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REVIEW OF AWARDING BONUSES TO SENIOR EXECUTIVES AT THE DEPARTMENT OF VETERANS AFFAIRS

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

FRIDAY, JUNE 20, 2014

Serial No. 113–75

Printed for the use of the Committee on Veterans' Affairs

Available via the World Wide Web: http://www.fdsys.gov

U.S. GOVERNMENT PUBLISHING OFFICE

89–374 WASHINGTON : 2015

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
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CONTENTS

Page

Friday, June 20, 2014

Review of Awarding Bonuses to Senior Executives at the Department of Veterans Affairs 1

OPENING STATEMENTS

Hon. Jeff Miller, Chairman 1
Prepared Statement 33
Hon. Michael Michaud, Ranking Minority Member 4
Prepared Statement 35
Hon. Ann Kirkpatrick
Prepared Statement 35
Hon. Timothy Walz
Prepared Statement 35

WITNESS

Hon. Gina Farrisee, Assistant Secretary for Human Resources and Administration, U.S. Department of Veterans Affairs 5
Prepared Statement 37

MATERIALS SUBMITTED FOR THE RECORD

Statement From: SEA 43
Letter and Questions From: Minority Member 48
Questions for the Record 50

REVIEW OF AWARDING BONUSES TO SENIOR EXECUTIVES AT THE DEPARTMENT OF VETERANS AFFAIRS

Friday, June 20, 2014

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C.

The committee met, pursuant to notice, at 9:30 a.m., in Room 334, Cannon House Office Building, Hon. Jeff Miller [chairman of the committee] presiding.

Present: Representatives Miller, Lamborn, Bilirakis, Poe, Runyan, Benishek, Huelskamp, Coffman, Wenstrup, Cook, Walorski, Jolly, Michaud, Takano, Brownley, Titus, Ruiz, Kuster and O'Rourke.

OPENING STATEMENT OF CHAIRMAN JEFF MILLER

The CHAIRMAN. The committee will come to order. Thank you all for being here this morning. We had planned on a business meeting this morning to subpoena two sets of documents from the VA that were long-standing requests from the committee, but yesterday VA delivered information regarding the removal of six SES employees for the past two fiscal years. This request was made by multiple members of this committee, including myself, in multiple hearings going back to February. This morning VA delivered the second set of documents, which I requested via letter in October of 2013. The documents cover the performance reviews for each SES individual for fiscal years 2011 and 2012.

Now, although VA's response to our request was delayed, their production of the requested materials is sufficient, and therefore, after consultation with the ranking member, we will no longer be having a business meeting this morning.

This morning's full committee hearing is entitled Review of Awarding Bonuses to Senior Executives at the Department of Veterans Affairs, and we're going to examine the outlandish bonus culture at the VA and the larger organizational crisis that seems to have developed from awarding performance awards to senior executives despite the fact that their performance fails to deliver on our promise to our veterans.

As the committee's investigation into the Department continues, and new allegations and cover-ups are exposed, it's important that we examine how the Department has arrived at the point where it is today. Sadly, it's come to a point which has eroded veterans' trust and America's confidence in VA's execution of its mission.

Part of the mistrust centers on a belief that VA employees are motivated by financial incentives alone, and I can certainly see why that perception is out there.

It appears as if VA's performance review system is failing the veterans that they are supposed to be serving. Instead of using bonuses as an award for outstanding work on behalf of our veterans, cash awards are seen as an entitlement and have become irrelevant to the quality of work product.

I know we all agree that preventable patient deaths, delays in care, and continual backlogs of disability claims, cost overruns and construction delays for VA facilities, and deliberate behavior to falsify data are not behaviors that should be rewarded, yet despite startling issues that continue to come to light, as well as numerous past IG and GAO reports highlighting these same issues, a majority of senior VA managers received a performance award for fiscal year 2013.

According to VA's own data, over $2.8 million was paid out in performance awards to senior executives for FY13. These performance awards went to at least 65 percent of the senior executive workforce at the Department. In fact, not a single senior manager at VA out of 470 individuals received less than a fully successful performance review for the last fiscal year, not one.

Based on this committee's investigations, outside independent reports, and what we have learned in the last few months, I wholeheartedly disagree with VA's assessment of its senior staff. It should not be the practice of any Federal Agency to issue taxpayer dollars in addition to paying six-figure salaries to failing senior managers just because a current OPM statute for members of the SES allows that to occur. Bonuses are not an entitlement; they are a reward for exceptional work. VA's current practice only breeds a sense of entitlement and a lack of accountability and is why we are here today.

This issue, unfortunately, is not a new one for the VA. The committee has focused its oversight on bonuses for years, and if Members were to go back and review the 2007 Subcommittee on Oversight and Investigation hearing on awards and bonuses, you would find that the issue we raise today was questioned 7 years ago. There seems to be little, if any, improvement.

In a May 2013 hearing, VA construction chief Glenn Haggstrom admitted that he could not explain why he collected almost $55,000 in performance bonuses despite overseeing failed construction plans that cost our government nearly $1.5 billion in cost overruns. In December of 2012, an investigation by this committee revealed a legionella outbreak in the Pittsburgh Healthcare System that led to at least six patient deaths. Nevertheless, the Director there, Terry Gerigk Wolf, received a perfect performance review, and the regional director, Michael Moreland, who oversaw VA's Pittsburgh operation at the time, collected a $63,000 bonus. To the average American, $63,000 is considered to be a competitive annual salary, not a bonus.

The medical center director in Dayton, OH, received a nearly $12,000 bonus despite an open investigation into veterans' exposure to hepatitis B and C under his watch. The Director at the Atlanta VA Medical Center, who oversaw multiple preventable

deaths, received $65,000 in performance bonuses over his four years there. The former director of the VA regional office in Waco, Texas, received more than $53,000 in bonuses. While under his tenure the Waco office's average disability claims processing time multiplied to inexcusable levels.

Unfortunately, I could go on and on. These are not the only instances of those charged with managing VA programs and health care facilities falling far short of the quality that veterans and their families deserve. So, in short, there are far too many examples that prove that bonuses do not ensure good performance.

As we have previously heard from several witnesses in this committee, including those from VA, the quest for monetary gain rather than public service has led to data manipulation and secret lists designed to create a false impression of quality health care that is timely and responsive to veterans. This is scandalous, even criminal, I would argue, and it runs far deeper than just Phoenix.

Today we'll explore the circumstances surrounding the award and eventual rescission of a performance bonus award provided to the former Director of the VA Medical Center in Phoenix, Arizona, Miss Sharon Helman. In February of 2014, Ms. Helman was given an $8,500 bonus for her performance during fiscal year 2013. Only after allegations against Ms. Helman came to light as a result of this committee's work did a conscientious VA employee examine whether she received a bonus in fiscal year 2013. When we questioned the award, VA determined that she was given this bonus due to an administrative error. However, past documentation from VA has stated that all performance reviews and awards are ultimately reviewed and signed by the Secretary. Furthermore, Ms. Helman's direct supervisor, former VISN 18 network Director Susan Bowers, stated in May that Sharon Helman received her bonus for a highly successful rating and for improving access concerns and wait lists. Perhaps we should also question Ms. Bowers' qualifications.

These stories do not match up, and I believe it further brings into question VA's transparency as well as diligence when issuing thousands of dollars in bonuses.

Although Acting Secretary Gibson has rightly put a freeze on all bonuses for senior executives at VHA for the time being, it is still this committee's responsibility to understand the rationale for awarding five-figure bonuses to individuals who have clearly fallen short of the Department's mission and their commitment to those who have served.

A performance bonus award should not be received because you are able to check off a few boxes on a form. A performance award should not be an expectation. A bonus is not an entitlement. Those at the Department of Veterans Affairs are there to serve the veterans and their families. Anything less than the highest possible quality should not be rewarded. Gaming the bonus system is not a business that VA should be in.

Today we'll hear what VA has to say about their performance review system, why senior managers who have overseen failure have received thousands of dollars in bonuses, and how these large performance bonuses could have led to the terrible situation that the Department is now in.

[THE PREPARED STATEMENT OF CHAIRMAN JEFF MILLER APPEARS IN THE APPENDIX]

The CHAIRMAN. With that, I now recognize the ranking member for his opening statement.

OPENING STATEMENT OF MICHAEL MICHAUD, RANKING MINORITY MEMBER

Mr. MICHAUD. Thank you very much, Mr. Chairman, for having this hearing. I want to thank the witness for coming this morning as well.

Michael Leboeuf in his book entitled The Greatest Management Principle Ever said, and I quote, "The things that get measured are the things that get done," end of quote. We have seen this statement borne out recently within the VA in a very negative way. As witnesses have stated in recent hearings, VA's focus on unrealistic wait time measured resulted in employees manipulating the system to seem like they were meeting the measured standards. Leboeuf went on to say in a later book, and I quote, "The things that get measured and rewarded are the things that get done well," end of quote. Today we're going to look at the second piece, how VA senior executives are awarded, and how the system does or does not incentivize things to get done well.

Before we get into that discussion, let me also recognize that there are a lot of VA employees who do things well. As we shine the light on those who do not, let me pause for a moment and shine a brighter light, more positive light on the hard-working employees at VA who does things well, and we must not forget that, and to them I say, thank you for your service and for setting an example, and hopefully all employees within the VA look at keeping their bottom line on how we serve the veteran.

With that, Mr. Chairman, I know we have votes this morning, so I would ask unanimous consent the remainder of my remarks be entered into the record, and with that I yield back.

The CHAIRMAN. Without objection.

[THE PREPARED STATEMENT OF HON. MICHAEL MICHAUD APPEARS IN THE APPENDIX]

The CHAIRMAN. Members, we'll hold opening statements. Your opening statements, should you have one, will be entered into the record at the appropriate time.

The CHAIRMAN. Thank you for being here with us today. We have one panelist. We're going to hear from the Honorable Gina Farrisee, Assistant Secretary for Human Resources and Administration at the Department of Veterans Affairs.

I would ask that you would please stand, raise your right hand.

[Witness sworn.]

The CHAIRMAN. Thank you. You may be seated.

Your complete written statement will also be made a part of the record. Thank you for being here with us this morning, Secretary Farrisee, and you are recognized for 5 minutes.

STATEMENT OF HON. GINA FARRISEE, ASSISTANT SECRETARY FOR HUMAN RESOURCES AND ADMINISTRATION, U.S. DEPARTMENT OF VETERANS AFFAIRS

STATEMENT OF HON. GINA FARRISEE

Ms. FARRISEE. Chairman Miller, Ranking Member Michaud, distinguished members of the committee, thank you for the opportunity to appear before the committee to discuss VA's senior executive performance management system.

I would like to express on behalf of the VA workforce our commitment to the Department's veterans. To accomplish this mission, we must recruit and retain the best talent, many of whom require special skills in health care, information technology, and benefits delivery.

In particular, VA requires talented senior executives to manage the complex set of VA facilities and programs. We are competing in tough public and private labor markets for skilled personnel. To remain competitive in recruiting and retaining, we must rely on tools such as incentives and awards that recognize superior performance. However, we also acknowledge that we must do a better job in holding our employees and our leaders accountable.

Our senior leadership must become more engaged in managing executive performance plans, to include counseling, midyear assessments, and documentation. We realize that improvement in SES performance management also serves as a model for the General Schedule workforce performance appraisal process.

The key is stringent and precise implementation and oversight of all performance plans, whether for executives or General Scheduled employees. Equally important is that we have good performance training programs for executives.

Performance management has many challenges. By its nature it is very subjective and complex. It is used to identify superlative and poor performers, and it is the foundation of development and mentoring. Senior executives must understand how to craft good critical elements for their subordinates that are practical for performance management purposes. They must also fully understand the process and know how to document assessments so that decisions on poor performers will be defensible. Leaders must confidently communicate directly with the subordinate and prevail during the due process steps that follow such decisions.

The VA is fortifying existing efforts to train executives on the fundamentals of performance management and how to confront poor performance. We cannot assume that our executives are skilled in these areas. Our executives must receive frequent and better training on the performance process and guidance on confronting poor performers.

The data shows that VA's implementation of the SES performance process has become more rigorous over the last few years. From 2010 to 2013, the VA decreased the percentage of outstanding ratings from 35 percent down to 21 percent.

We presently have an OPM-certified senior executive performance appraisal system. To receive OPM certification, agencies must demonstrate adherence to laws and policies in the evaluation of senior executives and distribution of awards. Agencies must also

make meaningful distinctions in the evaluation of senior executive performance plans to receive the certification. The certification is rigorous, and failure to receive certification has significant consequences to a Federal agency.

As outlined in the statute, monetary awards were designed to be part of SES compensation. That is the premise of pay-for-performance law. Failure to recognize value and performance puts VA at the risk of accelerating retirement, resignation and/or transfer to other agencies or the private sector of some of the Department's most effective senior talent.

The process VA uses is described in my written testimony, but I would like to just touch on some of the high points. Most important is that the VA has uniformity in evaluating executives, and has a single performance management system for both Title 5 and Title 38 employees. We use five rating levels in the VA and have published standards for these five ratings.

Presently VA certified performance appraisal system goes beyond the minimum standards set by OPM. In 2011, VA added a reviewing official, which is not required, as part of the rating process for most senior executives. This reviewing official is responsible for highlighting any areas of disagreement with the rating official and providing a second, more senior review. In addition, the Department formed performance review committees that conduct an initial review of appraisals prior to the review of the VA Performance Review Board. The addition of a review by the VA committees prior to the VA Board is an added feature that looks at consistency throughout the VA lines of business. We are also currently refining our policy on deferred ratings to ensure clear, concise guidance on the process, step by step.

In closing, it is clear that VA must do a better job of holding our executives and employees accountable for poor performance. Good organizations establish clear standards, train employees to meet those standards, and then hold them accountable. VA cannot assume that our executives are adequately skilled in performance management, so we are taking steps to refine our training courses to address the shortfalls. In order to better serve our veterans, VA must continue to attract and retain the best and brightest leaders.

Thank you for this opportunity to appear before you today, and I look forward to answering your questions.

[THE PREPARED STATEMENT OF HON. GINA FARRISEE APPEARS IN THE APPENDIX]

The CHAIRMAN. Thank you very much for being here with us. According to your testimony, from FY 2010 through 2013, not a single member of the SES, a pool of 470 individuals, received a less than fully satisfactory or successful rating; is that correct?

Ms. FARRISEE. That is correct.

The CHAIRMAN. Knowing what we know now about the fraudulent actions being taken in facilities all across this country that have harmed our veterans, do you think that the Department's assessment that 100 percent of senior managers at VA have been fully successful in the past four years is in line with reality?

Ms. FARRISEE. Mr. Chairman, if we knew what we knew today at that time, it is unlikely that their performance would have reflected what it reflected at the time the reports were written.

The CHAIRMAN. Do you go back and change a performance review based on information that's gathered after the fact?

Ms. FARRISEE. Mr. Chairman, you cannot go back and change a rating once it has been issued to an employee as the final rating.

The CHAIRMAN. Even if there's information that was hidden from the raters?

Ms. FARRISEE. Even if there's information that was hidden.

The CHAIRMAN. Is that a law or a rule?

Ms. FARRISEE. It is a law.

The CHAIRMAN. Is it a law that needs to be changed?

Ms. FARRISEE. There are other ways to discipline employees for misconduct. If you find out——

The CHAIRMAN. Wait, wait, wait, wait. You're telling me if you find out somebody does something that specifically harms veterans, is potentially criminal, that the Department's position is you would not go back and change somebody's rating if you had the ability to do that?

Ms. FARRISEE. If we had the authority, we would use all authorities provided to us.

The CHAIRMAN. And so my question to you, is that something that you would recommend that this committee do is to look into having the law changed so that you can go back and change performance reviews?

Ms. FARRISEE. Mr. Chairman, if that was for across the Federal Government, I could agree with that.

The CHAIRMAN. Well, we're focused on the VA, okay? And the VA hasn't been doing very well lately. And I would hope that the anger and the frustration that I hear in the Acting Secretary's voice would filter through every employee and especially in the central office. Things have to change. We can't keep doing it the way it's being done.

Ms. FARRISEE. I concur, Mr. Chairman.

The CHAIRMAN. You're aware this committee has spent considerable time looking at the outbreak of Legionnaires' disease in Pittsburgh in the water system where it has been proven that there were at least six preventable deaths?

Ms. FARRISEE. Yes, Mr. Chairman.

The CHAIRMAN. During this time period Mr. Moreland, who was then the Director of the VISN, had the responsibility of overseeing this facility and was given a one-time $63,000 bonus. Are you aware of that?

Ms. FARRISEE. I am aware of it.

The CHAIRMAN. During questioning at a September 9th field hearing in Pittsburgh, then-Under Secretary Petzel told this committee that it was his understanding that Secretary Shinseki did not have the authority to rescind the bonus, but that he would look into that. Are you aware of that?

Ms. FARRISEE. I am, Mr. Chairman.

The CHAIRMAN. Did anyone ask you about VA's authority to rescind bonuses prior to Miss Helman's case?

Ms. FARRISEE. No, Mr. Chairman.

The CHAIRMAN. Anyone ask the Office of General Counsel?

Ms. FARRISEE. Mr. Chairman, I'm not aware.

The CHAIRMAN. Is it safe to say that Dr. Petzel then sought his own legal counsel on the matter and then never looked at it at all?

Ms. FARRISEE. Mr. Chairman, I would assume that he discussed this with General Counsel. General Counsel's views when I have talked to them about rescinding bonuses, that rescinding awards based on a rating that was already given to an employee in finality is we have no authority to take the rating back nor the award which is the result of that rating.

The CHAIRMAN. So how did we take Miss Helman's bonus back?

Ms. FARRISEE. Miss Helman's bonus was erroneously released. The VA does have a standard operating procedure of any employee who has an investigation ongoing that we have been made aware of by the IG or Equal Opportunity or other venues, we put them on a deferred list. Miss Helman's name was on the deferred 2013 list. Her rating should not have been released. It was never definitively said that was her final rating, it was not her final rating, and because it was not final, we took the opportunity to rescind that rating. We worked with General Counsel and also OPM.

It is unprecedented for that to have happened, but based on the fact that the VA has a standard operating procedure of maintaining deferred ratings, it was proven that that was not a final rating that was determined by the Secretary to be released.

The CHAIRMAN. Is it final now?

Ms. FARRISEE. It is not, Chairman.

The CHAIRMAN. Can you explain why?

Ms. FARRISEE. Her—it was rescinded. Her name is still on the deferred list. Until the investigation is complete, no decision will be made on that rating.

The CHAIRMAN. And she still is employed by the Department of Veterans Affairs and being paid her full salary?

Ms. FARRISEE. She is, Mr. Chairman.

The CHAIRMAN. Okay. And so you don't believe that it was extenuating circumstances or—I forgot what the term was that you used—that Dr. Moreland, who oversaw the VISN, that there were six preventable deaths, he got a $63,000 bonus, and nobody thought that was worth looking into to see if that could be rescinded?

Ms. FARRISEE. Mr. Chairman, I can't answer that. I wasn't there when that award was given.

The CHAIRMAN. Okay, thank you. Mr. Michaud.

Mr. MICHAUD. Thank you very much, Mr. Chairman.

Once again, thank you for your testimony.

Sometime my colleagues use the words like "bonus award" and "performance pay" interchangeably, but I understand they are different. Can you please explain—describe to us the different categories of additional pay available to VA senior executives?

Ms. FARRISEE. Yes, I can. There are several different kinds of incentives. There are relocation, recruitment and retention incentives that can be given in proper situations to employees. There are standards that we must meet in order to provide any of those incentives for our health care, doctors, and dentists. They receive what is called market pay and performance pay, which are in addi-

tion to a base pay. They all have different complex ways of calculation, but a normal Title 5 employee is not authorized for those pays. That is only for our physicians and our dentists.

Mr. MICHAUD. The Title 38 employees?

Ms. FARRISEE. Title 38, yes, sir.

Mr. MICHAUD. What's—can you discuss the performance award bonus initiatives and the tiered pay?

Ms. FARRISEE. The tiered pay for our awards is based on the ratings, the highest rating being outstanding, and then exceeds fully successful, and then fully successful. A determination is made by the Secretary at which level he will provide awards based on the ratings.

For the last two years, employees who received exceeds fully successful and outstanding were the employees who received awards. Those awards are calculated at different percentages. Part of the certification system by OPM requires that there be a differentiation made between levels of performance and those awards that are provided to those employees.

Mr. MICHAUD. Okay. What's the difference between a performance award and a bonus?

Ms. FARRISEE. We don't use the word "bonus." We only use the word "performance award."

Mr. MICHAUD. So just performance award.

Who's eligible? When you look at this issue, and I actually just got—the chairman and I received a letter on the 19th from the Senior Executive Association, and actually what was interesting in it as I went through, it says, reports for claiming large bonuses for Senior Executives at the VA often fail to note that few employees on the list provided are Title 5, which are SESs; that the largest—nearly all the large bonuses are for Title 38 employees. So what are the criteria used to determine who is provided each? I mean, is it different with Title 5 versus Title 38?

Ms. FARRISEE. Congressman, as far as the bonuses for Title 5 and Title 38, when we look at our SES performance awards system, they are the same. They would fall under the same categories of outstanding, exceeds fully successful, fully successful, and those percentages.

What is different about Title 38 employees is in addition to performance awards, they can receive market pay and a performance pay that is based on a separate contract if they are a health professional, if they are a physician or a dentist, with their superior at the medical center. So they have things in addition to Title 5 which are not—they are not a part of the performance appraisal SES system that I was speaking of.

Mr. MICHAUD. Some of the criteria for OPM certification includes alignment; that is, linking individual performance objective to organizational mission. The second is results; that is, performance expectation are linked to outcomes. And number three, the overall agency performance that is linked between individual performance objectives and overall agency performance.

If VA receives OPM certification, it must have met these criteria in aggregate. How do you explain the specific failures to this committee that we have discovered recently over the past several months?

Ms. FARRISEE. Congressman, as people received awards based on their performance appraisal, those decisions were based on them meeting critical elements that were written in their performance plans and proven by metrics, the words written in their performance appraisals by their superior. That is what the Performance Review Committee and Performance Review Board saw, basically the four corners of the paper, what was written, and that's what they went by.

Mr. MICHAUD. Okay, thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Mr. Roe, you are recognized for 5 minutes.

Mr. ROE. Thank the chairman.

Let me start by asking, I looked from FY 2010 to FY 2013. You mentioned in your rating system outstanding and exceeds fully successful. I just did the percentages, and they're unchanged. You just changed the mix a little bit, and if you add the outstanding and exceeds fully successful in 2010, it was 73 percent. If you look at 2013, it's 78 percent. Actually it went up. So that means there's an expectation, and it varied between 75 and 73. So you really didn't change anything other than the very top ratings so that the bonus or performance award or whatever you want to call it went down just a little bit. So fully 80 percent of people last year got an award and were exceptional out of the 470. Do you think that's normal in business, that every single executive is exceptional?

Ms. FARRISEE. Congressman, I can't answer that question about business.

Mr. ROE. Well, I mean, the awards here seem to say that. I mean, if you look at your own data. I'm not making this up. This is your data I'm looking at.

Ms. FARRISEE. Congressman, I understand. Based on the critical elements in the performance plan for those SESs and the results that were on those plans, that is what was——

Mr. ROE. Well, that means that you put the bar down here then so that anybody could step over it. If your metrics are low enough that almost everybody exceeds them, then your metrics are not very high.

Ms. FARRISEE. Congressman, that is something we should look at. Every performance plan is written for the fully successful level, and if they exceed that——

Mr. ROE. I got that. What I want to also understand is—I've asked this question for the last five or six hearings—is that to get a bonus or a performance award, whatever you want to call that, do you—is not sending veterans to the outside, to private care, is that part of the metric? And no one has answered that question. Is it yes or no?

Ms. FARRISEE. Congressman, I don't know, and I'll take that for the record.

Mr. ROE. Okay, thank you for that.

You mention, or at least it's in the evaluations that you have, the elements outlined for—is leading change, leading people, business acumen, building coalitions, and results driven. Those are the metrics that you go by. What are the specifics in there? I mean, how are they set up? I mean, all that sounds good, but what do you

actually have to do to get a $10,000 or in some cases $60,000 bonus?

Ms. FARRISEE. Congressman, in each of the performance plans, there is a template that goes out that says the guidance for the strategy of VA and what the employees must do to tie their organization and individual performance to the strategies of VA. That is how it is determined, and if they exceed, there are different critical elements, and——

Mr. ROE. And who decides that?

Ms. FARRISEE. It starts with the Secretary, who will put out VA's strategy plan and guidance, and then it is given to the administrations. They put additional metrics into their template.

Mr. ROE. Let me ask you this question: If you fraudulent, if you knowingly cook the books, as apparently what happened in Arizona—because if you do that with the IRS—let me give you an example. If you falsely put your claim out with the IRS and claim deductions you don't have, let me tell you what's going to happen to you. You're going to get penalized, you're going to pay the taxes, and you might go to jail.

Do you think that should happen to people who fraudulently put out information that led to the deaths of people, a lot worse than not paying your taxes. Do you think that should be part of what we should be doing here today, to look at people who absolutely played, gamed the system so that they could make some extra money, and veterans didn't get care? Because that's what will happen to you in other government agencies.

Ms. FARRISEE. Congressman, I believe when these investigations are complete that the Acting Secretary will ensure there will be accountability for those actions.

Mr. ROE. That's not an answer. I mean, my answer is somebody who—I mean, accountability to what? What does that mean? The question I asked is right now today in the IRS, you know this, if you and I put something down wrong, and we're audited, you know what's going to happen. We're going to pay back taxes, we're going to pay penalties, and we might go to jail if it's really bad. So the question I have is, should that metric, that same standard, apply to people who are in the VA who have fraudulently done this, if they have?

Ms. FARRISEE. If given that authority, I am sure it would be used, Congressman.

Mr. ROE. Okay, thank you.

Mr. Chairman, I yield back.

The CHAIRMAN. Mr. Takano, you're recognized for 5 minutes.

Mr. TAKANO. Thank you, Mr. Chairman.

Ms. Farrisee, can you tell me how many employees under Title 5—and Title 5 is what we're talking about, the Title 5 employees who were involved in the bonus system. I know there's Title 38, but the Title 5 employees are the ones who were in charge of managing and responsible for the scheduling. How many employees received bonuses?

Ms. FARRISEE. Across the complete VA or only SES?

Mr. TAKANO. Well, give me the SES number first.

Ms. FARRISEE. Who actually received? Of the—about 78 percent of the SES, but that includes Title 5 and Title 38.

Mr. TAKANO. Okay.

Ms. FARRISEE. And there are Title 5 and Title 38 employees at the medical centers.

Mr. TAKANO. Okay. But with regard to the accountability for the gaming of the system, I'm trying to get a handle on how many of the employees are sort of accountable for that. I mean, I'm thinking the Title 38 are the providers that—you know, the medical practitioners that for other reasons are getting pay beyond their base pay, right?

Ms. FARRISEE. Correct, but it is possible there are some Title 38 employees involved in the scheduling as well.

Mr. TAKANO. Okay. But just give me an idea of how many employees were involved.

Ms. FARRISEE. Involved overall? I don't have that number, but I'll take it for the record.

Mr. TAKANO. Okay.

Ms. FARRISEE. The IG has not completed their investigation, so we really probably do not have the final number right now.

Mr. TAKANO. Well, how much of the—I mean, we've talked somewhat about how the incentives maybe should be based on outcomes rather than these metrics, but I'm trying to get a handle on why the metrics—we lost control of them. I've heard testimony that had to do with the technology, that we didn't have a—that we had a scheduling system that was easy to game. Is that your assessment, too?

Ms. FARRISEE. I don't know enough about the scheduling system to make that assessment.

Mr. TAKANO. Okay. Well, because I just wanted—the number of employees that were involved just made it very difficult for anyone to, you know, look at how people were scheduled, how veterans were scheduled, and if there's a lot of employees, I can imagine that the scheduling component of the Vista system apparently was vulnerable to this sort of gaming. But you don't have—this is not in your expertise?

Ms. FARRISEE. Unfortunately it is not, Congressman.

Mr. TAKANO. Well, what other incentives could the VA use to recruit and retain health care providers beyond bonuses and performance pay?

Ms. FARRISEE. We have recruiting incentives, relocation, retention incentives once they are on board. We have authorities from OPM to give those type of incentives for hiring difficult-to-fill positions, difficult locations sometimes, and skills.

Mr. TAKANO. Well, we know that the VA loses health care providers to the DoD. Why hasn't the VA considered increasing the base pay of the VA health care employees so that they receive comparable pay to the DoD?

Ms. FARRISEE. I'm not aware that it's not comparable pay to DoD. I'll have to look at that.

Mr. TAKANO. Okay. I would appreciate that. Thanks. I just wanted to know if that's true.

Has the VA considered offering other incentives such as loan repayments or increased pay for VA providers willing to work in rural and underserved areas?

Ms. FARRISEE. We have not looked at that, Congressman.

Mr. TAKANO. Well, that's interesting.

So my understanding is the rural areas, the rural areas and underserved areas, is this typically—well, we don't know enough about the investigation to know how this gaming of the system sort of matches up, whether we're seeing the manipulation of wait times sort of be more prevalent in these underserved or rural areas.

What additional professional opportunities could the VA offer its health care providers to recruit and retain those who are dedicated to serving veterans?

Ms. FARRISEE. I think we are doing things like market pay, which gives them an additional pay to the base pay, the performance pay, the contracts that they do with their individual superiors. All of that gives them additional pay for us to try to meet the external payments. We'll never meet it, but we do try to make it more attractive.

Mr. TAKANO. Thank you.

The CHAIRMAN. Thank you, Mr. Takano.

Mr. Runyan, you're recognized for 5 minutes.

Mr. RUNYAN. Thank you, Mr. Chairman.

And it's really two observations, and I want to say there's probably not a lot of people—on the basis of what all these discussions we're having, I don't think there's a lot of people on this committee that really have much faith in a lot of the metrics that we use VA-wide, because I know we all go to whether it's our health centers or our regional offices and are totally confused by any metric they throw at us, and to be able to award performance awards off of those type of metrics are mind-numbing to me. And to go back to what Dr. Roe really said, and I think you testified to it, you're setting out a template, the Secretary is setting out a template. How low is that bar really?

Obviously in my past career, we had performance incentives all the time. We had several tiers of it. We would have two categories would be "likely to be earned" and "unlikely to be earned," and it would actually count against the salary cap of that team. It wasn't either all in or all out; there were tiers to it.

But I just wanted—and I'll end here and I really don't have a question. I just want to say; to be able to have something you're going to set a bar that low and not be able to really truly measure it, incentives are great, and I don't think anybody here would agree that uniformly across the VA that they're being applied equally. And you've said it, too: It's very subjective. The basis of it is getting the facts, and I think we're so far away from that at this point, I really don't even have a question for you, because until we fix that, having the discussion about performance incentives, you can't even have the discussion because there's no basis of fact to have it on.

So with that, I yield back, Chairman.

The CHAIRMAN. Thank you very much.

Ms. Kuster, you're recognized for 5 minutes.

Ms. KUSTER. Thank you very much, Mr. Chairman.

And thank you for your testimony before us today.

I'm feeling like we're experiencing what they would call in the academic world grade inflation, or what Garrison Keillor would refer to as all of the children are above average.

Coming from the private sector, it's hard for me to believe that 80 percent of employees can be either outstanding or this other category that is above and beyond what the expectation is, and it makes me feel like the expectation is lowered to a place that doesn't serve our veterans the way we had wished.

But I want to focus in on where we go from here and how we can fix this problem, because obviously this is a bipartisan issue. We are all concerned. Fortunately, this is one of the few bipartisan committees where we can work together and make a difference.

My concern lies in how we can fix this situation or help the VA to fix this situation, because it doesn't appear that the policies provide for a methodology to make this kind of change, and by that what I mean is that we have had some oversight, but at the end of the day, it doesn't seem to change. And I just want to make reference to the VHA is unable to assure that although they identify problems, that the problems will be corrected and to not recur. This is a review of one medical center a year later found the identical problems, but it doesn't—you don't end up with a change.

And I want to focus in on is there ever an opportunity in the system that we have now where 80 percent of the people get enhanced pay—is there ever an opportunity for reduction or denial of this enhanced pay? And just moving forward, now that we know what we do know, what will be the consequences to people that, frankly, were lying and cheating and stealing both veterans' health care and taxpayers' hard-earned dollars?

Ms. FARRISEE. Yes, Congresswoman, thank you for that question.

I do believe there is room for change. Part of that change will come with more training of our Senior Executives and understanding our critical elements that are put in the performance plans in establishing very real goals; and the metrics we have talked about, and ensuring that our metrics are not too low; that, in fact, you must perform to reach that "exceeds" and that 'outstanding' rating; that we pay much more attention.

We have now automated the system of the performance appraisal system. I personally could not see them until they came into hard copy previously. This is the first year it's an automated system; we'll have a chance to look at all the metrics in advance. We will do a lot more training with our Senior Executives on what these critical elements mean and how our Performance Review Committees and Performance Review Boards need to view these metrics. I am certain also——

Ms. KUSTER. What about lack of performance? Can someone lose their job? Can they get docked pay? Is there any capacity in this system to take action when performance is less than stellar, which apparently it is for 80 percent of the people?

Ms. FARRISEE. Yes, Congressman, there is absolutely a process to do that. You can——

Ms. KUSTER. What does that entail, how someone would get fired?

Ms. FARRISEE. It entails proposal of removal, if we are talking about removing somebody from the Federal Government. That employee would have a right to respond. They get a 30-day notice period. Then they can respond orally, say if there's any mitigating circumstances. That paper then goes to the deciding official, who

would take into consideration what the employee says. And then a decision maker will make within 30-days a decision on the personnel action to happen. Depending on what the evidence is for what the employee has done wrong, there is a range of things you can do to an employee.

Ms. KUSTER. Well, can I ask you, would criminal conduct be evidence of lack of performance?

Ms. FARRISEE. It would be misconduct.

Ms. KUSTER. And would misconduct be sufficient for someone to lose their position?

Ms. FARRISEE. If the evidence proves that through investigation, yes, that is possible.

Ms. KUSTER. And how about lying to the extent that it wasn't a crime, but it was certainly harmful to veterans being able to get access to care?

Ms. FARRISEE. There is certainly a range of punishment, and depending on all of the details of that, it is possible they could be proposed for removal depending, again, on the evidence and the details.

Ms. KUSTER. Thank you very much. My time has expired.

Thank you, Mr. Chair.

The CHAIRMAN. Ms. Kuster, thank you very much.

Mr. Benishek, you're recognized for 5 minutes.

Mr. BENISHEK. Thank you, Mr. Chairman.

Thank you for being here, Ms. Farrisee.

Dr. Petzel testified in February of this year in the Subcommittee on Health that six SES employees had been involuntarily removed in the last two years. However, we've tried to get the information as to what the details are of that, and we haven't gotten that. Are you aware of this?

Ms. FARRISEE. Congressman, you did receive that yesterday. I know it just came yesterday, but the committee did receive that from the VA yesterday.

Mr. BENISHEK. Okay. So if that's correct that six people were removed, and not a single person in the SES received less than a satisfactory rating, how does that removal take place?

Ms. FARRISEE. Removals—once they were removed, they did not receive a rating, so they would not show up in having received a less-than-satisfactory rating. So when you see numbers that show no unsatisfactory ratings, it's a little misleading because those employees then did not get followed up with a rating because——

Mr. BENISHEK. So you're telling me that there is actually unsatisfactory ratings, but they're just not listed?

Ms. FARRISEE. Congressman, once somebody departs, they do not receive that rating.

Mr. BENISHEK. That's not accurately depicting what's really going on.

Ms. FARRISEE. That is true, Congressman.

Mr. BENISHEK. I am kind of concerned, too. Let me ask you this question. This is from my briefing here that an SES employee works with their supervisor to create a performance review plan for each fiscal year, and then they rate their own performance on each critical element at the end of each fiscal year.

Ms. FARRISEE. Yes, Congressman, and then——

Mr. BENISHEK. That's then reviewed by their direct supervisor.

Ms. FARRISEE. By their direct supervisor, their rating official, and then a reviewing——

Mr. BENISHEK. So they rate themselves?

Ms. FARRISEE. They put down all their accomplishments.

Mr. BENISHEK. Right. But they rate themselves, according to this, right? And then that process is reviewed by their direct supervisor?

Ms. FARRISEE. It is, and then it's——

Mr. BENISHEK. And that either then is approved or disapproved by that direct supervisor?

Ms. FARRISEE. Correct.

Mr. BENISHEK. So the direct supervisor doesn't actually write the performance review themselves. The actual employee writes the performance review and the supervisor just okays it or disallows it. Is that what happens?

Ms. FARRISEE. The portion on the appraisal, there is a self-assessment on there that is optional, so the employee can put a self-assessment in there, but the rating——

Mr. BENISHEK. Does that usually occur?

Ms. FARRISEE. I'm sorry?

Mr. BENISHEK. Does that usually occur?

Ms. FARRISEE. In some of the ratings. Not all of them.

Mr. BENISHEK. Have you ever been involved in this process personally?

Ms. FARRISEE. I am just being involved in it since I've arrived at the VA personally. I've just finished doing my own SES appraisal plan. We are at the point of turning in our plans right now. You write your own plan.

Mr. BENISHEK. I guess I don't know this. How long have you been there?

Ms. FARRISEE. Since September in this role.

Mr. BENISHEK. So you haven't been a direct supervisor to anyone that's done their own plan yourself?

Ms. FARRISEE. I'm just doing that now.

Mr. BENISHEK. You're doing your own plan, but are you actually a supervisor, a direct supervisor?

Ms. FARRISEE. I am, and my deputy has provided to me his plan. We are not to the point of writing the final appraisal yet.

Mr. BENISHEK. Do you think this is a good idea, that the employee themselves writes their own plan?

Ms. FARRISEE. Well, before——

Mr. BENISHEK. I mean, it seems to me that would lead to an 80 percent percentage of people getting good results.

Ms. FARRISEE. Congressman, I understand, but before that plan is written, there is discussion with the ratee and the rater. They don't just go off and write a plan without some sort of discussion of what's reasonable and what should be considered exceptional.

Mr. BENISHEK. That's what you say, but the process seems to indicate that the guy writes his own plan; if I do this, this, and this over the next year, I'll be successful. Then he accomplishes that and even better, and then he gets a superior rating, you know. I mean, this whole—I mean, the questions that have been previously brought up here in the committee tend to think that there's not a

real rating going on here, it's just everybody is getting a good rating. And, you know, I'm very concerned with the fact that people are writing their own review plan, and it just gets checked by the supervisor, and then the numbers that you present to us aren't accurate, and zero percent, and there's six people removed.

And there's inconsistencies in your testimony and in the testimony of Dr. Petzel. It's very disturbing to me that here we are in the middle of trying to reform the VA, and we get inconsistent answers, and it makes us not want to trust anything that comes from you people.

Ms. FARRISEE. Mr. Congressman, the numbers that we provided as far as the ratings are when there is actually an appraisal plan. We did not do those on the individuals who departed. That's why they don't show up in the numbers.

Mr. BENISHEK. Well, it's very disappointing to me, you know, to get these answers from you today.

I think I'm out of time.

The CHAIRMAN. Thank you, Mr. Benishek.

Ma'am, you said that the self-evaluation or senior executive self-assessment is optional. Are you sure it's optional?

Ms. FARRISEE. As part of that plan, there is——

The CHAIRMAN. I'm looking at the performance appraisal form, senior executive performance appraisal form.

Ms. FARRISEE. The 3482?

The CHAIRMAN. Yes, 3482.

Ms. FARRISEE. And there are rating official narrative that is on——

The CHAIRMAN. Right. I guess what I'm looking at, the only place I see that's optional is if the person is asking for a higher-level review for their pay, or it's optional to put a letter of input, but the other two sections, section 3, senior executive self-assessment, does not appear to be optional.

Form 3482, section 3, senior executive self-assessment. Describe your accomplishments, outcomes and results. I think you just told Mr. Benishek that was optional. Is it?

Ms. FARRISEE. I'm going to take that back and say I may have misspoken. Can I get back with you on this, Chairman?

The CHAIRMAN. Yes, you can.

Thank you very much.

Ms. Brownley.

Ms. BROWNLEY. Thank you, Mr. Chairman.

Thank you, Ms. Farrisee.

So now I understand you've been in this position for a short period of time. Were you in human resources with the VA prior to?

Ms. FARRISEE. I was not. I retired from the Army.

Ms. BROWNLEY. Thank you.

So it's been widely reported in newspapers that the Regional Director in Pittsburgh, I think, received a performance pay award of $62,000. You're aware of that?

Ms. FARRISEE. I am aware of that.

Ms. BROWNLEY. So I'm just trying to do the calculations here, and I will add, $62,000, the median income in the county that I represent is $76,000, so I just want to state that for the record.

But so if you—if this employee received $62,000 in a bonus, and in your testimony you said that the performance pay cannot exceed 20 percent of the base salary for an SES employee, then if you do the math on that, then the base salary is over $300,000.

Ms. FARRISEE. Yes, Congresswoman. That award was because of a Presidential Rank Award.

Ms. BROWNLEY. And what's special about that?

Ms. FARRISEE. Very few of those are given each year and——

Ms. BROWNLEY. So that doesn't follow any of the rules that we have been talking about?

Ms. FARRISEE. It is not an award given by the VA.

Ms. BROWNLEY. I see.

So I know this hearing is about performance pay, but there is also a retention incentive pay?

Ms. FARRISEE. Yes, Congresswoman.

Ms. BROWNLEY. And so the process for awarding retention incentives, I presume, differs from performance pay incentives. And so do you have the information on what percentage of SES employees received retention incentives last year? Is that—can they receive both retention pay and performance pay?

Ms. FARRISEE. They can receive both, Congresswoman. We currently have 40 SESs out of the 470-some SESs who receive retention incentives.

Ms. BROWNLEY. And is there a cannot exceed percent for retention pay?

Ms. FARRISEE. There is.

Ms. BROWNLEY. What is that?

Ms. FARRISEE. Twenty-five percent of their salary per year, and it can be given up to four years.

Ms. BROWNLEY. Are there other kinds of awards that we're not aware of beyond performance and retention?

Ms. FARRISEE. Relocation incentives. If you are asking—reassigning someone, you can offer a relocation incentive, and a recruitment incentive for people new joining the agency.

Ms. BROWNLEY. And the—is there a cannot exceed percentage?

Ms. FARRISEE. On all of them there is a percentage and a number of years it can be given. That is across the Federal Government.

Ms. BROWNLEY. In 2010, the VA did its own review. Can you just describe what specific actions the VA took to reform and restructure the SES bonus structure from the results of their own internal review?

Ms. FARRISEE. I'll have to take that for the record, Congresswoman.

Ms. BROWNLEY. Similarly, a GAO report in 2013, and I wanted to know what specific action has the VA taken to improve the performance pay policy since that was issued?

Ms. FARRISEE. We updated our handbook that was missing some very key points that the GAO pointed out, and we put out an updated handbook in March to include everything they asked us to include.

Ms. BROWNLEY. Can you just describe some of those elements?

Ms. FARRISEE. One of the elements was not meeting a 90-day time frame in which you would counsel and talk about this per-

formance pay. It has to be put in a plan that has to be done within 90 days. We did not have a time frame in the handbook. Things were not being done according to policy.

Ms. BROWNLEY. And finally, can you—have you—as the Assistant Secretary for Human Resources and Administration, and given the situation that we are in currently, have you been able to assess the IG's ability to investigate this just in terms of personnel in human resources, and do you believe that they have enough resources to do this?

Ms. FARRISEE. Congresswoman, I cannot personally assess it, but I have heard the IG in testimony say that he has enough resources to do this.

Ms. BROWNLEY. But you don't do that as a practice to review their resources?

Ms. FARRISEE. Not the IG's, no, ma'am.

Ms. BROWNLEY. Thank you. I yield back.

The CHAIRMAN. Thank you very much.

Mr. Wenstrup, you're recognized for 5 minutes.

Mr. WENSTRUP. I thank you, Mr. Chairman.

I have some questions concerning the whole evaluation system. And I guess I'd like to compare it to how the military does it for officers. And, you know, you can do a support form, you fill out a support form for your superiors, you talk about what your goals were for the year, whatever the case may be. So, as I understand it, that would be part of the process——

Ms. FARRISEE. It is.

Mr. WENSTRUP [continuing]. Currently.

And, you know, through the process with the military, you do have meetings periodically with your rater to see if you are achieving those goals. It also gives the rater the opportunity to add other goals that you may want to put in there. Does that take place?

Ms. FARRISEE. That is correct.

Mr. WENSTRUP. Okay.

Do you think that there's a point in time where the person's just pretty much writing their own evaluation, sending it electronically, and maybe the rater is just cutting and pasting and putting it in there and sending it off approved? Do you think that happens within the system? I know you haven't been there very long.

Ms. FARRISEE. I haven't, so I cannot comment that it does or doesn't happen.

Mr. WENSTRUP. Okay. Because that would be a concern of mine, that this is just kind of a network here. You know, why don't you just fill it out, send it along to me, and we'll be okay.

I'm also wondering how much the VA's core values come into play when it comes to evaluation. Can you tell everyone what those core values are?

Ms. FARRISEE. We have core values: ICARE, or integrity, commitment, advocacy, respect, and excellence. That is a part of our performance appraisal plan.

Mr. WENSTRUP. Is there a part in there where the rater then can take those values and comment on those values on that person?

Ms. FARRISEE. Yes, there is.

Mr. WENSTRUP. Because it seems to me that some of the people, especially the part on integrity, really fell short and yet some people got their performance payment. Would that be correct?

Ms. FARRISEE. Congressman, at the time it was written, we may not have understood there was an integrity problem. If that were to be written right now, once the investigation is complete, I would expect to see that.

Mr. WENSTRUP. Okay. Well, I was really just trying to understand your process more, I think.

And I yield back.

Ms. FARRISEE. Thank you, Congressman.

The CHAIRMAN. Thank you very much.

Mr. Ruiz, you are recognized for 5 minutes.

Mr. RUIZ. Thank you, Mr. Chairman, for holding this hearing.

Thank you for being here.

We know, based on the latest data released in the VA Access Audit, that 46,400 veterans who enrolled in the VA health system in the past 10-years haven't received appointments and that more than 56,200 veterans have been waiting more than 90 days for their first appointment at a VA medical facility.

Unconscionably, senior executive who oversaw health care facilities with manipulated data were awarded bonuses, based, in part, on faulty wait times and, as Mr. Wenstrup said, clearly demonstrating a lack of integrity.

As an emergency physician, I am appalled by the thought of VA officials covering up the fact that they are not providing much-needed medical care to our veterans and still obtaining bonuses.

So, in an effort to get to the bottom of this reprehensible behavior and ensure these executives are held responsible, I would like to know in what year bonuses started being tied to scheduling metrics.

Ms. FARRISEE. I'll have to take that for the record.

Mr. RUIZ. It's important to know, because then you can clearly see the difference between pre-bonus and post-bonus. And things don't move very fast in the VA, including behaviors and performances, so it would be very important to determine which facilities had those drastic changes.

Also, I spoke to some of my veterans back home. There's a veteran, Major Bill Young, a very well-respected man, good human being. And he is in line with the veteran-centered approach, which I absolutely agree with. And his question is, are there any bonuses based on patient satisfaction feedback?

Ms. FARRISEE. I'll have to take that for the record to see if that is a metric in any of the appraisals.

Mr. RUIZ. Okay. I think that there's a—we need a very drastic cultural change so that when that question is asked again it should be in the top three answers as to what our VA personnel are measured against. Number one, two, and three, a patient-centered, patient-feedback bonus. Okay?

And has there been any analysis of the effect of bonuses on scheduling metrics?

Ms. FARRISEE. There has not been analysis to this point.

Mr. RUIZ. Okay.

What was the exact criteria for awarding these bonuses regarding scheduling metrics?

Ms. FARRISEE. The scheduling metric, to my understanding, was to have the schedule within the 14-day time period.

Mr. RUIZ. Okay.

And, you know, I think my closing comments here—and we are talking about bonuses. You know, my father worked in the fields—hard manual labor. He was a mechanic, he was a truck driver. He did whatever it took to put food on my table and to pay for our education, something he didn't have. And he taught me the value of an honest day's work. And he said, son, whatever you do in life, just work hard, be the best at it.

And honesty and integrity are the values of this country, and those are the values that America was founded on. And lying to get a bonus flies in the face of our values as Americans. And I think that we really need to have some introspection within the VA system to come back to those root values that make this country great.

Thank you, and I yield back my time.

The CHAIRMAN. Thank you very much, Doctor.

Mr. Cook, you are recognized for 5 minutes.

Mr. COOK. Thank you, Mr. Chair.

There has been some conversation about, once the evaluation report is written, that you cannot undo that. Can't you have a supplemental or a special fitness report, per se, based upon certain circumstances under somebody's watch?

Ms. FARRISEE. I'm not aware of doing one in addition to their annual appraisal.

Mr. COOK. So if something like this happens that shows the character or unsatisfactory performance, there's nothing that goes in the jacket of that individual that gets these bonuses or what have you?

Ms. FARRISEE. That would be included in their current-year appraisal——

Mr. COOK. No, no, I'm talking about, because of what happened and things that happened on their watch, that they get a special fitness report based upon unsatisfactory performance.

No? Okay.

I just want to go on to a couple of things here.

We had a number of veterans testify, I don't know, maybe six weeks. And I asked them—basically, I was using the comparison of the military being, you know, fully combat-ready or non-combat-ready. And I used it analogous to the VA. And everybody was here. And across the board, everybody went down the line and basically said they're not mission-capable, which everyone here, I think, has that same agreement.

But it seems as though mission—and we've talked about mission performance standards and everything, but we don't apply them. We're not taking care of veterans. That is the bottom line. And we're talking about all these intangibles, and we're not doing the job we're supposed to do.

I want to ask you, have you ever heard the term "truth-teller"?

Ms. FARRISEE. "Truth-"——

Mr. COOK. "-Teller." "Truth-teller."

In the military, at least in the Marine Corps, you know, you had great—everybody's outstanding, you know, you write your own evaluation report, you love yourself, blah, blah, blah, blah. A truth-teller takes everybody that's in the same rank, whoever is writing the evaluation, and you have to list them: one, two, three, four, or five. Because everybody is outstanding.

And everybody here is outstanding. But some people are better than others. And that evaluator has to do that. And I don't see that happening. I think you need—if you're going to give everybody bonuses on being outstanding and you rate everybody outstanding.

Let me ask you a question. Have you ever heard of the term "BENESUG"?

Ms. FARRISEE. No, Congressman, I haven't.

Mr. COOK. All right. "BENESUG"—maybe, I don't know, I guess if you're old or been around a long time. "BENESUG" meant "beneficial suggestion." It was in at least the Marine Corps; I thought it was in the Army. It's a beneficial suggestion, where you might get a promotion, you might get a bonus. And a suggestion normally from one of the troops that knows what's going on. "Hey, the scheduling system is all screwed up for the following reasons, and this should be changed," blah, blah, blah, blah, blah.

Instead of giving ratings to everybody outstanding, I think you ought to look at this, where the people that deal with this have an incentive to change it, instead of an automatic bonus, if you will, that, quite frankly, when you do that, I think it makes it ridiculous, when a lot of people in this room, even the veterans themselves, think that the Veterans Administration is not performing the services that they're supposed to.

I got a—let's see. Going into some of the other things, I had my—you talked about core values and everything else. Now, in the evaluation system, going back to mission performance standards, about taking care of the veterans, is that part or spelled out? Is that the bottom line on the evaluation? You know, because integrity is open to interpretation, but this is a "yes" or "no." Is this organization, or your organization, fully capable of taking care of veterans, and have they done that? Is that part of the evaluation system or the evaluative process?

Ms. FARRISEE. Not stated in those words, but it is part of the process.

Mr. COOK. It's not stated——

Ms. FARRISEE. In the exact words you just said, but our mission is to take care of veterans.

Mr. COOK. Do you think that's got to be reinforced over and over again? Because right now, from a cultural standpoint, it doesn't seem to be happening. You go back down there and you start with that premise.

It's like we talked a lot about taking care of veterans, taking care of people on the battlefield, band of brothers, band of sisters, et cetera, that's what holds the military and the veterans together.

Ms. FARRISEE. Congressman, I believe that the majority of our employees do advocate for our veterans.

Mr. COOK. Okay.

I yield back. Thank you.

The CHAIRMAN. Thank you very much, Colonel.

Mr. O'Rourke for 5 minutes.

Mr. O'ROURKE. Thank you, Mr. Chairman.

And I'd like to start by continuing a line of questioning begun by Mr. Roe and Mr. Takano and others and look at the local VHA facility level, the hospital or the clinic. And so many of us are concerned about a provider shortage and what it will take to attract and retain the best talent possible to serve the veterans that we represent.

And so I'd like to understand how salaries and incentives are set for the providers, the doctors, psychiatrists, nurses, nurse practitioners, and others who actually provide the care to our veterans.

Ms. FARRISEE. It is a complex process of calculations on market pay so that we can look at what the national pay is and that is used in calculating what we recommend for pay. It's in addition to a base pay. So if we are talking about SESs and we talk about a Title 5, there is no addition to any of their base pay. Our Title 38, which are our physicians and dentists, will receive in addition to that base pay this market pay, which we must do these calculations to.

And then, also, they can receive a performance pay that has nothing to do with an award of performance, but it is a contract and objectives that they must meet in order to receive that performance pay.

Mr. O'Rourke. And so, apart from the formulas and the calculations, does the local VHA director have discretion to deviate from those formulas to attract or retain somebody who's needed in that community?

Ms. FARRISEE. They can request recruitment incentives, and they can request relocation incentives or retention incentives. If it's someone that they have already on board they want to keep, they can request those type of incentives.

Mr. O'ROURKE. And is there any—I want to make sure I'm using the right words; we don't use "bonus"—but any incentive offered to a VHA director for returning money back to the VA or coming in annually under budget or not spending a certain amount or over a certain amount in a certain category?

Ms. FARRISEE. There is not—I would not say an incentive.

Mr. O'ROURKE. So no part of a VHA director's performance incentive is based on how they performed financially?

Ms. FARRISEE. They would need to stay within budget, absolutely, but——

Mr. O'ROURKE. So there's a penalty for going over but no reward for coming under.

Ms. FARRISEE. Not that I'm aware of.

Mr. O'ROURKE. Okay.

One of the things we're trying to figure out in El Paso is—I've brought this up repeatedly at this committee. We have a mental health care crisis and one that was confirmed by the VHA audit release last week that showed we are the worst in the country for setting an appointment for an existing veteran patient within the VA for mental health care, fourth worse for new patients, second worst for specialty care.

And for those of us in El Paso, it's not a surprise. We've known it for a while. And what we've been told, as providers and others

within the VA in El Paso and the VISN 18 that we're in start to come to our office, in many cases anonymously, is a deep concern that the director is not providing those discretionary incentives to attract and retain people.

So if we have these terrible performance measures in terms of being able to connect a veteran with an appointment, if we have a provider shortage—it was 19½ full-time employees when I started a year and a half ago; it was 13½ as of last month—I'm wondering how we can provide greater incentives or leverage or discretion to the local director to bonus or incent providers to get them or keep them in the first place.

Any thoughts on how you might be able to do that, how the administration might be able to do that, or how we on the committee who are interested in this might propose if we need to change legislation to do this?

Ms. FARRISEE. I would need to know what incentives they have already attempted to do, if they have, or if there is anything we can do to help them look at those incentives.

Mr. O'ROURKE. We, again, had an acute issue—have an acute issue when it comes to providing mental health care at the El Paso VA. And we were told by an anonymous source within the VISN that, until we really started to push on the director, he had not once deviated from the formula recommendation for what you pay someone to practice medicine at the VA in El Paso. And it was only through our pressure that there was this one deviation that ended up in hiring a much-needed psychiatrist to El Paso.

It's very hard to get direct answers from the local VHA and even through the administration, as we've seen. I look forward to following up with you to find out what those formulas are, how we improve them or change them, what discretion there is, and how we hold people accountable for their performance, given the discretion and power that they already have.

Ms. FARRISEE. Yes, Congressman.

Mr. O'ROURKE. Mr. Chair, I yield back.

The CHAIRMAN. Thank you very much.

Ms. Walorski, you're recognized for 5 minutes.

Ms. WALORSKI. Thank you, Mr. Chairman.

Thank you, ma'am, for being here.

You talked in your opening statement about stringent controls, clear standards. In your opinion—on these performance awards. In your opinion, what happened?

Ms. FARRISEE. On the awards?

Ms. WALORSKI. On the performance awards. How do we go from your opening statement of stringent controls and clear standards and end up over here with this massive amount of money and the revelation of Presidential awards and all these other awards, 20 and 25 percent of income, the 80 percent amount of people who receive them?

Was there any red flag? I know you've only been there since September, but when you came in and just over the past several months, as you look at this structure, were there any red flags or alarms or inklings or gut feelings or anything that says, "Wow, this is a lot of money," or anything to set off a red flag in your mind

that something is really, really wrong? Because it seems like it got away from the stringent controls and clear standards.

Ms. FARRISEE. Congresswoman, what I said in my opening remarks was we needed to have precise and stringent and clear standards. I feel that is what we need to do from here forward. I think we do need more stringent and precise written performance plans so that when you have——

Ms. WALORSKI. But my question is, were you aware of that prior to this whole blowup in the VA, that there was something out of line with the performance bonuses and that that's why you needed the stringent controls and the clear standards?

Ms. FARRISEE. No, it was because—prior to this year, we did not have an automated system, so you could not see these in advance. So having the opportunity to see these in advance and be able to look at these across the board prior to the end of the year I thought would allow us to have a better look and more precisely see, if we do have the correct metrics, if the right things are being done.

Ms. WALORSKI. So I have a question on the Presidential award. The Presidential award doesn't come out of VA budget, correct? It comes out—whose budget does it come out of?

Ms. FARRISEE. I'm not sure. I'll come back to you on that.

Ms. WALORSKI. Okay. And so, is there an allotment of money? Do we know how many people—how many employees we have that receive the Presidential award?

Ms. FARRISEE. Oh, very—very few. But I will get you that number.

Ms. WALORSKI. Okay.

Ms. FARRISEE. It's a very minimum amount across the Federal Government.

Ms. WALORSKI. Okay. I appreciate it.

Ms. WALORSKI. Could you also then get me for the State of Indiana a list of all the SES-level employees and for the past 5 years what their performance bonuses have been, as well?

Ms. FARRISEE. I will gather that information, and if it is releasable, absolutely, we'll release it to you.

Ms. WALORSKI. Okay. Do you know how long it'll take to get that, ballpark?

Ms. FARRISEE. A couple weeks?

Ms. WALORSKI. Okay.

And so, as you look at this, as we move forward and we look at this whole question, you know, I echo Representative Ruiz's question about when these incentives started, when was this thing tied to the matrix of the appointment times.

And then, also, I'm just curious, when we look at this—and I had heard just, I think, in some of the news report that this has only been in effect for a couple of years. But when we look at, like, a place like Phoenix, where over the last 3 years there has been something like $10 million in bonuses, I am trying to get my arms around why that didn't send signals or red flags somewhere in this system of the performance bonuses. It's such an inordinate amount of money even for just one place where this whole thing started with the investigation. It's unbelievable, the amount of money that has gone into this system.

Ms. FARRISEE. I've not confirmed that amount that's been spent in Phoenix, so I have to go back and confirm that.

Ms. WALORSKI. Okay.

And then, also, when you send the information on the Presidential bonuses, what I want to know is what budget it comes from, is there a cap on how much money comes from a Presidential bonus, how many people have received it, for how many years do they get it, just the details of that. I'd appreciate it.

Ms. FARRISEE. Yes, Congresswoman.

Ms. WALORSKI. Thank you.

I yield back my time.

The CHAIRMAN. Thank you very much.

Ms. Farrisee, I appreciate your legal answer, if it's releasable, you will get it to Mrs. Walorski. Let's make a deal. If you don't, we will subpoena it.

Ms. FARRISEE. I understand, Chairman.

The CHAIRMAN. Okay. Thank you very much.

Ms. Titus for 5 minutes.

Ms. TITUS. Thank you, Mr. Chairman.

I just want to echo some of the comments that have already been made by my colleagues and the concern about performance awards going to people who may or may not have earned them.

I think it was the chairman who pointed out earlier that the Director of VISN 21, which oversees part of Nevada, turns out had put false information on a resume, where she'd gone to school or that she had gone to school, but she rose all the way through the ranks to be the Director of that VISN. And that's an enormous task, overseeing tens of thousands of veterans that stretches all the way from Guam to Reno.

I'd wonder if you could tell us how you verify people's resumes or, when they file applications, how do you look to be sure that this wouldn't happen again.

And this woman also received these bonuses as she moved up the ladder. I think she's having to give some of them back now. But could you address that issue for us?

Ms. FARRISEE. Congresswoman, when we receive resumes, we call references, we do background checks. I have just heard of this recently this week, so I've not had the opportunity to look into that matter.

Ms. TITUS. Well, when you look into it, would you get that back to us?

Ms. FARRISEE. Yes, Congresswoman.

Ms. TITUS. Thank you.

Ms. TITUS. And then just kind of along those same lines, the Regional Office in Reno serves all the veterans of Las Vegas, which is where most of the veterans are in the State, but the office is in Reno.

I'm just wondering if, given the fact that that was one of the fifth—I think it was the fifth worst but one of the worst in the country for the backlog—backlogs there took over 500 days. The way you reduced the backlog there was brokering out over half of the cases to other places around the country. You've hired 25 new people, finally, after we've been harping about this for a year and a half. Those are now in southern Nevada, but they're overseen

over the telephone by somebody who's still in Reno. This person's had a number of problems. Surely, this is not a record of success.

Can you tell me if there's anybody in that Reno office who has gotten any of these performance bonuses over the last couple of years?

Ms. FARRISEE. I'll have to get back to you on that, Congresswoman.

Ms. TITUS. Okay. And, also, recruitment incentives, I'd like to find out if they've gotten any of those incentives in addition to just a bonus.

Ms. FARRISEE. Yes, Congresswoman.

Ms. TITUS. And would you get back to me on that pretty soon?

Ms. FARRISEE. Yes, I will.

Ms. TITUS. Thank you very much.

I yield back.

The CHAIRMAN. Thank you, Ms. Titus.

Mr. Coffman for 5 minutes.

Mr. COFFMAN. Thank you, Mr. Chairman.

Well, I certainly thank you for being here before this committee here today.

And if I understand it correctly, you kind of oversee the personnel system within the Department of Veterans Affairs, and as part of that is this performance pay system or this bonus system. Am I correct in that?

Ms. FARRISEE. You are correct, Congressman.

Mr. COFFMAN. Good.

Can you tell me how this bonus performance pay system works for veterans when they're serving on Active Duty? Can you tell me how that process works for them?

Ms. FARRISEE. Some Active Duty soldiers receive bonuses based on their specialty, but the majority of Active Duty soldiers don't receive bonuses.

Mr. COFFMAN. But on performance, can you tell me how the bonus structure works for performance for Active Duty military?

Ms. FARRISEE. There is no performance——

Mr. COFFMAN. That's correct.

Now, can you tell me about your own military service?

Ms. FARRISEE. I spent 34 years in the Army.

Mr. COFFMAN. I mean, that's amazing, that you would serve this country in uniform and yet you would be so tolerant to how this department treats our veterans. I think it's just absolutely extraordinary that—how can somebody go from the United States Army to this environment and yet not take the values from the United States Army into serving our Nation's veterans? I think it's just absolutely extraordinary.

And so, as you know, bonuses, if we do call them that for enlistment and reenlistment purposes, are based strictly on occupational specialties. When people perform in the military, they're rewarded through promotion, they're rewarded through various awards, but they are not financially driven, as they are in this department, which you seem to defend, this extraordinary system.

It just seems to be the only thing that the Department of Veterans Affairs is effective at doing is writing bonus checks to each other, those that are in leadership. I just think that that is stun-

ning. Certainly not serving our veterans, not providing a claims process that is at all expedient, not providing the health care that they have earned, you know, certainly fudging wait times to get these bonuses, which you don't seem to want to come down on these people for doing.

You ought to be outraged. You ought to be outraged at the manner that these veterans are treated. Based on your own background, you ought to be outraged. But you're not. It's all status quo to you. It's all, all things are good, maybe they could be a little bit better, but things are good.

Things aren't good. This is the most mismanaged agency in the Federal Government. Yet it is entrusted with honoring our commitment to those men and women who have made extraordinary sacrifices on behalf of this country. And I've got to tell you, I think we'll be better served as a Nation when you are working outside of the Veterans Administration and not inside the Veterans Administration.

Mr. Chairman, I yield back.

The CHAIRMAN. Mr. Jolly, you are recognized for 5 minutes.

Mr. JOLLY. Thank you, Mr. Chairman.

As Assistant Secretary for Human Resources, I'm sure much of the conversation today is not a case of first impression. The conversation is about metrics and what are appropriate metrics and how they are reviewed.

I presume there have been many conversations within the Department already, in the wake of the crisis, about how performance awards are distributed and based upon which metrics. Is that an accurate assumption?

Ms. FARRISEE. So much so that the Acting Secretary has already said there will be no awards——

Mr. JOLLY. Right.

Ms. FARRISEE [continuing]. For VHA.

Mr. JOLLY. So, within those discussions or based on your knowledge, and even if it's not factual, even if it's hearsay, are you aware of any metric that's been included in any executive's bonus or performance award system reducing the incidence of non-VA care at a facility?

Ms. FARRISEE. I am not aware, to my knowledge, that they've rewritten metrics at this point, other than taking out the 14-day——

Mr. JOLLY. No, I don't mean rewritten. I mean from existing bonus plans and identifiable metrics from 2010 to 2013, whatever's been reviewed, or generally, are you aware of any metric that's been used to award a bonus based on reduce in the incidence of referral to non-VA care?

Ms. FARRISEE. I'm not. I'll have to get back to you on that.

Mr. JOLLY. Okay. Is it something that could be looked at to see if that's——

Ms. FARRISEE. It certainly can be looked at, yes, Congressman.

Mr. JOLLY. Okay. To document it for the record, if I were to send a letter, would it be appropriate to send that to you?

Ms. FARRISEE. Yes, Congressman, that's fine.

Mr. JOLLY. Okay.

And I think Mr. O'Rourke asked the question about reducing costs. That's not a metric that you're aware of either?

Ms. FARRISEE. It's just that I'm not aware of it.

Mr. JOLLY. Sure, sure.

Ms. FARRISEE. It doesn't mean it's not there.

Mr. JOLLY. I understand.

The last question is this, and maybe you can clarify it a little bit, but you referred to almost an expansion of the review process, an additional layer of review that's been built in. And you've been there since September, and so maybe it's just a question about your impression. And this really isn't a VA question, but we often are asked—I ask the question all the time, I know a number of constituents do—how does government get so big?

It seems like there is an awful lot of money being spent on a very dense, bureaucratic process to ultimately come out at the back end and provide these performance awards. Can we do better? Is there a better way to streamline this? Can we reduce employees actually assigned to the bonus process?

I mean, just based on what you said, and maybe you can clarify it, it seems like there is a lot of bureaucratic infrastructure behind the process of determining what metrics need to be met and evaluating those metrics, which at the end of the day, as we've heard a thousand times, everybody's on the right side of the curb and everybody's determined to be above average.

Can we save money?

Ms. FARRISEE. Congressman, I concur it is worth looking at streamlining this process.

Mr. JOLLY. Do you know if the Acting Secretary is looking at streamlining the process?

Ms. FARRISEE. At this time, I don't think that's where his attention is, but we will definitely discuss it.

Mr. JOLLY. Okay. Thank you very much.

Mr. Chairman, I yield back.

The CHAIRMAN. Thank you very much.

Mr. Huelskamp for 5 minutes.

Mr. HUELSKAMP. Thank you, Mr. Chairman.

And I appreciate you being here today, Madam Secretary.

Don't you think retaining one's salary is enough incentive for an SES employee to do their job?

Ms. FARRISEE. That would be my personal opinion, but I cannot tell you how everybody feels. I've just joined the ranks of the civilian employment.

Mr. HUELSKAMP. Yeah, and you're here to answer those questions about that.

Now, the announcement, can you describe again—I'm unclear on this announcement about these SES bonuses in the future, how will they be handled. And they're suspended, deferred?

Ms. FARRISEE. The Acting Secretary has suspended any awards for 2014 for our SESs in our Veterans Health Administration.

Mr. HUELSKAMP. You also state that they're critical to retention and performance. So does that mean you're going to lose employees and performance will go down with this announcement?

Ms. FARRISEE. There is always that probability.

Mr. HUELSKAMP. Do you think that will happen?

Ms. FARRISEE. We did that last year with our Veterans Benefit Administration. I do not think we lost a lot of people because of that.

Mr. HUELSKAMP. Okay.

You also made reference earlier to a deferred list on bonuses. Can you describe that again? I didn't understand that concept there.

Ms. FARRISEE. Yes, Congressman.

At the end of every year, once the appraisals are complete, we ensure that we do a check with the IG, with EEO, to ensure that we don't have any of our SESs who are on what we consider a bad list, they're under investigation, there's anything possibly derogatory.

The IG provided us a list of 13 names. We then defer the rating. So they have received an appraisal, performance, and so they have a rating, but that rating is held until such time as the investigation is complete. And then that will go to the Secretary to receive the results of the investigation, to see the original rating that the employee received, and make a determination if that rating should be changed based on the results of the investigation.

Mr. HUELSKAMP. And I think I speak for most of my constituents, as well, that until the veterans waiting list is shorter than the deferred bonus list, probably no reason to move forward on the bonuses.

May 7th, 2013, a Mr. Glenn Haggstrom was before the committee. And he was the gentleman in charge of overseeing construction projects, which I think we determined at the committee hearing had massive failures, massive cost overruns. The bonus issue came up with him, I believe, as an SES executive, and I asked Mr. Haggstrom a lot of questions. And I asked him exactly why did he get the bonuses. It was some pretty massive bonuses for three years. And, Madam Secretary, he said he had no idea. He had no idea.

How is there a connection between performance when, shazam, the bonus just shows up in a paycheck? Are there personal visits every time between the immediate supervisor and folks like Glenn Haggstrom, or is it simply paperwork?

Ms. FARRISEE. There should be a personal visit. I cannot confirm that there is. They should have seen the rating and understand that the rating that they received is what is tied to the award amount. Depending on your rating depends on what percentage of an award you receive. And that rating is based on their performance.

Mr. HUELSKAMP. Well, according to Mr. Haggstrom's testimony on May 7th, 2013, there was no such visit, no such communication, and no connection, obviously, between performance and retention and his pretty significant bonuses.

Is that required in the rules and regulations, that there's an actual meeting?

Ms. FARRISEE. I do not believe a meeting is required.

Mr. HUELSKAMP. No required meeting. So exactly how does this improve performance if there—and no understanding of that?

I mean, well, I presume—and you've only been there nine months. And most of these—I guess there was end-of-the-year De-

cember evaluations for most of these folks, correct? And so you've been through that with your folks immediately below you, right?

Ms. FARRISEE. No. They were just receiving their final evaluation when I arrived.

Mr. HUELSKAMP. Midyear evaluations, you didn't go into this?

Ms. FARRISEE. Oh, midyear. We're going through that right now. Yes, Congressman.

Mr. HUELSKAMP. Okay. So the December evaluations, I understood from—you didn't go through the midyear—the December evaluations? Or who did those?

Ms. FARRISEE. We didn't—we do midyear about now, just in the last 30 days. It's not in December. It's——

Mr. HUELSKAMP. Okay. Well, end of the year is December. What did you do during those evaluation? Did you meet with your folks that worked for you?

Ms. FARRISEE. That's happening now.

Mr. HUELSKAMP. Okay. Well, midyear is usually—you went through this in December, though, correct? You came in September?

Ms. FARRISEE. I came in September, but——

Mr. HUELSKAMP. No end-year, no one else?

Ms. FARRISEE. Not in December. In fact, in December, we were just completing our performance review committees and performance review boards for the end of 2013 fiscal year.

Mr. HUELSKAMP. So you do those in June midyear, and then there's—is it just once a year?

Ms. FARRISEE. Just one midyear. But you can counsel and discuss with your employees——

Mr. HUELSKAMP. But the end of the year?

Ms. FARRISEE. October—September 30th.

Mr. HUELSKAMP. Oh, okay. So your predecessor went through that.

Ms. FARRISEE. Correct.

Mr. HUELSKAMP. And then you came in there.

So your predecessor was how long in the position?

Ms. FARRISEE. It was an acting, and I think he was there about a little over a year.

Mr. HUELSKAMP. Okay.

Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Thank you very much, Mr. Huelskamp.

Thank you, everybody, for being here today.

I have two quick questions, if you would.

Yesterday, after requests being made at three separate hearings by members of this committee, multiple staff requests, the VA did finally provide us limited information on the six members of the SES who were supposedly fired last year.

Subsequent to this information, the staff has requested a briefing on that. Can I have your commitment that that briefing can take place within the week?

Ms. FARRISEE. Yes, Mr. Chairman. Next week we will have this briefing.

The CHAIRMAN. And as the senior HR official at VA, can you tell this committee if you think that Susan Bowers should have given—

what we know now—should have given Ms. Helman a "fully successful" or higher review for last year?

Ms. FARRISEE. Not if she knew what we know now.

The CHAIRMAN. Okay.

Given that the review Ms. Bowers gave of Ms. Helman was not a true indication of Ms. Helman's performance, would it have been your recommendation that the review given of Ms. Bowers should also be reevaluated and any bonus she has received rescinded?

Ms. FARRISEE. Ms. Bowers retired.

The CHAIRMAN. Okay. There's no way to go back after they retire.

Ms. FARRISEE. No——

The CHAIRMAN. This is another one of the disciplinary actions that VA takes that allows people to seal their benefits and not have anything taken back.

Ms. FARRISEE. Mr. Chairman, it was her right to retire.

The CHAIRMAN. Yeah. Okay.

Any other questions?

Mr. Michaud.

Mr. MICHAUD. Thank you, Mr. Chairman.

I'd ask unanimous consent that Ms. Kirkpatrick's statement be entered in the record, as well as the Senior Executives Association letter that we received on April 19th—or June 19th.

The CHAIRMAN. Without objection.

Mr. MICHAUD. Thank you.

The CHAIRMAN. Thank you, everybody, for being here today.

Thank you, Ms. Farrisee, for being with us.

Ms. FARRISEE. Thank you, Mr. Chairman.

The CHAIRMAN. This hearing is adjourned.

[Whereupon, at 11:10 a.m., the committee was adjourned.]

APPENDIX

PREPARED STATEMENT OF JEFF MILLER, CHAIRMAN

Committee will come to order.

Thank you all for being here today.

We had planned to have a business meeting this morning to subpoena two sets of documents from VA that were long outstanding requests made by this Committee.

Yesterday, VA delivered information regarding the removal of six SES employees for the past two fiscal years. This request had been made by multiple Members of this Committee including myself in multiple hearings since February. This morning, VA delivered the second set of documents, which I requested via letter in October of 2013. The documents covered the performance reviews for each SES individual for Fiscal Years 2011 and 2012.

Although VA's response to my requests has delayed, their production of the requested material is sufficient and therefore, after consultation with Ranking Member Michaud, we will no longer be having a business meeting this morning.

During this morning's full committee hearing entitled, "Review of Awarding Bonuses to Senior Executives at the Department of Veterans Affairs" we will examine the outlandish bonus culture at VA and the larger organizational crisis that seems to have developed from awarding performance awards to Senior Executives despite the fact that their performance fails to deliver on our promise to our veterans.

As the Committee's investigation into the Department continues, and new allegations and cover-ups are exposed, it is important that we examine how the Department has arrived at the point where it is today. Sadly, it's come to a point which has eroded veterans' trust and America's confidence in VA's execution of its mission. Part of the mistrust centers on a belief that VA employees are motivated by financial incentives alone, and I can see why.

It appears as if VA's performance review system is failing veterans. Instead of using bonuses as an award for outstanding work on behalf of our veterans, cash awards are seen as an entitlement and have become irrelevant to quality of work product.

I know we all agree that preventable patient deaths, delays in care, the continual backlog of disability claims, cost over-runs and construction delays for VA facilities, and deliberate behavior to falsify data are not behaviors that should be rewarded. Yet, despite startling issues that continue to come to light, as well as numerous past IG and GAO reports highlighting these same issues, a majority of VA 's senior managers received a performance award for FY 2013. According to VA's own data, over $2.8 million was paid out in performance awards to Senior Executives for FY 2013. These performance awards went to at least 65% of the Senior Executive Workforce at the Department. In fact not a single senior manager at VA, out of 470 individuals, received a less than fully successful performance review for the last fiscal year. Based on this Committee's investigations, outside independent reports, and what we have learned in the last few months, I wholeheartedly disagree with VA's assessment of its senior staff.

It should not be the practice of any federal agency to issue taxpayers dollars in addition to paying six-figure salaries to failing senior managers just because a current OPM statute for members of the SES allows it. Bonuses are not an entitlement. They are a reward for exceptional work. VA's current practice only breeds a sense of entitlement and a lack of accountability, and this is why we are where we are today.

This issue, unfortunately, is not a new one for VA. The Committee has focused its oversight on bonuses for years, and if Members were to go back and review a 2007 Subcommittee on Oversight and Investigations hearing on awarding of bonuses, you would find that the issues we raise today were also questioned seven years ago. There seems to be little to no improvement.

In a May 2013 hearing VA construction chief, Glenn Haggstrom, admitted that he could not explain why he collected almost $55,000 in performance bonuses despite overseeing failed construction plans that cost our government nearly $1.5 billion in over-runs.

In December 2012, an investigation by this committee revealed a legionella outbreak in the Pittsburgh Healthcare System that led to at least six patient deaths, nevertheless, the Director there, Terry Gerigk Wolf received a perfect performance review and the Regional Director, Michael Moreland, who oversaw VA's Pittsburgh operation at the time, collected a $63,000 bonus. To the average American, $63,000 is considered to be a competitive annual salary—not a bonus.

The Medical Center Director in Dayton, OH received a nearly $12,000 bonus despite an open investigation into veterans' exposure to Hepatitis B and C under his

watch. The Director of the Atlanta VA Medical Center who oversaw multiple preventable deaths received $63,000 in performance bonuses over his four years there.

The former director of the VA Regional Office in Waco, TX, received more than $53,000 in bonuses. While under his tenure, the Waco office's average disability claims processing time multiplied to inexcusable levels. Unfortunately, I could go on and on, as these are not the only instances of those charged with managing VA programs and health care facilities falling far short of the quality that veterans and their families deserve. In short, there are far too many examples that prove that bonuses do not ensure good performance.

As we have previously heard from several witnesses, including those from VA, the quest for monetary gain rather than public service has led to data manipulation and secrets lists designed to create a false impression of quality health care that is timely and responsive to veterans. This is scandalous, even criminal, I would argue, and it runs far deeper than Phoenix.

Today we will explore the circumstances surrounding the award and eventual rescission of a performance award provided to the former director of the VA Medical Center Director in Phoenix, AZ, Ms. Sharon Helman. In February 2014, Ms. Helman was given an $8,500 bonus for her performance during fiscal year 2013. Only after allegations against Ms. Helman came to light, as a result of this Committee's work, did a conscientious VA employee examine whether she received a bonus in fiscal year 2013. When we questioned the award, VA determined that she was given this bonus due to an "administrative error." However past documentation from VA has stated that all performance reviews and awards are ultimately reviewed and signed by the Secretary.

Furthermore, Ms. Helman's direct supervisor, former VISN 18 Network Director, Susan Bowers, stated in May that Sharon Helman received her bonus "for a highly successful rating, and for improving access concerns and wait lists." Perhaps we should also question Ms. Bower's qualifications. These stories do not match up, and I believe it further brings into question VA's transparency, as well as diligence when issuing thousands of dollars to individuals.

Although Acting Secretary Gibson has rightly put a freeze on all bonuses for Senior Executives at VHA for the time being, it is still this Committee's responsibility to understand the rationale for awarding five figure bonuses to individuals who have clearly fallen short of the Department's mission and their commitment to those who have served. A performance award should not be received because you were able to check off a few boxes on a form. A performance award should not be an expectation. A bonus is not an entitlement. Those at the Department of Veterans Affairs are there to serve veterans and their families. Anything less than the highest possible quality should not be rewarded. Gaming the bonus system is not the business that VA should be in.

Today, we will hear what VA has to say about their performance review system, why senior managers who have overseen failure have received thousands of dollars in bonuses, and how these large performance awards could have led to the terrible situation the Department is now in.

With that, I now recognize Ranking Member Michaud for his opening statement.

Thank you.

I ask that all members waive their opening remarks as per this committee's custom.

I now invite our one witness today to the table.

This morning, we will hear from the Honorable Gina Farrisee, Assistant Secretary for Human Resources and Administration, at the Department of Veterans Affairs.

I ask the witness to please stand, and raise your right hand.

Do you solemnly swear, under penalty of perjury, that the testimony you are about to provide is the truth, the whole truth, and nothing but the truth.

Please be seated.

Your complete written statement will be made part of the hearing record.

Secretary Farrisee you are recognized for five minutes.

Thank you, Secretary Farrisee.

I will now yield myself five minutes for questions.

Thank you once again.

If there are no further questions, you are now excused.

I now ask unanimous consent that all members have five legislative days to revise and extend their remarks and include extraneous material.

Without objection, so ordered.

I would like to once again thank our witness and audience members for joining us this morning.

This hearing is now adjourned.

PREPARED STATEMENT OF MICHAEL MICHAUD, RANKING MEMBER

Michael LeBouef, in his book "*The Greatest Management Principle Ever*", said "The things that get measured are the things that get done."

We have seen this statement born out recently within VA in a very negative way. As witnesses have stated in recent hearings, VA's focus on unrealistic wait time measures resulted in employees manipulating the system to make it seem like they were meeting the measured standards.

LeBouef went on to say, in a later book, "The things that get measured and rewarded are the things that get done well."

Today, we are going to look at this second piece—how VA Senior Executives *are rewarded*, and how that system does, or does not, incentivize things to be done *well*.

Before we get into that discussion, let me recognize that there are a lot of VA employees who does things well. As we shine the light of oversight on those who do not, let me pause for a moment and shine a brighter, more positive light on the hard-working employees in VA who do things right, and who do things well. To them, I say "thank you for your service, and your example."

I have sat here, hearing after hearing, as we have learned, over and over again, that VA Senior Executives received significant bonuses after the people and organizations under their responsibility have failed to deliver on reasonable expectations of performance, and in some cases, have harmed the very people they are supposed to be serving. How does this happen?

In its testimony, VA will lay out a very extensive and diligent process with all the seemingly right pieces, parts, checks and balances. So, what repeatedly goes wrong? Where does the system break down?

I have asked numerous people—in and out of the Federal Senior Executive System—this question, and the most consistent answer is that the measures are wrong. That the goals and objectives defined for some VA Senior Executives are not adequate or appropriate to elicit the actions and behaviors desired or required. That the senior most leaders in VA are held accountable for managing the process that benefits VA, not delivering an outcome beneficial to veterans.

This has got to change. Making the current form electronic and fillable isn't the answer. Transferring performance management data from a spreadsheet to a database isn't the answer. Defining goals and objectives based on what needs to be done for veterans is the answer. Rewarding Senior Executives only when they consistently do those things well is the answer.

Ms. Farrisee, I look forward to your testimony. I hope we can set the example here today and talk less about the process of how VA Senior Executive performance management is done and more about how the outcomes for veterans can change if it is done well.

PREPARED STATEMENT OF HON. ANN KIRKPATRICK

Bonuses should not be automatic. They should be for VA employees that go above and beyond just doing a job. VA employees that do not work to serve veterans should not only be denied bonuses, they should lose their jobs. Since this system of awarding bonuses to employees is easily subject to manipulation, the VA needs to look at other ways to recruit and retain talent, and ensure that employees that really go above and beyond are rewarded for exceptional performance.

For the vast number of VA employees who do come to work every day to serve veterans, we need to look at other ways to recruit and retain them. The VA has a shortage of doctors, nurses, and medical staff and we need to look at other incentives beyond bonuses that could be offered to ensure that our VA medical facilities remain fully staffed and able to provide high-quality and timely care service.

PREPARED STATEMENT OF HON. TIMOTHY WALZ

It is clear that the Department of Veterans Affairs' (VA) current performance review and performance pay systems are part of the problem. We owe it to the thousands of professionals at the VA who are doing things right, and, most importantly, we owe it to the veterans in their care to get this problem fixed.

I echo the GAO recommendation that the performance pay program must have a stated overarching purpose. That purpose must be improving health outcomes for veterans. This is the only thing that matters, and this is the only reason the VHA should exist.

With the purpose of the program established, VA will need to standardize the performance pay and award policies across the country. Again, it must focus on improving health outcomes for veterans, and this should be true throughout the VA. It does not make sense to have over 150 individual performance pay policies as is currently the case. This system is ripe for the type of gaming and abuse that got us into this mess. It is also impossible for the Secretary to provide oversight when there is not a consistent policy. In fact, as we look to the future of VA reform, national standardization of the VA should be a pillar of any organizational reform we seek to undertake.

Development of this program must be done in a clear and transparent manner, leveraging expertise and opinions from veterans, doctors, staff, and specialists. The starting point for all that we do has to be the veteran; if we are going to improve their health outcomes, we have to get them directly involved in the process. I encourage the VA to leverage the Veteran Service Organizations (VSO) to accomplish this. Performance management and awards have been a part of medicine for a long time, and there are best practices in both the private and public sector which we can leverage. In the end, I call on the VA to solicit input from everyone, and, as they rebuild their performance management program, the VA must do so in a transparent, open manner. I also expect the VA to keep this body informed of all developments and to work with us to ensure whatever program is developed is efficient, effective and provides the best outcomes for veterans' health.

STATEMENT OF
THE HONORABLE GINA S. FARRISEE
ASSISTANT SECRETARY FOR HUMAN RESOURCES AND ADMINISTRATION

DEPARTMENT OF VETERANS AFFAIRS (VA)
BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

JUNE 20, 2014

Chairman Miller, Ranking Member Michaud, Distinguished Members of the House Committee on Veterans' Affairs, thank you for this opportunity to appear before the Committee to discuss performance plans and awards. My testimony will review the policies and procedures that govern VA's senior executive performance management system.

Before I describe the technical aspects of performance plans and awards, I would like to express, on behalf of the VA workforce, our commitment to the Department's mission to serve Veterans. To accomplish this mission, we must recruit and retain the best talent, many of whom require special skills in health care, information technology, management and benefits delivery. In particular, VA requires talented senior executives to manage the complex set of facilities and programs that VA is responsible to administer. We are competing in tough labor markets for skilled personnel, both in the public and private sector. To remain competitive in recruiting and retaining the best personnel to serve our Veterans, we must rely on tools such as incentives and awards that recognize superior performance. We also recognize that we must hold our employees, and our leaders, accountable. Performance plans are the foundation of accountability not only for the senior executives but for the entire workforce. Senior leadership engagement in managing executive performance plans, including counseling and mid-year assessments, also serves as the model for the general schedule workforce.

There are two separate authorities available to VA to recruit and hire senior executives. Title 5 of the United States Code (U.S.C.) sets forth the Government wide regulations that are applicable to all Federal agencies. In addition, the Secretary of Veterans Affairs has separate hiring authority for health care and health care-related occupations under title 38, which applies to many senior executives serving in the Veterans Health Administration. Although VA utilizes two hiring authorities, VA uses uniform guidance and authority for evaluating and recognizing title 5 and title 38 Senior Executive performance. Thus, the VA uses a single senior executive performance management and appraisal system.

Public Law 108-136, passed by Congress and signed into law on November 24, 2003, established the performance-based pay system for members of the title 5 Senior Executive Service (SES) throughout the Federal Government. Agencies must demonstrate adherence to this law in the evaluation of senior executives and subsequent distribution of performance awards (5 U.S.C. 5307(d)) in order to receive biennial certification from the Office of Personnel Management (OPM). Agencies must also make meaningful distinctions based on performance for senior executive evaluations to receive certification. An OPM-certified agency may apply the maximum annual rate of pay as well as pay adjustments and cash awards as part of the executive's compensation. Presently, VA has an OPM-certified senior executive performance appraisal system. This certification allows VA to establish a higher level salary cap, which enhances our ability to recruit and retain the most qualified and high-performing senior executives. The statutory maximum executive pay for SES in an OPM-certified system is EX Level II ($181,500), while the cap is at EX Level III ($167,000) if an agency's performance system is not certified. Although the OPM certification applies only to the title 5 senior executives, it is this system that VA applies to all VA senior executives including title 38. However, title 38 physicians and dentists have additional statutory pay that allows salary to exceed the senior executive caps.

VA uses VA Form 3482, Senior Executive Performance Agreement, dated June 2012, to record critical elements of the performance plan and the rating assessment. We use five rating levels: Outstanding, Exceeds Fully Successful, Fully Successful, Minimally Satisfactory, and Unsatisfactory. Performance standards for these five ratings are included on the form. As required by OPM, performance requirements for each senior executive are assembled in the five Critical Element categories: Leading Change, Leading People, Business Acumen, Building Coalitions, and Results Driven. The particular discretionary weights to ratings applied to these Critical Elements in VA are: 20 percent, 20 percent, 10 percent, 10 percent, and 40 percent, respectively.

VA puts a higher value on "Results Driven" than other Critical Element categories. The requirements for each Critical Element are determined by organizational goals and strategies, and through discussion between the senior executive and his or her rating official. Additionally, there are Secretary-approved VA-wide foundational requirements in the five Critical Elements that all VA senior executives must strive to attain. This form also captures performance remarks from rating officials, narratives from the Performance Review Boards (PRB), and calculation of performance awards. More specific guidance on the process, the form, duties of the rating and reviewing officials, and the process used by the Performance Review Committees (PRC) and PRBs are contained in VA policy (Handbook/Directive 5027, Senior Executive Service, Part V).

VA's performance appraisal system is more rigorous and goes beyond the minimum standards set by OPM in 5 CFR for planning, monitoring, evaluating and rewarding executive performance. In 2011, VA added a reviewing official, which is not required, as part of the rating process for most senior executives. This reviewing official is responsible for summarizing accomplishments, commenting on values, highlighting any

areas of disagreement with the rating official, and providing a second, more senior review of accountability and accomplishment.

After completion of the performance plan by the rating/reviewing official at the end of the fiscal year, performance appraisals are then reviewed by PRCs that conduct an initial collective review of performance appraisals prior to the review by the PRB. The PRCs are discretionary and provide perspectives and assessments, which enable the PRB to more efficiently and effectively evaluate the contributions of each senior executive. Typically, the PRC and PRB conclude their deliberations in early December. The Secretary of VA, advised by the two rating panels, is the final authority on all executive ratings and ensures ratings appropriately reflect the executive's attainment of organizational goals and objectives. Once the rating is signed by the Secretary, there is no appeal allowed under 5 CFR section 430.308.

In 2014, VA added more rigor and discipline to this performance management and appraisal system by requiring and providing direction to the employee and the review panels on the direct linkage to VA's strategic goals and objectives and values. Also, critical to our ability to provide oversight and monitor the process, VA mandated electronic processing of all SES performance plans for fiscal year (FY) 2014. Automating the processing and management of our senior executive performance plans will increase our ability to ensure plans are timely, that mid-year reviews are accomplished, that rating and reviewing officials are designated properly, and that we have visibility on all goals and objectives throughout the rating year.

Our progress in making rating distinctions is evident in the chart below. VA has steadily made progress in evaluating and rating our senior executives using the five rating levels. The absence of ratings in the lowest two categories is not uncommon for most agencies and demonstrates that VA monitors and addresses performance on an ongoing basis. In all of Federal Government, there were only 12 senior executives rated Minimally Satisfactory and 3 rated Unsatisfactory in FY 2012.

Rating	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**
Outstanding	35%	32%	25%	21%
Exceeds Fully Successful	38%	43%	48%	57%
Fully Successful	18%	19%	26%	19%
Minimally Satisfactory	0%	0%	0%	0%
Unsatisfactory	0%	0%	0%	0%

In addition to how VA's performance management system works, the Committee also asked how performance awards are administered. Guidance covering senior executive performance awards is set forth in 5 U.S.C. 5384, which states senior executive performance-based awards must be paid. There are specific parameters and restrictions in the law. These are the most significant:

- In accordance with 5 CFR 534.405(a)(1-2), the senior executive must have held a career appointment at the end of the performance appraisal period, or have previously held such an appointment and retained career rights.

- In accordance with 5 CFR 534.405(b)(1)(i), no more than 10 percent of aggregate salaries of all career senior executives can be utilized as the dollar amount for award pool; however, for FY 2013, this amount was capped by OPM at prior year's spending, and for FY 2011 and FY 2012, the caps provided by OPM were not to exceed 5 percent of aggregate salaries. A snapshot of senior executives' salaries is taken annually, as of September 30, to establish award pool funding using the statutory criteria or that provided by OPM.

- In accordance with 5 CFR 534.405(c), senior executive performance awards must be a minimum of 5 percent and no more than the maximum of 20 percent of the senior executive's salary.

Once final rating decisions have been made by the Secretary, modeling calculations are made to determine the fairest, most equitable, and transparent approach to recognize performance. There is no deliberate attempt to "spend every dollar," nor is there a "pre-determined" approach to assigning ratings or awards in VA. As mentioned previously, agencies must show distinctions in ratings, which means there must be a correlation between the rating and award amount. A lack of correlation creates the perception of unfairness and lack of transparency, and can place our OPM certification at risk. Therefore, until it is known how many ratings are at each performance level, there is no way of knowing how many awards, and in what amounts, can or should be paid.

At the end of the rating process, before final rating decisions are released, or performance awards are processed, name checks are requested to ensure no final ratings are released for any senior executive who is the subject of any administrative, Equal Employment Opportunity, or Office of Inspector General investigation, review or audit. While no presumptions are made regarding the outcomes of any such investigation, review, or audit, the rating decisions are not released and performance awards are not processed for senior executives subject to such activity.

Performance awards are part of SES employees' pay structure, and are awarded only after a rigorous and diligent review of executive achievements against both organization and Department performance goals. Performance awards are not bonuses; they are awards to promote excellence, and are given to the senior executives who perform the best. Performance awards, as outlined in the statute and CFR, are

designed to be part of their compensation – that is the premise of "pay for performance" law passed by Congress. Failure to recognize value and performance puts VA (and any organization) at risk of accelerating the retirement, resignation and transfer to other agencies or the private sector of some of the Department's most experienced and effective senior managerial and professional talent.

Since FY 2010 our performance ratings demonstrate that VA is exercising due diligence in administering performance awards. VA spent less than the statutory agency aggregate limit on performance awards for career SES since 2008. See chart below:

SES Awards (Performance and Dollars Spent)

Fiscal Year	Total % Outstanding	Total Dollars Spent on Awards
2010	35%	$4,735,725
2011	32%	$3,683,204
2012	25%	$3,391,410
2013	21%	$2,707,597*

Note: FY 2013 totals as of June 13, 2014

The Committee also asked about the circumstances surrounding the initial processing and rescission of the performance award for the Medical Center Director at Phoenix VA Medical Center. During the course of the closeout activities, through a miscommunication/administrative error, a final rating and award was inadvertently released and processed for the Director, Phoenix VA Health Care System, though the individual's name was listed as being under an ongoing investigation. Unfortunately, this was not the only error as another senior executive's rating was also released and award processed while in a deferred status. The circumstances surrounding these errors were investigated, a report was rendered and actions were taken to modify the process and assess accountability to preclude future mistakes. On May 22, 2014, former Secretary Shinseki rescinded the ratings and awards.

VA continues to improve on performance management and evaluation of senior executives and is presently updating directives and handbooks to codify procedures from lessons learned last year.

In closing, I want to reiterate that VA must remain competitive to recruit and retain the best executives to serve our Veterans. Our ability to allocate performance awards to our highest performers is vital to hiring and retention. Equally vital is that VA must do better holding our executives and employees accountable for poor performance. VA recognizes that we face many challenges with performance management and we have much work to do in ensuring that our senior executives receive frequent and better training on the performance process and the guidelines for confronting poor performers. The key here is rigorous and precise implementation and management of all performance plans whether for senior executives or general schedule employees.

Performance plans are the foundation of accountability for poor and high performance and for individual professional development. Thank you for this opportunity to appear before you today. I look forward to answering your questions.

FOR THE RECORD

the voice of career federal executives since 1980

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June 19, 2014

The Honorable Jeff Miller
Chairman
House Committee on Veterans' Affairs
335 Cannon House Office Building
Washington, DC 20515

The Honorable Michael Michaud
Ranking Member
House Committee on Veterans' Affairs
335 Cannon House Office Building
Washington, DC 20515

Dear Chairman Miller and Ranking Member Michaud:

As you know, the Senior Executives Association (SEA) represents the interests of career federal executives in the Senior Executive Service (SES), and those in Senior Level (SL), Scientific and Professional (ST), and equivalent positions. On behalf of the Association, and of the SEA members who serve at the Department of Veterans Affairs (VA), a third of whom are themselves veterans, I am writing to share SEA's perspective on the SES performance management system at the VA and government-wide.

The SES is a government-wide pay for performance system[1]. Although the SES was created by the 1978 Civil Service Reform Act, the current pay for performance system was championed by the Bush Administration and authorized by Congress in 2004. It was ostensibly modeled on the private sector. All SES pay adjustments are based on performance and completely discretionary to the agency as are, of course, performance awards. Unlike their General Schedule (GS) counterparts, Senior Executives no longer would receive locality pay or annual cost of living adjustments (in the years when the Executive Schedule was not frozen and the President issued an Executive Order implementing pay adjustments for SES Ranks). Further, there is no guarantee that a Senior Executive receives a pay raise when moving from the GS into the SES.

Currently, career Senior Executives at the VA, and government-wide, are subjected to a rigorous selection process to even be considered for positions in the Senior Executive Service[2]. They must possess the skills and experience to serve at the highest career levels of the agency

[1] Office of Personnel Management, Guide to the Senior Executive Service, April 2014. http://www.opm.gov/policy-data-oversight/senior-executive-service/reference-materials/guidesesservices.pdf
[2] Office of Personnel Management, Guide to Senior Executive Service Qualifications, September 2012. http://www.opm.gov/policy-data-oversight/senior-executive-service/reference-materials/guidetosesquals_2012.pdf

perceptions of the pay and performance management system[3]. According to the survey, one quarter of respondents had not received an FY 2013 performance rating several months into the next performance cycle. Other respondents reported a lack of performance plans (by which individual goals are set and by which SES performance is measured) although the new performance cycle had already begun. Still other respondents commented on the lack of information and transparency by agencies, timing of ratings and final decisions, and a lack of accountability by the political appointees overseeing the process to ensure timeliness, fairness and accuracy. As is true at all levels of the federal workforce, fair and effective performance systems directly and positively impact both organizational and individual accomplishment.

Much of the focus recently has been on banning performance awards, or even rescinding them, at the Department of Veterans Affairs. It is unclear what authority the agency has to rescind a performance award that was given for performance based in the previous fiscal year. On top of being bad policy and serving as a disincentive for the best employees to become or remain Senior Executives at the VA, it does not address the issues with the performance management system or ensure that Senior Executives are appraised fairly and consistently. *Moreover, recent reports proclaiming large bonuses for Senior Executives at the VA often fail to note that few employees on the lists provided are Title 5 SES.* Nearly all of the largest bonuses[4] listed in a recent report by *Asbury Park Press*[5] went to employees under Title 38, in the General Schedule or other systems (and some of these systems - like Title 38 - provide excepted pay to enable higher rates which are closer to market pay and provide performance awards based on criteria different from the SES performance system). Before making changes to the SES system or banning performance awards, SEA urges the Committee to ensure it fully understands the system and which employees are within it.

In the private sector, VA career federal executives could find work as directors of major hospitals and health care systems. In that arena they would make $400,000 to over $1 million, rather than the maximum salary of $181,500 that they can make as a federal employee. They would work for companies that invest in training and development, and that do not make policies based on allegations fanned by the media. Senior Executives work at the VA because they believe in the work and the mission of serving veterans.

Successful companies will tell you that investing in talent is a key ingredient to that success. Having a performance management system that fairly rewards employees draws the best

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[3] Senior Executives Association, Deteriorating Pay for Performance Adversely Impacting Morale and Retention Within the Federal Career Senior Executives and Professionals Corps, May 2014. https://seniorexecs.org/images/documents/Deteriorating_Pay_for_Performance.pdf

[4] Asbury Park Press, Data Universe, Veterans Health Administration Bonuses. http://php.app.com/fed_employees13/results.php?topagency=DEPARTMENT+OF+VETERANS+AFFAIRS&agency_name=VETERANS+HEALTH+ADMINISTRATION&job_title=%25&statename=%25&tfm_order=DESC&tfm_orderby=award

[5] Asbury Park Press, "$100M in bonuses at VA as problems mounted," June 11, 2014. http://www.app.com/story/news/investigations/watchdog/investigations/2014/06/10/va-bonus-payout/10302871/

and oversee multi-billion dollar budgets and complex programs that are comparable to Fortune 500 companies in the private sector. Given this bar to entry into the SES, it is to be expected that the overwhelming majority of Senior Executives receive ratings of at least Fully Successful; it would be surprising if they were not high performers. Furthermore, Senior Executives at the VHA often possess additional certification in healthcare management (FACHE certification) that is awarded by the American College of Healthcare Executives to those with qualifying experience and training.

Once in the SES, Senior Executives receive comprehensive annual reviews, along with mid-year informal reviews, to assess their performance and its alignment to the goals outlined in their annual performance plans. These plans include multiple goals for individual performance, organizational performance for the component in which they work within the VA, and the agency overall. It is SEA's understanding that organizational performance is a main factor in each VA executive's performance plan and rating.

Once an initial performance rating is given to a VA executive, it goes through a multi-level review process (including assessments by independent Performance Review Committees and Performance Review Boards which can recommend maintaining the initial rating or raising or lowering it). The ultimate decision on each rating rests with the Secretary, who can choose to raise, lower or maintain the recommended rating. This is based on a review of the goals outlined in the performance plan and any other factors that the Performance Review Boards and Secretary deem necessary. SEA has heard anecdotally that many ratings of VA Senior Executives are rigorously reviewed and lowered throughout the review process.

It is the goal at every agency, not just the VA, to hold Senior Executives accountable for individual and organizational performance. However, the performance appraisal system and individual executive performance plans, in which annual goals are set, are meant to ensure that a Senior Executive is held accountable for those programs, budgets, and pieces of the agency mission within his or her control. For instance, some VA Senior Executives oversee programs dealing with implementation of GI Bill benefits, while others oversee programs within the National Cemetery Administration. These Senior Executives cannot reasonably be held accountable for access to patient care, for example. With this in mind, SEA encourages you to ensure that any reforms to the performance management system recognize the line of sight of each Senior Executive and any external factors that may play a part in organizational performance. Although it is absolutely appropriate to hold Senior Executives accountable for their performance over things within their control, SEA's concern is that some calls for accountability thus far have focused more on scapegoating and less on ensuring the strong, high performing career executive corps at the VA that veterans deserve.

Although it is SEA's position that overall the current system is quite rigorous and has appropriate mechanisms to allow for accurate assessments of performance, we believe improvements can be made. In April, SEA conducted a survey of its members and asked for

talent. A system of blanket punishment for all employees regardless of job duties or performance drives top talent away.

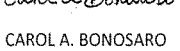
In fact, the VA already voluntarily banned performance awards at VBA and recently at VHA. Recently, the House Appropriations Committee added the following statement to its committee report[6] on the Military Construction-Veterans Affairs appropriations bill (emphasis added):

"Congress has been concerned by past instances of VA Senior Executive Service (SES) employees receiving performance bonuses when patient care standards have not been met in VA hospitals or when the disability claims backlogs have grown. However, ***recent actions taken by the VA have assuaged Member concerns****. VA has centralized Senior Executive award decisions, strengthened the link between organizational performance and awards, added an additional level of review in consideration of awards, and significantly reduced the value of awards compared to prior years. Most importantly, the Secretary has demonstrated his willingness to use the bonus system as a way to reward and penalize staff based on performance. As one example, he made the decision to withhold performance awards for the entire Veterans Benefits Administration Senior Executive cadre based on the failure to meet targets on reducing disability claims backlogs. The Secretary has all the authority he needs to use bonuses to influence performance."*

SEA has long offered proposals to strengthen the transparency and effectiveness of the SES performance management system. Furthermore, if the Committee is truly interested in getting a handle on how performance awards are determined for Senior Executives at VA and whether the performance appraisal process is being applied correctly, SEA requests that the Committee request a GAO report regarding the system – our suggested questions are attached below.

Should the Committee be interested in working with SEA on improving the system, the Association looks forward to engaging in meaningful dialogue. We appreciate the more comprehensive approach to examining the government-wide SES pay and performance management system and encourage you to continue to ensure there is a system in place to provide fair compensation and incentives so that the VA can continue to draw a world-class workforce. Veterans and Senior Executives deserve a system that works.

Sincerely,



CAROL A. BONOSARO
President

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[6] House Committee Report, Military Construction, Veterans Affairs, and Related Agencies Appropriations Bill, 2015. http://appropriations.house.gov/uploadedfiles/hrpt-113-hr-fy2015-milcon.pdf

Possible questions for a GAO Report on the SES Performance Management System at VA

- What is the basic SES pay and performance management system used at VA, starting with progress reviews, assignment of the initial rating, making final rating decisions, etc. What process is used for determining performance awards, including determining the awards funding pool? What about performance-driven pay adjustments? In addition to outlining the process, describe key roles and responsibilities of employees, rating officials and final decision makers.
- Are there any differences in how pay and performance awards policies are designed or applied to Title 5 versus Title 38 executives?
- How closely does the VA system follow the government-wide system issued by OPM?
- Describe how VA SES performance plans are developed, how are they communicated to Senior Executives, when Senior Executives receive their plans each year and how the plans are used in the appraisal process?
- Does VA have common or core critical elements that are featured in SES performance plans for all or large categories of executives? If so what are they?
- Who reviews and rates the performance of Senior Executives. If political appointees are involved, are they trained on the appraisal system, and do they have adequate health care/technical background to make informed judgments?
- How long does the appraisal process take? What are the timeframes for the key steps?
- How are ratings communicated to Senior Executives? How are mid-year reviews conducted and communicated?
- Does VA have a process for evaluating its SES performance management system, including the effectiveness and fairness of the process as well as outcomes produced? Is there any evidence that VA has imposed quotas or unsupported limits on rating levels, pay increases or performance awards?
- How does VA compare to other major federal agencies in terms of average performance ratings, size and frequency of pay adjustments and amounts of performance awards granted? What is the status of OPM certification of the VA process? Has OPM identified any problems with the VA system?
- What is the VA Performance Review Board (PRB) – who serves on it and for how long? How many PRBs exist at the Department and at what level (ie VHA, VBA, NCA)? How are PRB members appointed and by whom? Are both career and political appointees represented – and if so, to what extent?
- How many ratings are lowered annually at some point during the review process after the initial rating has been given? Is an explanation provided to the Executives whose ratings were lowered?
- Does each career Senior Executive have an updated position description? Are the PDs specific to the duties of each Senior Executive? Are the PDs used in the appraisal process? If so, how?
- Is there an SES management office at the VA? What role does this office play in supporting and assessing the performance management process?
- What is the average span of control of a Senior Executive at VA? In determining performance ratings, what is the level of accountability to which a Senior Executive is held regarding individual performance, as well as subordinate performance? How deep does this level of employee performance go for which a supervisor is ultimately accountable in a performance rating, given the span of control and organizational performance?

QUESTIONS FOR THE RECORD

LETTER AND QUESTIONS FROM: COMMITTEE MINORITY MEMBERS

June 24, 2014
The Honorable Sloan Gibson
Acting Secretary
U.S. Department of Veterans Affairs
810 Vermont Avenue, NW
Washington, DC 20420

Dear Mr. Secretary:

In reference to our Full Committee hearing entitled, "Review of Awarding Bonuses to Senior Executives at the [VA]" that took place on June 20, 2014, I would appreciate it if you could answer the enclosed hearing questions by the close of business on July 31, 2014.

Please note that our Members understand some information may ultimately be provided by the current IG investigation. For questions which will be answered by the investigation, please include a statement to that effect and a brief explanation of your reasoning. Members are happy to receive complete answers to individual questions as they are available. For responses that may be delayed, please provide an interim response or propose an appropriate interim briefing or conference call.

In an effort to reduce printing costs, the Committee on Veterans' Affairs, in cooperation with the Joint Committee on Printing, is implementing some formatting changes for materials for all Full Committee and Subcommittee hearings. Therefore, it would be appreciated if you could provide your answers consecutively and single-spaced. In addition, please restate the question in its entirety before the answer.

Due to the delay in receiving mail, please provide your responses electronically to Saki Ververis at *saki.ververis@mail.house.gov*. If you have any questions, please call 202–225–9756.

Sincerely
Michael Michaud,
Ranking Member

QUESTIONS FROM COMMITTEE MINORITY MEMBERS TO GINA S. FARRISEE

Rep. Mark Takano

1. Please provide an organization chart which identifies the SES or Title 38 SES equivalent positions within the local VISN and medical center structure. I want a better understanding of the organizational structure and who would have an incentive to game the system. From initial input of a health care appointment, to the person who can change that appointment and who can give direction to change an appointment, I want a clear picture of how many people are involved with the appointment making process.

2. What safeguards, if any, are within the scheduling software to ensure a data trail is available to see when scheduling data is changed? Is there any way to see whether people are manipulating an initial appointment to meet wait time expectations?

3. Finally, I would like to see a cost comparison between VA provided health care and private health care for an average 60-year old male veteran patient with diabetes and heart disease. The comparison should include administrative, medical, and prescription costs. Please also provide a breakdown of the variables used to calculate these costs.

Rep. Julia Brownley

1. Please provide a detailed breakdown of VISN executive pay broken down by SES, title 38 SES equivalents, and non-managing title 38s. Ideally, the breakdown will include the range of pay available in the form of base pay, relocation and retention pay, market pay, bonuses, awards, or other pay incentives available for these individuals. Please also include a list of measures used to determine how eligible employees qualify for such payments. For measures that vary between networks, such as performance pay, please provide the measures used in VISN 22 (greater Los Angeles) and two other random networks for comparison. Any other bonus payments from outside the VA, such as the Presidential Rank Award, should also be provided.

Rep. Raul Ruiz

1. What year did performance pay begin being tied to wait times? Please describe the relevant performance measures tied to wait times. I am interested on knowing how wait times are factored into performance measures.

2. Do any performance measures use patient satisfaction feedback? Are there any plans to include a patient satisfaction measure in calculating performance pay across all VISNs?

Rep. Beto O'Rourke

1. What recruitment incentives are available at the local level and how can they be applied to needs in areas like El Paso? El Paso veterans have desperate mental health care needs and those needs are going unheeded despite repeated attempts to communicate with the VISN 18 director.

2. Please provide the total budget available for employing providers for VISN 18 and the total expected costs for FY2014. Please also provide the budget allotted for El Paso providers, the amount of that budget currently in use, and a description of how that determination was made.

3. I am especially interested on performance measures which are based on adhering to budget expectations. Please provide a detailed description of any performance measures which use meeting budgetary expectations as a factor and what those budget expectations are. Please also provide the VISN operating budgetary policy and a brief description of what happens when a need to hire more providers is identified.

Rep. Dina Titus

1. How did the VA miss the false credentials used by the VISN 21 Director Sheila M. Cullen to attain her position? What performance awards did she receive during her tenure as director, and how long will she be able to stay in her position. Will she remain an employee with the VA? If so what is the reasoning?

Rep. Ann Kirkpatrick

1. VA officials were on notice that "gaming strategies" were being used to misreport patient wait times at VA medical facilities based on the April 26, 2010 "Inappropriate Scheduling Practices" memo that went to all network directors. Which reviewing officials signed off on SES performance appraisals for those SESs responsible for VA medical facilities where manipulation of patient wait time data and unauthorized scheduling practices were found to have taken place?

2. Did any reviewing officials sign off on performance appraisals recommending bonuses for SES employees whose facilities were under investigation by the IG?

3. Who were the officials on the Performance Review Committees that signed off on performance appraisals and recommended bonuses for these SESs to the Performance Review Board for approval? Who were the officials on the Performance Review Board that recommended bonuses for these SESs to the VA Secretary?

4. Will the VA hold network and medical center leaders that received bonuses accountable in VISNs and medical facilities where the audit found that appointment wait time data was being manipulated and appointment scheduling "gaming strategies" were being used?

5. Why was performance pay awarded to providers that had action taken against them related to clinical performance? These were providers that failed to competently read mammograms and other complex medical images, providers that were practicing without a license and providers leaving residents unsupervised during surgery. Why did the VA believe these providers deserved performance pay for nonperformance? Is this because performance pay was automatically awarded to every employee?

6. How can the VA hold employees accountable if bonuses and performance pay are awarded automatically?

7. There is a shortage of doctors, nurses and medical staff in the VA. What other incentives could the VA use to recruit and retain health care providers beyond bonuses and performance pay? We know that the VA loses health care providers to the DoD. Why hasn't the VA considered increasing the base salary of VA health care employees so that they receive comparable pay? Has the VA considered offering other incentives such as student loan repayment, or increased pay for VA providers willing to work in rural and underserved areas? What additional professional opportunities could the VA offer its health care providers to recruit and retain those who are dedicated to serving veterans?

8. Why is the purpose of the Veterans Health Administration's (VHA) performance pay policy (to improve health outcomes and quality) not articulated in the VHA's performance pay policy?

9. Since network and medical center leadership were granted the discretion to set goals that providers must achieve to receive performance pay, why did the VHA fail to review these goals to ensure that performance pay was linked to provider performance goals?

10. How will the VA ensure that only employees who perform exceptional work are rewarded in the future?

QUESTIONS FOR THE RECORD
HOUSE COMMITTEE ON VETERANS' AFFAIRS

"REVIEW OF AWARDING BONUSES TO SENIOR EXECUTIVES AT THE [VA]"
June 20, 2014

Questions for the Record from Congressman Mark Takano

Question 1. Please provide an organization chart which identifies the SES or Title 38 SES equivalent positions within the local VISN and medical center structure. I want a better understanding of the organizational structure and who would have an incentive to game the system. From initial input of a health care appointment, to the person who can change that appointment and who can give direction to change an appointment, I want a clear picture of how many people are involved with the appointment making process.

VA Response: Typically, a Network Office is comprised of one Senior Executive Service (SES) (Network Director) and one SES-Equivalent (Chief Medical Officer). Each facility has one SES (Medical Center Director). The vast majority of our health care appointments are scheduled by Medical Support Assistants who report to a Scheduling Supervisor. Typically, a Scheduling Supervisor reports to the Chief, Medical Administration Service, who reports to the Associate Director, who reports to a Medical Center Director. Attachments 1 and 2 are samples of VISN and Medical Center organizational charts, respectively.

Question 2. What safeguards, if any, are within the scheduling software to ensure a data trail is available to see when scheduling data is changed? Is there any way to see whether people are manipulating an initial appointment to meet wait time expectations?

VA Response: The scheduling application captures the name and date of the user who makes the appointment. This data collection is part of the application itself and not part of an audit process. Once an appointment has been entered into the system, schedulers do not have the ability to "change" the date/times of appointments. Instead, schedulers must cancel and rebook the appointment. When a user cancels and rebooks an appointment, the initial appointment time is captured in logs, together with the change. However, there is no single audit capability in the current application that will indicate whether users are manipulating data to meet wait time expectations versus making legitimate changes to appointment information.

Question 3. Finally, I would like to see a cost comparison between VA provided health care and private health care for an average 60 year old male veteran patient with diabetes and heart disease. The comparison should include administrative, medical, and prescription costs. Please also provide a breakdown of the variables used to calculate these costs.

VA Response: VA utilizes either contracted rates or locally adjusted Medicare rates. The cost of care under Non-VA Care (NVC) should be in-line with Medicare cost of care in the private sector. VA does not maintain data to compare NVC cost of care with private insurance cost of care. We also cannot provide specific cost data for a Veteran seen in the private sector (60yr male w/ heart disease and diabetes) because there are too many variables regarding what services might be required and where the services might be rendered.

Questions for the Record from Congresswoman Julia Brownley

Question 1. Please provide a detailed breakdown of VISN executive pay broken down by SES, title 38 SES equivalents, and non-managing title 38s. Ideally, the breakdown will include the range of pay available in the form of base pay, relocation and retention pay, market pay, bonuses, awards, or other pay incentives available for these individuals. Please also include a list of measures used to determine how eligible employees qualify for such payments. For measures that vary between networks, such as performance pay, please provide the measures used in VISN 22 (greater Los Angeles) and two other random networks for comparison. Any other bonus payments from outside the VA, such as the Presidential Rank Award, should also be provided.

VA Response: Senior Executive service (SES) and Title 38 SES Equivalent non-physicians/non-dentists base pay is set within the following pay bands based on the executives' positions and/or complexity level as follows. Department of Veterans Affairs (VA) executives are under a pay-for-performance system that is certified by the Office of Personnel Management with the Office of Management and Budget's concurrence. The Senior Executive Service is not eligible for locality pay:

Pay Band 1 $120,749 - $181,500
Pay Band 2 $120,749 - $175,400
Pay Band 3 $120,749 - $167,000

Pay for Title 38 SES Equivalent physicians/dentists and Title 38 non-managing physicians/dentists has three elements: 1) Base and Longevity Pay; 2) Market Pay; and 3) Performance Pay, which is set in accordance with Public Law 108-445 as follows:

1. Base and Longevity Pay Schedule - A table consisting of 15 rates of base pay, designated as steps 1 through 15. Physicians' and dentists' salaries advance on the table at the rate of one step for every 2 years of Veterans Health Administration (VHA) service (Attachment 3).

2. Market Pay – Market pay is a component of basic pay intended to reflect the recruitment and retention needs for the specialty or assignment of a particular VHA physician or dentist. The determination of the amount of market pay of a particular physician or dentist shall take into consideration: (1) level of experience of the physician or dentist in the specialty or assignment; (2) need for the specialty or assignment of the physician or dentist at the facility; (3) appropriate health care labor market for the specialty or assignment of the physician or dentist; (4) board certifications, if any, of the physician or dentist; (5) accomplishments of the physician or dentist in the specialty or assignment; (6) prior experience, if any, of the physician or dentist as an employee of the VHA; (7) consideration of unique circumstances, qualifications or credentials, if any, and the comparison of these circumstances to the equivalent compensation level of non-VA physicians or dentists in the local health care labor market; and (8) in Alaska, Hawaii, and Puerto Rico, the Office of Personnel Management has approved a non-foreign cost-of-living allowance (COLA) under 5 United States Code (U.S.C.) 5941, which is intended to address living costs substantially higher than those in Washington, DC, and/or conditions of environment substantially different from those in the Continental United States. The non-foreign COLA for physicians and dentists is calculated as a percentage of the employee's base pay only (the rate for a step on the Physician and Dentist Base and Longevity Pay Schedule). (Attachment 4)

3. Performance Pay - Performance pay is intended to recognize the achievement of specific goals and performance objectives prescribed on a fiscal year basis by an appropriate management official. The amount is determined solely at the discretion of the approving official based on the achievement of the specified goals and objectives and is paid annually as a lump sum. The amount of performance pay established should be commensurate with the complexity and scope of the goals and objectives. The amount paid to any individual may vary based on the degree of execution and individual achievement of specified goals and objectives. As specified in statute, at 38 U.S.C. §7431(d)(5), the amount payable may not exceed the lower of: (1) $15,000; or (2) the amount that is equal to 7.5 percent of the annual pay in effect for the physician or dentist on September 30 of the fiscal year during the period of time under review. Performance goals and objectives are generally developed locally and will differ from performance standards used for the SES Equivalent, Executive Career Field (ECF), or proficiency rating systems. Goals and objectives may also be set at the Network or Headquarters level. Physicians and dentists who separate from VA employment prior to September 30 are not eligible for performance pay based on their performance within that fiscal year.

Relocation and Retention incentives are additional payments that may be incorporated in the senior executives' overall compensation package. These incentives are not part of an executive's base salary for benefits and other purposes.

In accordance with 5 U.S.C. 5753 and VA policy, relocation incentives may be authorized to current full-time Federal employees who must change worksite and physically relocate to a different geographic area to accept a position that would

otherwise be difficult to fill. Relocation incentives may be paid up to 25 percent of an employee's annual rate of basic pay times the number of years in the required service agreement, not to exceed 4 years.

In accordance with VA Handbook 5007/46 Part VI Chapter 3 for title 5 employees but extended to physicians and dentists and other title 38 employees, and governed by 5 U.S.C. 5754 and 38 U.S.C 7410, retention incentives may be authorized to current full-time or part-time Federal employees for a maximum of 1 year , but must be reviewed and recertified on an annual basis for an additional year, who have unusually high or unique qualifications or whose services are essential to a special VA need and are likely to leave Federal service without an incentive . Retention incentives may be paid up to 25 percent of an employee's rate of basic pay.

Performance Awards/Bonus Payments:

Performance awards for members of the Senior Executive Service are monetary awards given to high-performing employees based on the overall annual job performance appraisal. In accordance with VA policy, all employees who are covered under VA's performance appraisal program or proficiency rating system are eligible to receive performance awards for sustained performance on job responsibilities over the period of a rating year. Employee performance is rated based on the elements in their annual performance plans. Performance plans must support organizational goals and be linked to overall program results. VHA Performance award calculations are derived in accordance VA policy.

The criteria for minimum and maximum award amounts are established in regulation, as are total spending caps. In accordance with 5 Code of Federal Regulation (CFR) 534.405(a) (1-2), Senior Executives who receive performance awards must have held a career appointment at the end of the performance appraisal period, or have previously held such an appointment and retained career rights.

VA determines the award pool funding amount for Senior Executives based on a snapshot of Senior Executives' salaries taken annually on September 30. In accordance with 5 CFR 534.405(b)(1)(i), no more than ten percent (10%) of aggregate salaries of all career Senior Executives can be used to make up the total award pool for Senior Executive performance awards. However, for fiscal year (FY) 2013, the award pool total was capped at prior year's spending, and for FY 2011 and FY 2012, the award pool total was capped at 5 percent of aggregate salaries by Office of Personnel Management/Office of Management and Budget.

Recommendations for Senior Executive award criteria are developed by VA's Corporate Senior Executive Management Office (CSEMO) based on the distribution of final ratings and available budget dollars. The Secretary makes final decisions on all Senior Executive award criteria to include rating levels eligible for awards, dollar amounts or percentage of salary amounts for awards, and organizational performance results eligible for awards In addition, annually, meaningful distinctions are made in recognizing differences in performance levels by establishing minimum and maximum award criteria for each rating level.

Other Award Payments outside of VA:

SES members may also be considered for Presidential Rank Awards. The Presidential Rank Award was established by statute in 1978 (Title 5, Section 4507). The statute requires the Office of Personnel Management (OPM) to request nominations and administer the program for Presidential Rank Awards. The statute also requires agency heads to nominate senior executives and senior professionals across the Federal Government. The Secretary of Veterans Affairs makes the final decision as to which VA nominees are forwarded to OPM for consideration. After the Secretary certifies VA's finalists, the OPM Director sends the names of the reconfirmed, recommended finalists to the President to make final decisions.

Two categories of rank awards are available: *Distinguished* rank to leaders who achieve sustained extraordinary accomplishments, and *Meritorious* rank to leaders for sustained accomplishments. Presidential Rank Awards are reserved for career senior executives who have a record of achievement that is recognized throughout the agency and/or is acknowledged on a national or international level. In reaching the pinnacle of achievement, rank award recipients are also required to have demonstrated strong leadership abilities, inspired their employees, and earned the respect of those they serve.

Distinguished award recipients receive 35 percent of their rate of basic pay and *Meritorious* award recipients receive 20 percent of their rate of basic pay. The award is paid as a lump-sum payment, and the payment is subject to the applicable annual aggregate limitation on pay under 5 U.S.C. § 5307.

Questions for the Record from Congressman Raul Ruiz

Question 1. What year did performance pay begin being tied to wait times? Please describe the relevant performance measures tied to wait times. I am interested on knowing how wait times are factored into performance measures.

VA Response: Performance plans are developed to measure the performance requirements of each employee's position. Measures of wait time and access were included in the performance plans for senior executives starting in 2001. Performance awards are not tied solely to scheduling metrics. Performance awards are monetary awards given to high-performing employees based on the employee's overall annual performance appraisal. Among those requirements, leadership skills in managing wait times may be one of many factors considered in the evaluation. Senior Executives are held specifically accountable for achieving realistic, but challenging performance targets within defined timeframes, identified within the five critical elements: Leading Change, Leading People, Business Acumen, Building Coalitions, and Performance Results. Within those five critical elements, each Senior Executive is rated against position-specific performance requirements. Within the Results-Driven Critical Element, there are five performance requirements. Each of the performance requirements has 3

specific focus areas (total 15). There are one to two mandatory focus areas per performance requirement. The remaining focus areas are customized to meet the individual needs of the organization in which the senior executive is required to lead. Because each performance plan is customized, every senior executive is not held to a specific wait time measure if they customized their access measure.

Veterans Health Administration's (VHA) evaluation of Senior Executive performance is conducted annually in accordance with Department of Veterans Affairs (VA) Handbook 5027, VA Senior Executive Service (SES) and Title 38 SES-Equivalent Performance Management System policy, and all applicable laws. VHA's internal process includes a multi-level review process that increases transparency and accountability, and ensures meaningful distinctions in ratings and awards. The rating official (supervisor) provides an initial narrative summary and submits to the reviewing official who provides an overall narrative evaluation. Next, VHA's Performance Review Committee reviews the evaluation and makes a rating recommendation to the VA Performance Review Board (PRB). The PRB reviews and makes a rating recommendation to the Secretary of Veterans Affairs. The criteria for who receives a monetary award and the amount of the award are determined through collaboration between VA's Corporate Senior Executive Management Office and the Office of the Secretary. The Secretary has the final approval authority for the rating of record and any monetary award given.

Question 2. Do any performance measures use patient satisfaction feedback? Are there any plans to include a patient satisfaction measure in calculating performance pay across all VISNs?

VA Response: Performance awards are not tied solely to patient satisfaction feedback. Performance awards are monetary awards given to high-performing employees based on the overall annual job performance appraisal. Among the requirements, leadership skills in establishing a mechanism to obtain and act on feedback from Veterans may be one of many factors considered in the evaluation for performance awards. Veterans Health Administration senior executives utilize tools such as the Survey of Healthcare Experiences of Patients, Patient-Centered Medical Care Home survey results, as well as other local patient feedback to obtain feedback from Veterans regarding patient satisfaction.

Senior Executives are held specifically accountable for achieving realistic, but challenging performance targets within defined timeframes, identified within the five critical elements: Leading Change, Leading People, Business Acumen, Building Coalitions, and Performance Results. Within those five critical elements, each Senior Executive is rated against position-specific performance requirements. Their performance is evaluated through a minimum of five levels of review. The result of this evaluation is a rating and score.

Questions for the Record from Congressman Beto O'Rourke

Question 1. What recruitment incentives are available at the local level and how can they be applied to needs in areas like El Paso? El Paso Veterans have

desperate mental health care needs and those needs are going unheeded despite repeated attempts to communicate with the VISN 18 director.

VA Response: The following recruitment incentives are available for use at the El Paso Department of Veterans Affairs (VA) Health Care Center:

- Use of the 3Rs program (Recruitment, Relocation, and Retention Incentives)
    - In 2013 and 2014, 3Rs were offered for psychologist, physician, and nurse practitioner positions at El Paso, under the title 5 and title 38 authorities, as appropriate.

Before receiving a recruitment or relocation incentive, an employee must sign a written agreement to complete a specified period of employment with the agency.

- In 2013 and 2014, Permanent Change of Station (PCS) moves were offered for both the Chief and Supervisor in Mental Health at El Paso. PCS covers employee moving expenses/storage and applicable real-estate (sale/purchase) expenses.
- Vacancy announcements include offering Education Debt Reduction (EDRP) and Student Loan Repayment Program (SLRP). With the SLRP there is a signed Employee Service Agreement, outlining the details of loan repayment and a required 3-year employment service with the VA. EDRP participants must serve a service period, typically 12 months.
- El Paso also has in place a Recruitment Referral Award Program for use by current employees to assist in recruiting for positions. Above Minimum Entrance Rates (or higher rates of pay) are used as incentives that allow an employee to be hired at a higher step on the General Schedule. The superior qualifications and special needs pay-setting authority is used as an incentive to allow an employee be hired above step 1 on the General Schedule based on the superior qualifications of the candidate, or a special need of the agency for the candidate's services.
- Higher rates of pay for physicians are available.
- Previously approved mental health vacancies are automatically back filled and do not require approval through the Resource Management Committee at the facility level.
- Telework and alternative work schedules are benefits available for use to include Tele-Health initiatives.
- Premium pay or higher rates of overtime pay are also available to promote expanded hours and weekend coverage.
- Use of the National Nursing Education Initiative is available for mental health nurses. Nurses looking to advance may find this recruitment incentive enticing. For every year that the service pays for an employee's education, it is customary for the employee to enter into a service agreement promising to remain with the service for a specified duration of time, typically one year.

Question 2. Please provide the total budget available for employing providers for VISN 18 and the total expected costs for FY2014. Please also provide the budget allotted for El Paso providers, the amount of that budget currently in use, and a description of how that determination was made.

VA Response: Attachment 5 details the amounts expended for various provider types for fiscal year (FY) 2013 and a projection for FY 2014 for VISN 18 as a whole, as well as an individual breakdown for El Paso Department of Veterans Affairs (VA) Health Care System.

FY 2014 expected costs for employing providers would be based on amounts expended in the previous FY, adjusted for any new programs or anticipated changes in health care delivery planned for the current budget year. These changes could possibly involve Veterans Health Administration (VHA) or Veterans Integrated Service Network directed priorities for care, as well as care changes included in an individual station's strategic plan. In addition to the breakdown of facility specific providers, it is important to recognize that many non-VA care providers participate in the delivery of care to Veterans in the El Paso area. El Paso spends approximately 37 percent of its annual budget for care of Veterans in a non-VA setting.

Question 3. I am especially interested on performance measures which are based on adhering to budget expectations. Please provide a detailed description of any performance measures which use meeting budgetary expectations as a factor and what those budget expectations are. Please also provide the VISN operating budgetary policy and a brief description of what happens when a need to hire more providers is identified.

VA Response: Attachment 6 is the language used in the performance plans of each of the Senior Executives (Directors) at each Department of Veterans Affairs (VA) Medical Facility.

The Veterans Integrated Service Network (VISN) resource allocation total is determined by the Veteran's Equitable Resource Allocation (VERA) System, the Department's workload driven allocation system. Under the provisions of this allocation system, VA patient treatment and related costs are captured for each Veteran each year, and they are classified into one of 59 possible patient class care categories. These 59 patient classes are grouped into one of 11, 2-tiered price groups based on cost, complexity, and eligibility. This approach is designed to give each network a 'tailored' allocation price that reflects the unique characteristics of each network, and is based on a combination of the number of patients, adjustments for regional variances in labor and contract costs, high-cost patients, education support, research support, equipment, and non-recurring maintenance.

Once the network VERA allocation is received, the VISN uses the Medical Center Allocation System (MCAS), a uniform national allocation methodology, to distribute VERA General Purpose dollars to each of its network facilities. The VISN has some discretion in adjusting the MCAS distribution between facilities to address VISN-level priorities or other recent strategic changes that impact the budget. In addition to the General Purpose distribution, each station receives Specific Purpose Funds in support of special programs and/or mandated initiatives, such as Care of Homeless Veterans, Women's Health, Operation Iraqi Freedom/Operating Enduring Freedom, Prosthetics, Readjustment Counseling, Grant and Per Diem, Rural Health, State Home funding, and Allied Health/Resident/Intern Funding. Adjustments to Specific Purpose allocations

occur throughout the year, based on the timing of the initiative(s), modifications to the care delivery plan, ability to recruit needed full-time employees, timing of contractual awards, and a variety of other factors.

A station's total yearly budget is comprised of General Purpose and Specific Purpose funds, augmented by alternative revenue from first and third party insurers and sharing agreement partners. Once a facility's budgetary total is determined using the above process, it must also be appropriately be divided among the three Medical Care budget accounts. Within these limitations, facility leaders are expected to develop and execute a resource management plan that integrates budget, human resources, and capital expenditures, including the proper execution of specific purpose funds. The VA and VISN budget processes are dynamic, requiring frequent budgetary adjustments throughout the year as care needs change or other operational issues arise. Part of effective management is carrying out the facility mission within the allocated resources. However, if resources need to be augmented or realigned between appropriations or facilities, this is accomplished by using a 1 percent to 1.5 percent VISN reserve for contingencies.

If the need for additional care providers was identified and the station could not address the issue by an internal realignment of funds, a formal request for additional funding would be submitted by the facility Director to the VISN Director. If the level of VISN resources should be exceeded, additional assistance from VA Central Office would be requested.

Questions for the Record from Congresswoman Dina Titus

Question 1. How did the VA miss the false credentials used by the VISN 21 Director Sheila M. Cullen to attain her position? What performance awards did she receive during her tenure as director, and how long will she be able to stay in her position. Will she remain an employee with the VA? If so what is the reasoning?

VA Response: Due to privacy concerns and the fact that this document will be published in the Congressional Record, Department of Veterans Affairs will provide a response regarding the specific circumstances of this employee to the Committee under separate cover.

Questions for the Record from Congresswoman Ann Kirkpatrick

Question 1. VA officials were on notice that "gaming strategies" were being used to misreport patient wait times at VA medical facilities based on the April 26, 2010 "Inappropriate Scheduling Practices" memo that went to all network directors.

Which reviewing officials signed off on SES performance appraisals for those SESs responsible for VA medical facilities where manipulation of patient wait time data and unauthorized scheduling practices were found to have taken place?

VA Response: As the second level supervisor, the Deputy Under Secretary for Health for Operations and Management, or his designated representative, served as the reviewing official for all Veterans Health Administration medical center directors.

Question 2. Did any reviewing officials sign off on performance appraisals recommending bonuses for SES employees whose facilities were under investigation by the IG?

VA Response: Reviewing officials do not make recommendations or determinations regarding performance awards. Beginning in fiscal year 2012, Department of Veterans Affairs required that the Reviewing Official (second level supervisor) assign an independent rating and enter it in Part 3 of the Executive Performance Agreement. The Deputy Under Secretary for Health for Operations and Management serves as the reviewing official for all Veterans Health Administration medical center directors.

Question 3. Who were the officials on the Performance Review Committees that signed off on performance appraisals and recommended bonuses for these SESs to the Performance Review Board for approval? Who were the officials on the Performance Review Board that recommended bonuses for these SESs to the VA Secretary?

VA Response: The Department did not have Performance Review Committees as part of its performance appraisal process in 2010. Attachment 7 is the Performance Review Board membership. *(Note: This information is documented in the Federal Register.)*

Question 4. Will the VA hold network and medical center leaders that received bonuses accountable in VISNs and medical facilities where the audit found that appointment wait time data was being manipulated and appointment scheduling "gaming strategies" were being used?

VA Response: When a management official becomes aware of credible allegations of serious misconduct against a senior manager, Veterans Health Administration (VHA) executive leadership follows procedures and guidelines set forth in statutes, regulations, and Department of Veterans Affairs (VA) policy, including VA Handbooks 5021, Employee-Management Relations; 5027, Senior Executive Service; and 0700, Administrative Investigations, to establish facts and determine appropriate action.

In instances of allegations of serious misconduct against career executives, VHA Labor Relations/Employee Relations manages a formal system that ensures that appropriate corrective and/or disciplinary action is taken. When the review of the integrity of our scheduling practices concludes, employees will be held accountable for any substantiated misconduct.

Question 5. Why was performance pay awarded to providers that had action taken against them related to clinical performance? These were providers that failed to competently read mammograms and other complex medical images, providers that were practicing without a license and providers leaving residents unsupervised during surgery. Why did the VA believe these providers deserved performance pay for non-performance? Is this because performance pay was automatically awarded to every employee?

VA Response: Physician and Dentist performance pay is a component of compensation paid to recognize the achievement of specific goals and performance objectives prescribed on a fiscal year basis by an appropriate management official. Performance pay is not automatic and the amount is determined solely at the discretion of the approving official based on the achievement of the specified goals and objectives. Employees who did not achieve specific goals in their performance pay contract should not have received performance pay.

Question 6. How can the VA hold employees accountable if bonuses and performance pay are awarded automatically?

VA Response: Department of Veterans Affairs (VA) takes very seriously its responsibility to all employees accountable for performance. Additionally, VA has an Office of Personnel Management-certified senior executive performance appraisal system. The regulations for Senior Executive Service appraisal system certification establish criteria necessary to achieve system certification. The regulations specifically require performance accountability measures be included in the appraisal system description and be clearly stated in executive performance plans. Additionally, alignment of performance plans to strategic goals and identification of measurable, expected results must be included in plans. Performance awards and rating-based pay adjustments are not automatic, they are based on individual and organizational results. "Physician Performance Pay" is separate and distinct from performance-based pay and award actions. It is a one of three elements for title 38 physicians.

Question 7. There is a shortage of doctors, nurses and medical staff in the VA. What other incentives could the VA use to recruit and retain healthcare providers beyond bonuses and performance pay? We know that the VA loses healthcare providers to the DoD. Why hasn't the VA considered increasing the base salary of VA health care employees so that they receive comparable pay? Has the VA considered offering other incentives such as student loan repayment, or increased pay for VA providers willing to work in rural and underserved areas? What additional professional opportunities could the VA offer its healthcare providers to recruit and retain those who are dedicated to serving veterans?

VA Response: In some clinical specialties Department of Veterans Affairs (VA) pay is comparable or higher than Department of Defense (DoD) pay for civilian Federal physicians; in some areas DoD salaries are higher. Several years ago DoD was approved to use Title 38 market pay under a delegated agreement managed by Office of Personnel Management. DoD currently uses the same annual pay ranges for physicians and dentists as VA. In both VA and DoD, exceptions may be authorized for

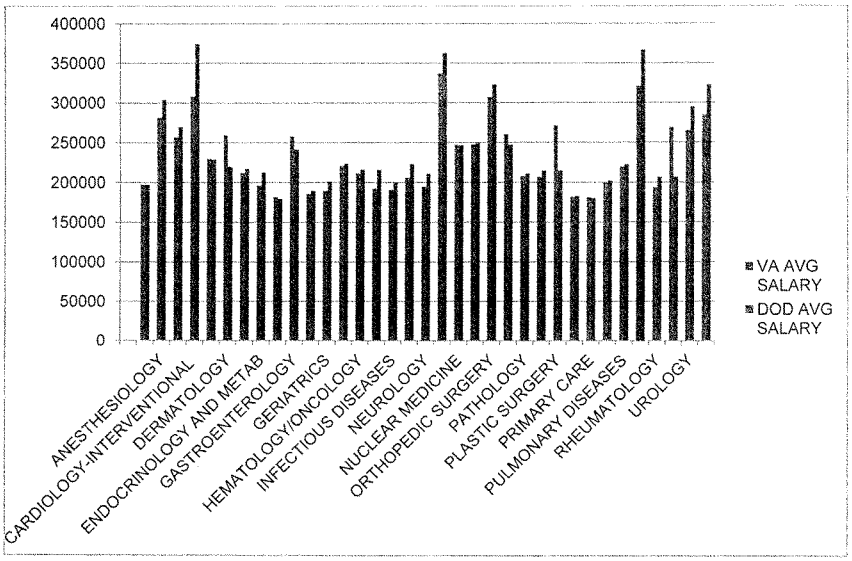
individual physicians to exceed the annual pay range for a particular specialty or assignment, as needed to recruit and retain high quality health care providers.

When comparing VA average salaries it should be noted that in most specialties VA employs many more physicians than DoD; for example, DoD pays an average salary of $304,018, but employs only 36 Federal civilian Anesthesiologists, while VA pays an average salary of $281,504 to 627 Anesthesiologists.

The following is information that compares VA and DoD physician pay, by specialty. DoD data used in this comparison are current data provided by DoD on June 25, 2014.DoD's data was provided by the DoD's Strategic Compensation Branch, Defense Civilian Personnel Management Service. The salary data includes base plus market pay. It does not include performance pay for either VA or DoD physicians as performance pay is not considered part of annual pay. VA average salary data was extracted from VA's Personnel and Accounting I Integrated Data (PAID) system.

ASSIGNMENT / SPECIALTY	VA AVG SALARY	DoD AVG SALARY	NUMBER OF VA PHYSICIANS (FT)	NUMBER OF DoD PHYSICIANS (FT)
ALLERGY & IMMUNOLOGY	$197,481	$197,393	14	10
ANESTHESIOLOGY	$281,504	$304,018	627	36
CARDIOLOGY NON-INTERVENTIONAL	$256,937	$270,076	315	5
CARDIOLOGY-INTERVENTIONAL	$308,373	$374,694	124	4
CRITICAL CARE	$229,792	$229,222	27	5
DERMATOLOGY	$259,493	$219,831	93	5
EMERGENCY MEDICINE	$212,266	$217,441	591	79
ENDOCRINOLOGY AND METAB	$196,412	$212,905	128	3
FAMILY PRACTICE	$181,785	$179,936	526	459
GASTROENTEROLOGY	$258,070	$241,432	312	6
GENERAL INTERNAL MED	$186,057	$189,900	3533	136
GERIATRICS	$189,935	$201,393	311	3
GYNECOLOGY	$221,179	$224,079	42	26
HEMATOLOGY/ONCOLOGY	$211,639	$216,240	104	9
HOSPITALIST	$192,654	$216,240	492	27
INFECTIOUS DISEASES	$190,956	$200,725	153	3
NEPHROLOGY	$206,465	$223,461	171	8
NEUROLOGY	$194,981	$211,064	321	30
NEUROSURGERY	$337,289	$362,846	35	5
NUCLEAR MEDICINE	$247,478	$246,998	80	7
OPHTHALMOLOGY	$247,586	$248,846	200	8
ORTHOPEDIC SURGERY	$307,205	$323,169	191	8

OTOLARYNGOLOGY	$260,506	$247,416	75	8
PATHOLOGY	$208,049	$211,406	314	31
PHYSICAL MEDICINE & REHABILITATION	$207,068	$214,950	414	18
PLASTIC SURGERY	$271,477	$214,950	29	1
PREVENTIVE MEDICINE	$181,950	$183,084	31	3
PRIMARY CARE	$181,082	$180,082	1175	8
PSYCHIATRY	$199,432	$202,182	2458	209
PULMONARY DISEASES	$219,534	$222,566	331	17
RADIOLOGY-INTERVENTONAL	$321,100	$366,721	119	2
RHEUMATOLOGY	$193,665	$206,601	80	4
SURGERY	$268,938	$206,601	410	19
UROLOGY	$265,302	$294,926	174	2
VASCULAR SURGERY	$285,258	$322,796	73	2



The following is information that compares VA and DoD Federal civilian dentist pay by specialty. DoD data used in this comparison are current data provided by DoD on June 25, 2014. DoD's data was provided by the DoD's Strategic Compensation Branch, Defense Civilian Personnel Management Service.

ASSIGNMENT / SPECIALTY	VA AVG SALARY	DOD AVG SALARY	NUMBER OF VA DENTISTS (FT)	NUMBER OF DOD DENTISTS (FT)
GENERAL DENTISTRY/GENERAL PRACTICE	$113,276	$141,770	651	268
ORAL SURGERY	$114,905	$271,049	50	2
PERIODONTICS	$124,562	$171,699	29	2
PROSTHODONTICS	$117,303	$163,840	86	15
ENDODONTICS	$116,928	$174,006	9	5
COMPREHENSIVE DENTISTRY	No VA Match	$144,803	--	22
ALL OTHER DENTISTS	$116,910	No DOD Match	41	--

Question 8. Why is the purpose of the Veterans Health Administration's (VHA) performance pay policy (to improve health outcomes and quality) not articulated in the VHA's performance pay policy?

VA Response:

VA Handbook 5007, part IX, "Pay for VHA Physicians and Dentists" was revised March 2014 to clarify the purpose of performance pay. Specifically, part IX, paragraph 5k states, "The purpose of performance pay is to improve the quality of care and health care outcomes through the achievement of specific goals and objectives related to the clinical, academic, and research missions of VA."

Question 9. Since network and medical center leadership were granted the discretion to set goals that providers must achieve to receive performance pay, why did the VHA fail to review these goals to ensure that performance pay was linked to provider performance goals?

VA Response: The establishment of performance goals is the responsibility of each supervisor at the local level in consultation with their employees. Veterans Health Administration has taken action to strengthen oversight of performance pay. As of October 31, 2013, Department of Veterans Affairs has revised policies to clearly articulate the overarching goal of high quality health care for Veterans and the need for proper oversight and documentation of performance pay.

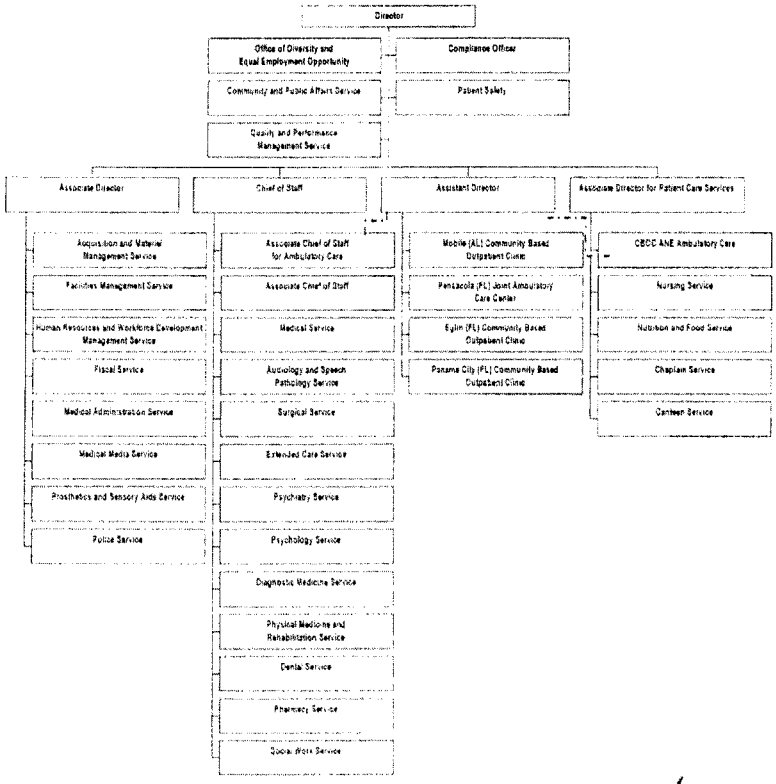
Question 10. How will the VA ensure that only employees who perform exceptional work are rewarded in the future?

VA Response: Veterans Health Administration (VHA) conducts a comprehensive performance review annually of each senior executive in accordance with Department of Veterans Affairs (VA) Handbook 5027, VA Senior Executive Service (SES) and Title 38 SES-Equivalent Performance Management System policy, and all applicable laws. Senior Executives are held accountable through a multi-level review process that increases transparency and accountability.

- The SES Rating Official (supervisor) provides a narrative evaluation for each critical element against which the executive is measured, an overall summary narrative, and assigns the initial summary rating. The overall narrative provides the basis for the overall rating.
- The Reviewing Official provides an overall narrative evaluation.
- VHA's Performance Review Committee (PRC) reviews all VHA evaluations and makes rating recommendations that are reviewed and considered by the VA Performance Review Board (PRB).
- The PRB reviews all VA SES performance appraisals and makes rating recommendations to the Secretary, who has final decision authority of the rating of record and performance award amount.
- Performance Awards are monetary awards given to high-performing employees based on annual job performance appraisals.

For the SES and SES-Equivalent, we are revising the policy and regulations to provide greater clarity in rating official roles and responsibilities. Additionally, VA is in the process of automating the entire performance management system for the SES, which will enable oversight of process to include early visibility of mid-year assessments, development of performance objectives, linkage to strategic plans and goals, and documentation. Furthermore, there will be more thorough and direct guidance to the PRCs and PRB on the new rating policies and need to establish consistency of review and validation of performance claims during the rating review process. For the general schedule employees, VA is beginning the work to revise the rating form and automate the system that will provide the rigor and oversight for an accountable system.

Organizational Chart
VA Gulf Coast Veterans Health Care System
Biloxi, MS



Recommend Approval

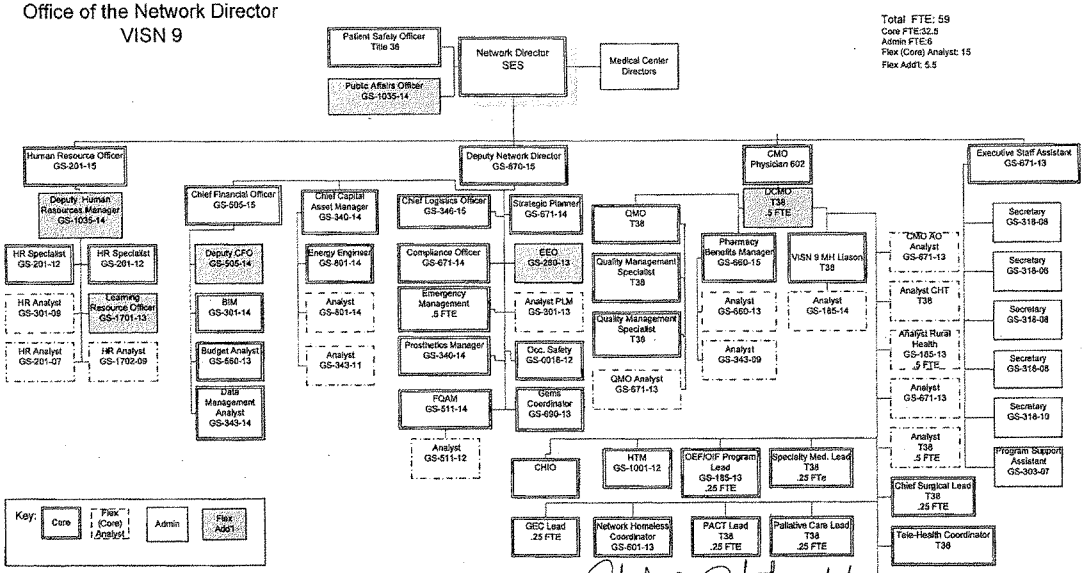
Kathleen R. Fogarty
Interim Director
Date:

Approved

George H. Gray, Jr.
Network 16 Director
Date: 5/28/09

Office of the Network Director
VISN 9

Total FTE: 59
Core FTE:32.5
Admin FTE:6
Flex (Core) Analyst: 15
Flex Addt'l: 5.5



Vicki Kendrick
Vicki Kendrick
Acting Director, VA Network
VISN 9

William Schoenhard 1-25-13
William Schoenhard, FACHE
Deputy Under Secretary for Health for Operations and Management

Robert L. Jesse, PhD., M.D.
Principal Deputy Under Secretary for Health

Robert A. Petzel
Robert A. Petzel, M.D.
Under Secretary for Health

2/14/2013
Date

DEPARTMENT OF VETERANS AFFAIRS
Veterans Health Administration
Title 38, U.S.C. Sec. 7431
PHYSICIAN AND DENTIST
BASE AND LONGEVITY PAY SCHEDULE

STEP	TENURE (in years)	SALARY
1	2 or less	98,967.00
2	2 to 4	102,266.00
3	4 to 6	105,565.00
4	6 to 8	108,864.00
5	8 to 10	112,163.00
6	10 to 12	115,462.00
7	12 to 14	118,761.00
8	14 to 16	122,060.00
9	16 to 18	125,359.00
10	18 to 20	128,658.00
11	20 to 22	131,957.00
12	22 to 24	135,256.00
13	24 to 26	138,555.00
14	26 to 28	141,854.00
15	more than 28	145,153.00

Office of Human Resources Management
Effective January 12, 2014

Final Approved Pay Ranges For Physicians and Dentists
Effective January 12, 2014

Pay Table 1	Specialty/Assignment	Pay Table 2	Specialty/Assignment
Tier 1: $ 98,967 - 195,000 Tier 2: $110,000 - 210,000 Tier 3: $120,000 - 235,000 Tier 4: $130,000 - 245,000	Allergy and Immunology Endocrinology Endodontics General Practice – Dentistry Geriatrics Hospitalist Infectious Diseases Internal Medicine / Primary Care / Family Practice Neurology Periodontics Preventive Medicine Prosthodontics Psychiatry Rheumatology All other specialties or assignments not requiring a specific specialty training or certification	Tier 1: $ 98,967 - 220,000 Tier 2: $115,000 - 230,000 Tier 3: $130,000 - 240,000 Tier 4: $140,000 - 250,000	Critical Care (board certified) Emergency Medicine Gynecology Hematology – Oncology Nephrology Pathology PM&R / SCI Pulmonary
Pay Table 3	**Specialty/Assignment**	**Pay Table 4**	**Specialty/Assignment**
Tier 1: $ 98,967 - 265,000 Tier 2: $120,000 - 275,000 Tier 3: $135,000 - 285,000 Tier 4: $145,000 - 295,000	Cardiology (Non-invasive) Dermatology Gastroenterology Nuclear Medicine Ophthalmology Oral Surgery Otolaryngology	Tier 1: $ 98,967 - 295,000 Tier 2: $125,000 - 305,000 Tier 3: $140,000 - 325,000 Tier 4: $150,000 - 335,000	Anesthesiology General Surgery Plastic Surgery Radiology (Non-invasive) Urology Vascular Surgery
Pay Table 5	**Specialty/Assignment**	**Pay Table 6**	**Specialty/Assignment**
Tier 1: $150,000 - 275,000 Tier 2: $145,000 - 255,000 Tier 3: $140,000 - 235,000	VHA Chiefs of Staff – Tier assignments are based on published facility complexity level Tier 1 – Complexity Levels 1a & 1b Tier 2 – Complexity Levels 1c & 2 Tier 3 – Complexity Level 3 or facilities with no designated level	Tier 1: $145,000 - 265,000 Tier 2: $145,000 - 245,000 Tier 3: $130,000 - 235,000	Tier 1 – Principal Deputy; other Deputy Under Secretaries for Health; Chief Officers; Network Directors; Medical Center Directors; Network Chief Officers Tier 2 – VACO Chief Consultants; National Directors; National Program Managers Tier 3 – All VACO physicians or dentists not otherwise defined
Pay Table 7	**Specialty/Assignment**		
Tier 1: $ 98,967 - 375,000 Tier 2: $140,000 - 385,000	Cardio-Thoracic Surgery Interventional Cardiology Interventional Radiology Neurosurgery Orthopedic Surgery		

*The minimum rate for Tier 1 on Pay Tables 1 – 4 and 7 has been adjusted based on the new Step 1 rate on the Physician and Dentist Base and Longevity Pay Schedule effective January 12, 2014.

CLINICAL PROVIDERS - VISN 18 and EL PASO

6/30/2014

Clinical Providers	VISN 18 FY13	VISN 18 FY14 Projection	VISN 18 % Change	El Paso FY13	El Paso FY14 Projection	El Paso % Change
Allied Health Care Positions (see note1 below)	$210,979,388	$221,070,000	5%	$14,333,746	$15,970,000	11%
Fellows Positions	$2,451,536	$2,950,000	20%	$15,656	$20,000	28%
Professional Nursing	$298,624,754	$314,670,000	5%	$11,905,577	$13,380,000	12%
Dental & Podiatrists	$14,686,105	$15,890,000	8%	$1,785,229	$1,960,000	10%
Physicians, Residents & Physician Assistants	$212,514,386	$230,110,000	8%	$16,268,978	$17,360,000	7%
Psychologists	$19,152,483	$19,140,000	0%	$2,261,086	$2,390,000	6%
Optometrists and Residents	$4,147,195	$4,200,000	1%	$326,513	$330,000	1%
Total Clinical Providers Budget	$762,555,848	$808,030,000	6%	$46,896,784	$51,410,000	10%

Note1: This includes therapists, dietitians, social workers, pharmacists, medical and radiology technologists, and orthopedists.
Note2: The table above does not include contract providers or resident disbursing agreements. It only includes VA employee providers.

	VISN 18 FY13	VISN 18 FY14 Projection	VISN 18 % Change	El Paso FY13	El Paso FY14 Projection	El Paso % Change
Off-Site Care by Non-VA Providers	$355,011,542	$404,542,000	14%	$63,228,095	$72,540,000	15%

VETERANS HEALTH ADMINISTRATION (VHA)
FISCAL YEAR (FY) 2014
SENIOR EXECUTIVE PERFORMANCE TEMPLATE
October 1, 2013 – September 30, 2014

CRITICAL ELEMENT 3: Business Acumen

Business Acumen relates to the Senior Executive assessing, analyzing, acquiring, and administering human, financial, material and information resources in a manner that places a high priority on a culture of compliant business integrity, instills public trust, and accomplishes the organization's mission. The Senior Executive uses technology to enhance processes and decision making. The Senior Executive executes the operating budget, prepares budget requests with justifications, and aligns resources to deliver sustained value to Veterans.

Resource Management: The Senior Executive provides effective leadership in ensuring the development and successful execution of a resource management plan that integrates budget, human resources, and capital expenditures and execution of specific purpose funding in a timely manner. The Senior Executive will ensure Human Resources and Hiring Managers maximize T-38 hiring flexibility and make progress towards meeting the VA 60 day hiring goal. This should include mechanisms to evaluate the resource plan as it relates to quarterly execution to meet VHA strategic objectives. The Senior Executive develops processes to review and or close underutilized and non-aligned programs initiatives and activities.

Prudent Stewardship: The Senior Executive will be expected to adhere to President Executive Order (EO) 13589, Promoting Efficient Spending, by establishing internal processes to reduce unnecessary spending to include reviewing existing practices on travel, conferences and training, employee Information Technology (IT) devices, professional printing and technical services, supplies, material, and promotional items.

supportive services program that guides resident Veterans toward attaining long-term self-sufficiency.

FOR FURTHER INFORMATION CONTACT: Edward Bradley, Office of Asset Enterprise Management (044C), Department of Veterans Affairs, 810 Vermont Avenue, NW., Washington, DC 20420, (202) 461–7778 (this is not a toll-free number).

SUPPLEMENTARY INFORMATION: Title 38 U.S.C. 8161 *et seq.* states that the Secretary may enter into an enhanced-use lease if he determines that implementation of a business plan proposed by the Under Secretary for Health for applying the consideration under such a lease for the provision of medical care and services would result in a demonstrable improvement of services to eligible Veterans in the geographic service-delivery area within which the property is located. This project meets this requirement.

Approved: November 10, 2010.

John R. Gingrich,

Chief of Staff, Department of Veterans Affairs.

[FR Doc. 2010–29750 Filed 11–24–10; 8:45 am]

BILLING CODE 8320–01–P

DEPARTMENT OF VETERANS AFFAIRS

Advisory Committee on Disability Compensation; Notice of Meeting

The Department of Veterans Affairs (VA) gives notice under Public Law 92–463 (Federal Advisory Committee Act) that the Advisory Committee on Disability Compensation will meet on December 13–14, 2010, at the St. Regis Hotel, 923 16th Street, NW., Washington, DC, from 8:30 a.m. to 3 p.m. The meeting is open to the public.

The purpose of the Committee is to advise the Secretary of Veterans Affairs on the maintenance and periodic readjustment of the VA Schedule for Rating Disabilities. The Committee is to assemble and review relevant information relating to the nature and character of disabilities arising from service in the Armed Forces, provide an ongoing assessment of the effectiveness of the rating schedule, and give advice on the most appropriate means of responding to the needs of Veterans relating to disability compensation.

The Committee will receive briefings on issues related to compensation for Veterans with service-connected disabilities and other VA benefits programs. Time will be allocated for receiving public comments in the afternoon each day. Public comments will be limited to three minutes each. Individuals wishing to make oral statements before the Committee will be accommodated on a first-come, first-served basis. Individuals who speak are invited to submit 1–2 page summaries of their comments at the time of the meeting for inclusion in the official meeting record.

The public may submit written statements for the Committee's review to Robert Watkins, Designated Federal Officer, Department of Veterans Affairs, Veterans Benefits Administration, Compensation and Pension Service, Regulation Staff (211D), 810 Vermont Avenue, NW., Washington, DC 20420 or e-mail at *Robert.Watkins2@va.gov*. Any member of the public wishing to attend the meeting or seeking additional information should contact Mr. Watkins at (202) 461–9214.

Dated: November 22, 2010.

By Direction of the Secretary.

Vivian Drake,

Acting Committee Management Officer.

[FR Doc. 2010–29745 Filed 11–24–10; 8:45 am]

BILLING CODE P

DEPARTMENT OF VETERANS AFFAIRS

Rehabilitation Research and Development Service Scientific Merit Review Board; Notice of Meeting

The Department of Veterans Affairs (VA) gives notice under Public Law 92–463 (Federal Advisory Committee Act) that a meeting of the Rehabilitation Research and Development Service Scientific Merit Review Board will be held on December 13–14, 2010, at the Hilton Alexandria Old Town, 1767 King Street, Alexandria, VA, from 9 a.m. to 5 p.m. each day. Various subcommittees of the Board will meet to evaluate Center of Excellence and Research Enhancement Award Program applications. Each subcommittee meeting of the Board will be open to the public the first day for approximately one hour from 9 a.m. to 10 a.m. to cover administrative matters and to discuss the general status of the program. The remaining portion of the meetings will be closed. The closed portion of each meeting will involve discussion, examination, reference to, and oral review of the applications and critiques.

The purpose of the Board is to review rehabilitation research and development applications and advise the Director, Rehabilitation Research and Development Service, and the Chief Research and Development Officer on the scientific and technical merit, the mission relevance, and the protection of human and animal subjects.

During the meetings, discussion and recommendations will include qualifications of the personnel conducting the studies (the disclosure of which would constitute a clearly unwarranted invasion of personal privacy), as well as research information (the premature disclosure of which would likely compromise significantly the implementation of proposed agency action regarding such research projects). As provided by subsection 10(d) of Public Law 92–463, as amended by Public Law 94–409, closing the meeting is in accordance with 5 U.S.C. 552b(c)(6) and (9)(B).

For further information, please contact Tiffany Asqueri, Designated Federal Officer, Rehabilitation Research and Development Service, Department of Veterans Affairs (122P), 810 Vermont Avenue, NW., Washington, DC 20420, or phone at (202) 461–1740 or e-mail at *tiffany.asqueri@va.gov*.

Dated: November 22, 2010.

By Direction of the Secretary.

Vivian Drake,

Acting Committee Management Officer.

[FR Doc. 2010–29758 Filed 11–24–10; 8:45 am]

BILLING CODE P

DEPARTMENT OF VETERANS AFFAIRS

Performance Review Board Members

AGENCY: Department of Veterans Affairs.

ACTION: Notice.

SUMMARY: Under the provisions of 5 U.S.C. 4314(c)(4) agencies are required to publish a notice in the **Federal Register** of the appointment of Performance Review Board (PRB) members. This notice updates the VA Performance Review Board of the Department of Veterans Affairs that was published in the **Federal Register** on October 16, 2009 (Vol. 74, No. 199).

DATES: *Effective Date:* November 26, 2010.

FOR FURTHER INFORMATION CONTACT: Dadrian Brown, Human Resources Specialist, Corporate Senior Executive Management Office (006E), Department of Veterans Affairs, 810 Vermont Avenue, NW., Washington, DC 20420, (202) 461–7078.

VA Performance Review Board (PRB)

Primary Board Members

John U. Sepúlveda, Assistant Secretary for Human Resources and Administration (Chairperson).

Fernando Rivera, Acting Network Director, VISN 5.

Michael Cardarelli, Acting Deputy Under Secretary for Benefits.
Paul Hutter, Chief of Staff, Veterans Health Administration.
Robert L. Neary, Associate Chief Facilities Management Officer for Service Delivery, Office of Acquisition, Logistics and Construction.
Will A. Gunn, General Counsel.
William T. Grams, Acting Assistant Secretary for Management.
Martha Orr, Executive Director, Quality, Performance, and Oversight, Office of Information and Technology.
Raul Perea-Henze, Assistant Secretary for Policy and Planning.
Tonya M. Deanes, Deputy Assistant Secretary, Office of Human Resources Management.
Patricia C. Adams, Deputy Assistant Secretary of the Navy, Civilian Human Resources.

Alternate Board Members

Deborah McCallum, Assistant General Counsel.
Diana Rubens, Associate Deputy Under Secretary for Field Operations, VBA.
Madhulika Agarwal, Chief Officer, Patient Care Services, VHA.
Rose K. Quicker, Associate Chief Facilities Management Officer for Resource Management, Office of Acquisition, Logistics and Construction.
Walter Hall, Assistant General Counsel.
James Sullivan, Director, Office of Asset and Enterprise Management, Office of Management.
Rom Mascetti, Deputy Assistant Secretary for Resource Management, Office of Information and Technology.
Dat Tran, Director, National Center for Veterans Analysis and Statistics, Office of Policy and Planning.

Dated: November 16, 2010.

Eric K. Shinseki,

Secretary of Veterans Affairs.

[FR Doc. 2010–29696 Filed 11–24–10; 8:45 am]

BILLING CODE 8320–01–P

DEPARTMENT OF VETERANS AFFAIRS

Privacy Act Of 1974; System of Records

AGENCY: Department of Veterans Affairs (VA).

ACTION: Notice of amendment to systems of records.

SUMMARY: As required by the Privacy Act of 1974, 5 U.S.C. 552a(e), notice is hereby given that the Department of Veterans Affairs (VA) is amending two existing systems of records 121VA19, "National Patient Databases—VA", and 136VA19E, "Library Network (VALNET)—VA" to: Add a routine use relating to releasing information to agencies in the event of fraud or abuse. VA is also amending the 121VA19 system of records by amending the routine use relating to releasing information to the General Services Administration and the revision of Appendix 4 is being amended for additional databases.

DATES: Comments on the amendment of these systems of records must be received no later than December 27, 2010. If no public comment is received, the amended system will become effective December 27, 2010.

ADDRESSES: Written comments may be submitted through *www.Regulation.gov*; by mail or hand-delivery to Director, Regulations Management (02REG), Department of Veterans Affairs, 810 Vermont Avenue, NW., Room 1068, Washington, DC 20420; or by fax to (202) 273–9026. Comments received will be available for public inspection in the Office of Regulation Policy and Management, Room 1063B, between the hours of 8 a.m. and 4:30 p.m., Monday through Friday (except holidays). Please call (202) 461–4902 (this is not a toll-free number) for an appointment. In addition, during the comment period, comments may be viewed online through the Federal Docket Management System (FDMS) at *http://www.Regulations.gov*.

FOR FURTHER INFORMATION CONTACT: Veterans Health Administration (VHA) Privacy Officer, Department of Veterans Affairs, 810 Vermont Avenue, NW., Washington, DC 20420; telephone (704) 245–2492.

SUPPLEMENTARY INFORMATION: VA provides health care services to many of America's Veterans through the Veterans Health Administration. During the course of providing health care, VHA collects medical and health information on Veterans. In order to protect Veteran's medical or health information VHA is adding one routine use and amending one routine use to one existing system of records (121VA19) and one routine use to one other existing system of records (136VA19E).

Additional Routine Uses

The routine use added to 121VA19 and 136VA19E would permit VA to disclose information to other Federal agencies which may be made to assist such agencies in preventing and detecting possible fraud or abuse by individuals in their operations and programs.

The routine use added to these two systems of records would permit disclosures by the Department to report a suspected incident of identity theft and provide information and/or documentation related to or in support of the reported incident.

The routine use being amended to 121VA19 would permit VA to disclose information to the National Archives and Records Administration (NARA) and the General Services Administration (GSA) in records management inspections conducted under authority of Title 44, Chapter 29, of the United States Code (U.S.C.). NARA and GSA are responsible for management of old records no longer actively used, but which may be appropriate for preservation, and for the physical maintenance of the Federal Government's records. VA must be able to provide the records to NARA and GSA in order to determine the proper disposition of such records.

Appendix 4 has been amended to include Defense and Veterans Eye Injury Registry (DVEIR)—VA Service-Related Eye Injury Data Store, Embedded Fragment Registry (EFR), The Electronic Surveillance System for the Early Notification of Community-Based Epidemics (ESSENCE), Veterans Informatics, Information and Computing Infrastructure (VINCI), and Dental Encounter System.

The Report of Intent to Amend these Systems of Records Notice and an advance copy of the systems notice have been sent to the appropriate Congressional committees and to the Director of the Office of Management and Budget (OMB) as required by 5 U.S.C. 552a(r) (Privacy Act) and guidelines issued by OMB (65 FR 77677), December 12, 2000.

Approved: November 3, 2010.

John R. Gingrich,

Chief of Staff, Department of Veterans Affairs.

Notice of Amendment of Systems of Records

1. In the system identified as 121VA19, "National Patient Databases—VA," as set forth in the **Federal Register**, 73 FR 16103, and last amended in the **Federal Register** on March 26, 2008. One new routine use is added as follows:

121VA19

SYSTEM NAME: "NATIONAL PATIENT DATABASES—VA".

* * * * *

ROUTINE USES OF RECORDS MAINTAINED IN THE SYSTEM, INCLUDING CATEGORIES OF USERS AND THE PURPOSES OF SUCH USES:

* * * * *