1)), along with a brief statement of qualifications, to the VISN Director, who compiles the VISN nominations and submits the recommended nominations to the VHA CFO or designee. The VHA CFO or designee makes the final selection. **NOTE:** *Unexpected workgroup vacancies are handled on a case-by-case basis.*

(5) Arbitrating disputes between waiver request submitters (VISN and facility personnel) and waiver request reviewers (FIWC members). The AsCFO's decision is final.

c. **VISN Chief Financial Officer.** The VISN CFO is responsible for managing waiver requests from the facilities within their VISN. A waiver is used by the FIWC to grant a facility with an exception to compliance with established policy, based on conditions outside of the control of the facility.

(1) Prior to the FIWC meeting, VISN CFO responsibilities include:

(a) Notifying the FIWC if responsibility for submission of waiver request packages has been delegated, by sending an e-mail message to VHA CFO Financial Indicators Waiver Committee mailbox in Outlook, with the designated submitter's name and position title. **NOTE:** *Designee information need be provided to the FIWC only once. The delegation will remain in effect unless the VISN CFO sends a revocation message to the FIWC.*

(b) Reviewing each waiver request to determine if the request is a condition that is waivable (i.e., determining if the condition that created the anomaly was outside of the control of the facility).

(c) Making an initial decision on the validity of the request, in accordance with the current VHA Financial Indicators Criteria as published on the VSSC website; VHA Office of Finance, Financial Management and Accounting Systems, ALERT messages; and the guidelines listed in paragraph 4.e.(4) of this Directive.

(d) Returning waiver requests that cannot be considered by the FIWC to the facility;

(e) Ensuring each waiver request is submitted on the electronic form available at the VSSC website;

(f) Submitting complete waiver request packages, including all required supporting documentation. Supporting documentation may include, but is not limited to: information required by the VHA Financial Indicators Criteria; reports; schedules; proof of successive elevation of issues; minutes of meetings with non-financial parties demonstrating progress towards full compliance with policy; details of Corrective Action Plans; any missing information previously specified by the FIWC that was communicated via waiver request forms in previous months; and

(g) Submitting waiver requests no later than 5 business days after national publication of the FI results. The complete waiver package is sent, via e-mail, to the VHA CFO Financial Indicators Waiver Committee mailgroup in Outlook.

(2) After the FIWC meeting, the VISN CFO is responsible for:

(a) Notifying each facility of the results from the FIWC review; and

(b) Forwarding the updated spreadsheet, along with any FIWC comments, to the facility.

d. **VHA Financial Indicators Workgroup.** The VHA FI Workgroup meets on an ad-hoc basis with the goal of developing FI to address audit findings and systems weaknesses. Recommended FI will be considered for implementation by the VHA CFO or designee. The FI Workgroup does not have any reporting requirements.

(1) **Members.** The FI Workgroup consists of at least seven, and up to eleven members, generally comprised of:

(a) The CFO or designee, who functions as the Chairperson (required);

(b) One technical support representative from the VSSC (required);

(c) One Financial Management and Accounting Systems office staff member;

(d) One VISN CFO;

(e) Two VISN Financial Quality Assurance Managers (FQAMs);

(f) Two VA medical center CFOs or Assistant CFOs;

(g) Three medical center Chiefs of Accounting; and

(h) Additional members may be asked to participate to provide subject matter expertise.

(2) **Duties.** The VHA FI Workgroup performs periodic reviews of the results, quality, and effectiveness of the FI. The workgroup is responsible for:

(a) Evaluating published FI and recommending changes to the current indicators that will improve compliance measurement;

(b) Recommending elimination of indicators that are not productive; and

(c) Recommending suggestions for new measurements, based on the urgency of the underlying need. The need for modifications may be created by new or existing legislation, audit compliance issues, changes in financial standard operating procedures, changes in population trends of the data being measured, available resources, and multiple other factors related to sound financial management. The process is a collaborative effort between the VHA CFO or designee, Financial Management Advisory Council (FMAC) membership, VISN financial management personnel, VHA financial management personnel from medical facilities, and any other party impacted by the quality and timeliness of VHA financial management information. New indicators are developed according to the following process:

1. Generally, criteria are developed during the first quarter of a Fiscal year (FY), with testing and evaluation being completed no later than the end of the second quarter of the same FY.

2. Each new FI must have a target with which compliance is evaluated, based on its described criterion and rating scheme.

3. Once tested, proposed FI are subject to a peer-review process.

4. New indicators may be considered for implementation the following FY.

5. If the new FI is found to provide the desired compliance evaluation results, the indicator may be incorporated into the overall Financial Criteria.

(3) **Communicating Changes.** To communicate changes:

(a) The Workgroup coordinates with members of the appropriate administrative functional organizational elements within VA and VHA to formally put into effect agreed upon standards and changes that have been approved by the VHA CFO or designee.

(b) Once all reviews have been approved, changes to FI must be:

1. Published by incorporating the changes into the VHA Financial Indicators Criteria and posting the revised document to the VSSC website; and

2. Announced on the VHA National Financial Officers Conference Call.

e. **Financial Indicator Waiver Committee (FIWC) Membership.** FIWC members are responsible for reviewing all waiver requests at the national level, determining if the condition is eligible for a waiver, reviewing all documentation submitted, rendering decisions, notifying VISN CFOs of waiver review results, and reporting the results of the review to the VSSC for publication. All of these tasks are accomplished on a monthly basis, in arrears of the reporting period ending on the last day of the prior month.

(1) **Members.** The FIWC is comprised of at least six, and up to eight subject matter experts, to include:

(a) The CFO or designee, who functions as the Chairperson (required);

- (b) One Financial Management and Accounting Systems office staff member;
- (c) One or two VISN FQAMs;
- (d) One or two VA medical center CFOs or Assistant CFOs; and
- (e) One to three VA medical centers Chiefs of Accounting.

(f) Additional members may be asked to participate in meetings to provide FIWC continuity and subject matter expertise and consultation, as needed.

(2) The FIWC reviews the waiver requests submitted by VISN CFOs or designees, along with all supporting documents, on a case-by-case basis, in accordance with the policies specified in paragraphs 4.c.(1) and 4.e.(4) of this Directive.

(3) The FIWC communicates its decisions to the VISN CFO within 5 working days after the waiver request submission period ends. Unanticipated delays in distribution of the results are communicated via e-mail to VISN CFOs.

(4) Waivers will be granted only in limited circumstances; justification used to support waivers must conform to VA policy. The following are not considered valid reasons for granting a waiver:

- (a) Rejects;
- (b) Lack of staff;
- (c) Input errors;
- (d) Timing errors; or
- (e) Late entry.

(5) Waivers must be requested using the format and template posted at <http://vssc.med.va.gov/financial%20indicators/waiver%20request%20form.xls>. **NOTE:** *This is an internal VA Web site not available to the public.* The template will be used by the FIWC to provide feedback to the VISN CFO and facility.

(6) The FIWC is responsible for tracking waiver requests and sharing accumulated information with the FI Workgroup, and others, as determined by the CFO or designee.

(7) **Appeals.** The Facility Director or CFO may appeal any waiver disapproved by the FIWC within 2 working days following notification to the VISN of the waiver request decision. Appeals may be submitted by VA medical facilities or VISNs to the FIWC via Outlook at vhacfofinwvc@va.gov; however, VA medical facilities must ensure the VISN CFO is aware of the waiver request prior to submission.

(a) Appeals must include new supporting information and/or documentation not submitted with the initial request. Such documentation may include, but is not limited to: more detailed supporting documentation; additional supporting schedules or reports, and any information specified by the FIWC that was communicated via the waiver request form.

(b) The FIWC will consider the appeal request, along with any new information, render a decision, and communicate the decision to the VISN CFO.

(c) In the case of a dispute, the AsCFO for Financial Management and Accounting Systems will review the waiver request and make a final decision.

f. **VHA Support Service Center Coordinator.** The VHA VSSC Coordinator is responsible for data gathering and analysis support, testing of existing and potential new indicators, and publication and distribution of reports. The preliminary FI report is published and available for review by the 7th working day following the close of the reporting month. The final FI report is published by the 17th working day following the close of the reporting month. VA medical facilities will be notified via e-mail of any delays.

5. REFERENCES:

a. Chief Financial Officers Act of 1990 (Public Law 101-576).

b. 38 U.S.C. 309.

c. Criteria Handbook, which can be found at the VSSC website, on the Finance Homepage, at <http://vssc.med.va.gov/products.asp?PgmArea=11>. To access the current version of the Criteria Handbook from this link, click on the radio button in front of "Financial Indicators – Fiscal" (do not hit "enter"). The page will refresh, leaving links relevant to FIs. Scroll down to the bottom of the page, and select the most recent version of the Criteria Handbook. **NOTE:** *This is an internal VA Web site that is not available to the public.*