

MANAGEMENT'S DISCUSSION AND ANALYSIS



The future is in sight at the New Orleans VA

The future is in sight at the New Orleans VA: Dr. Jody Simon performed the first corneal collagen crosslinking (CXL) procedure ever completed at a VA medical center (VAMC).

Not just new at VA, CXL is a new procedure in the United States. Approved by the Food and Drug Administration in 2016 for the treatment of Keratoconus and Corneal Ectasia, this cutting edge, innovative procedure can be very expensive and is not covered by many insurance companies. The Veteran who worked with Dr. Simon transferred to the New Orleans VA, part of the Southeast Louisiana Veterans Health Care System (SLVHCS), from the Manhattan VA for the procedure. Since then, Veterans from the El Paso VA and the Houston VA have been referred to New Orleans to see if they might be candidates for the procedure.

“I’m happy to have this technology to serve our Veterans,” Dr. Simon said. “If you try to perform this procedure outside VA, it can be very expensive. It’s nice to be able to provide it to anyone who qualifies for VA care. We’d like to recruit any Veterans who feel they would benefit from corneal crosslinking.”

As explained by Dr. Rebecca Metzinger, SLVHCS Chief of Ophthalmology, CXL is a treatment for a progressive disease called keratoconus, which can lead to the cornea thinning and bowing out (forming a cone shape) and scarring that can lead to loss of vision and the need for corneal transplantation.

Dr. Simon explained the goal of CXL is not to improve vision, though some people might experience some improvement afterward. For instance, if a patient is wearing therapeutic hard contact lenses before the procedure, they will likely still need them. The goal of this procedure is to stabilize the eye so that the disease does not progress.

Dr. Simon said, “If the disease does progress, it makes a patient’s vision very, very blurry and they could progress to the point where contact lenses are intolerable because it doesn’t fit on their eye anymore or it’s painful. They may need a corneal transplant later on. That’s about a year-long recovery process. If you can prevent that early on before the disease progresses, I think that’s a really big benefit to people.”

Dr. Metzinger explained how the procedure is performed, saying, “Essentially the corneal epithelium is removed, and the cornea is soaked with riboflavin and UV light is directed on to the cornea (via the FDA – approved AVEDRO device) to strengthen the collagen and stabilize the eye.”

Even though the description of the procedure sounds painful because the doctor basically scrapes the surface (epithelial) cells off the cornea of the eye, it really isn’t bad.

“The patient can’t feel it at the time of the procedure. We numb the eye with topical numbing drops, there are no injections. It’s not very invasive. They don’t need any other anesthesia,” Dr. Simon said. “The recovery time is about a week. They have some blurry vision at first, a few days of discomfort where they feel like something is in their eye and they’re sensitive to light. After that, things normalize between one and three months.”

Picture previous page: Dr. Jody Simon, corneal specialist in Ophthalmology at the Veterans medical center in New Orleans, made history: she performed the first CXL procedure ever completed at a VAMC.

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MISSION AND ORGANIZATIONAL STRUCTURE

MISSION

President Lincoln’s immortal words, delivered in his Second Inaugural Address more than 140 years ago, best describe the VA’s mission: *“To care for him who shall have borne the battle and for his widow, and his orphan.”* We care for Veterans, their families, and survivors – men and women who have responded when their Nation needed help. VA’s mission is clear-cut, direct, and historically significant. It is a mission that every employee is proud to fulfill.

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

ORGANIZATION

VA is comprised of three Administrations--Veterans Benefits Administration (VBA), Veterans Health Administration (VHA), and the National Cemetery Administration (NCA)--responsible for delivering services to Veterans, and Staff Offices that support the Department:

VBA provides various benefits to Veterans and their families. These benefits include transition assistance services, disability compensation, pension, fiduciary services, educational opportunities, vocational rehabilitation and employment (VR&E) services, home loan guaranty, and life insurance benefits.



VBA Education Director Charmain Bogue answers questions at an Administrator Town Hall.

VHA provides a broad range of primary care, specialized care, and related medical and social support services that are uniquely related to Veterans’ health or special needs. VHA advances medical research and development in ways that support Veterans’ needs by pursuing medical research in areas that most directly address the diseases and conditions that affect Veterans.



Deborah Scher, Executive Advisor to the Secretary of Veterans Affairs, cuts the ribbon at the first Accessing Telehealth through Local Area Stations site where Veterans can receive VA care closer to home.

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NCA provides burial and memorial benefits to Veterans and their eligible family members. These benefits include burial at national cemeteries, cemetery grants for state and tribal cemeteries, headstones and markers, Presidential Memorial Certificates, outer burial receptacles, and medallions.



Fargo VA National Cemetery is now open and will serve as the final resting place for 30,000 Veterans and their families.

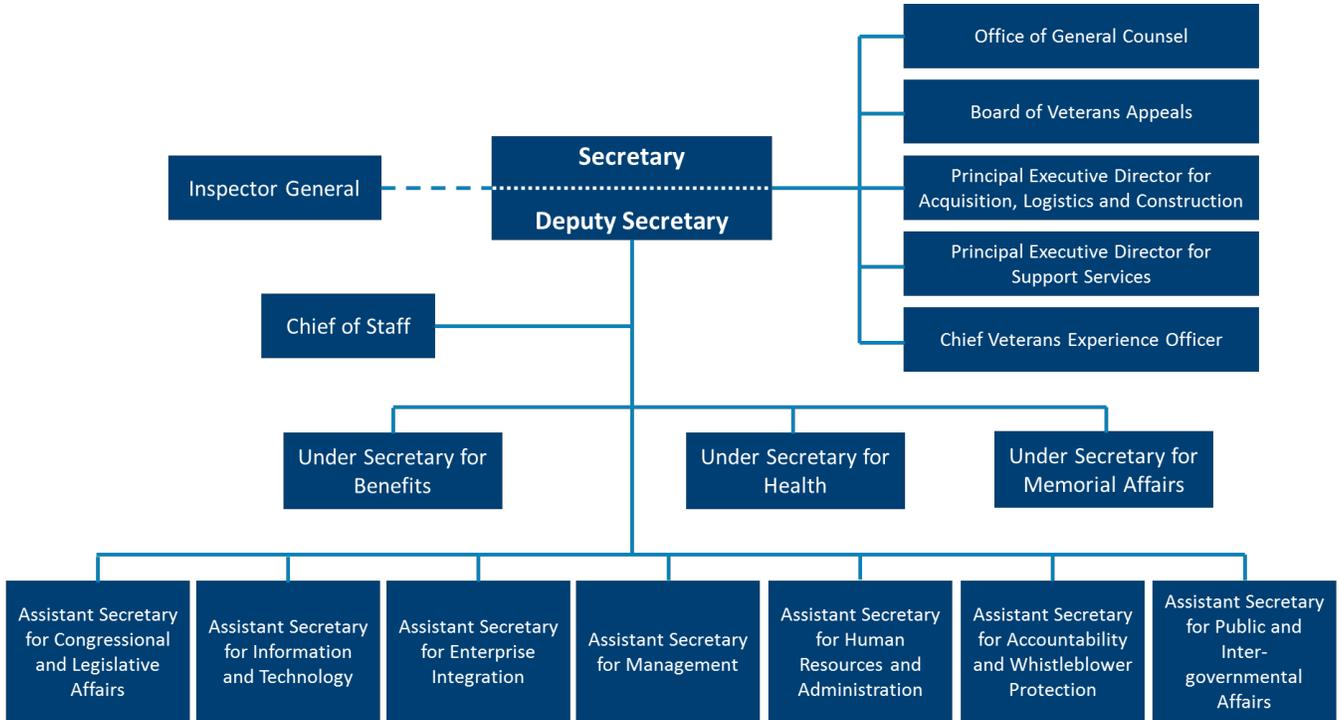
VA Staff Offices provide various services to the Department, including information technology (IT), human resources (HR) management, strategic planning, Veteran outreach and education, financial management, acquisition, and facilities management.



Juggling the demands of school, work and life can take a toll. At VA, learning is central to delivering top-notch care to Veterans. That's why, with a VA career, it's easier for you to advance your education and skills without burning out.

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DEPARTMENT OF VETERANS AFFAIRS ORGANIZATIONAL STRUCTURE



Visitors to The Kennedy Center in Washington, D.C., can see a collection of Veteran portraits on display through Nov. 15. The collection is Portraits of Courage: A Commander in Chief’s Tribute to America’s Warriors, painted by another Veteran, President George W. Bush. The collection highlights 98 men and women out of the approximately five million Post-9/11 Veterans. The exhibit showcases 66 full-color oil portraits and a four-panel mural painted by the former president, himself an Air Force Veteran.

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PERFORMANCE GOALS, OBJECTIVES, AND RESULTS

2019 VA STRATEGIC PLAN GOALS

VA tracks performance based on the refreshed [VA FY2018-2024 Strategic Plan](#), which contains VA's goals, strategies, and performance measures. VA's goals are to have:

- Veterans choose VA for easy access, greater choices, and clear information to make informed decisions;
- Veterans receive highly reliable and integrated care and support and excellent customer service that emphasizes their well-being and independence throughout their life journey;
- Veterans trust VA to be consistently accountable and transparent; and
- VA transform business operations by modernizing systems and focusing resources more efficiently to be competitive and to provide world-class customer service to Veterans and its employees.

The following section contains the preliminary results of VA's FY 2019 Annual Performance Plan and Report (APP&R), which shows how VA measures and monitors its activities against a long-range plan. Individual results will be published by the performance measure tracking number in the APP&R in February 2020, which will be posted at www.va.gov/performance/.

GOAL 1 VETERANS CHOOSE VA FOR EASY ACCESS, GREATER CHOICES, AND CLEAR INFORMATION TO MAKE INFORMED DECISIONS

To provide Veterans with better choices and improved access to the benefits, care, and services they need, we must enhance our understanding of what Veterans are experiencing at each phase of their life journey. To that end, VA will establish interactive relationships with Veterans prior to their release from active duty, during their transition to civilian life, and thereafter to provide better information to Veterans about the care, benefits, and services available to them. We will engage Veterans in a multitude of ways to include, but not be limited to, in-person conversations, surveys, call centers, and providing information relevant to the Veteran's stage of life. VA will leverage data accumulated from these communication channels from market analyses and from other sources to enhance Veterans' options.

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PROGRESS HIGHLIGHTS

In FY 2019, women’s health and whole health were two pivotal areas of focus for VA. VHA provided clinical training specifically focused on women’s health to over 1,800 physicians and nurses, and more than 22,000 clinical staff and counselors have been trained as it relates to improving whole health options with Veterans care.

VA’s Customer Experience (CX) survey tool was implemented to track VA’s progress in ensuring Veterans choose VA for easy access, greater choices, and clear information to make informed decisions. Surveys are sent twice a week via email to selected Veterans about their recent encounter with services administered by VHA. Any Veteran who received services within the previous week is eligible to receive a survey. Surveys remain open for two weeks after the invitation is sent to the Veteran. New this fiscal year, the CX survey now includes a question related to women Veterans’ experiences with VA medical facilities. VA-wide strategies, standards, and new innovative tools for applying CX capabilities were also implemented. An example of this innovation is the completion of Journey Maps representing a common set of moments Veterans and VA care providers experience.

Administrations and Organizations	Performance Measures	Historical Results 2018	Preliminary Results 2019	Target 2019	Status (On- or Off-Track)
VEO	It was easy to get the services I need (#746)	N/A	88.0%	90.0%	On-Track
VEO	I feel like a valued customer (#752)	N/A	94.0%	90.0%	On-Track
VEO	I got the services I need (#761)	N/A	92.0%	90.0%	On-Track

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GOAL 2 VETERANS RECEIVE HIGHLY RELIABLE AND INTEGRATED CARE AND SUPPORT AND EXCELLENT CUSTOMER SERVICE THAT EMPHASIZES THEIR WELL-BEING AND INDEPENDENCE THROUGHOUT THEIR LIFE JOURNEY

Serving as a leading advocate for honoring military service, VA will deliver integrated and seamless benefits, care, and services, enhancing the lives of Servicemembers, Veterans, their families, caregivers, and survivors. Improved quality of life means Veterans are independent, economically secure, socially engaged, and enjoy enhanced well-being.

VA has successfully implemented the Appeals Modernization Act and improved the timeliness for decisions (average 125-day goal) under the modernized system. Additionally, with the implementation of the Maintaining Internal Systems and Strengthening Integrated Outside Networks (MISSION) Act in June 2019, VHA has provided 8.75 million enrolled Veterans information on new benefits for care in the community. Medical centers have implemented several pivotal initiatives to improve wait times, optimize appointments, and identify underserved facilities.

Likewise, VBA initiated efforts to educate Veterans on life insurance claims processing and other VA benefits, enabling organizations such as the Veteran Experience Office (VEO) to support the act by sponsoring multiple engagement events with Veterans and Veterans Service Organizations (VSO) to increase awareness of the services, care, and benefits VA offers.

In support of Veteran understanding of NCA benefits, VA is undertaking the completion of the first ever Memorial Affairs Quick Start Guide designed and tested to assist in Veteran navigation.

These combined efforts will ensure VA and community providers are held to the same high standards no matter where they are, and Veterans can count on us to deliver the same quality of care and services no matter what VA facility or community provider they choose. Veterans should be able to walk into any VA facility and receive the same level of care and service.

Administrations and Organizations	Performance Measures	Historical Results 2018	Preliminary Results 2019	Target 2019	Status (On- or Off-Track)
BVA	Cases Decided (#65)	85,288	95,089	90,050	On-Track

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Administrations and Organizations	Performance Measures	Historical Results 2018	Preliminary Results 2019	Target 2019	Status (On- or Off-Track)
VHA	Overall Rating of Primary Care Provider (#741)	N/A	70.8%	70.0%	On-Track
VHA	Overall Rating of Community Care (#760)	N/A	76.9%	79.0%	On-Track
VBA	High Client Satisfaction – Measures the percentage of high client satisfaction of all received responses to our customer surveys that scored in either of the highest two categories (#846)	N/A	94.1%	95.0%	On-Track
NCA	Percent of respondents who would recommend the national cemetery to Veteran families during their time of need (#582)	98.7%	99.0%	99.0%	On-Track

GOAL 3 VETERANS TRUST VA TO BE CONSISTENTLY ACCOUNTABLE AND TRANSPARENT

VA will achieve accountability by establishing and ensuring high-quality care and service standards are delivered consistently across our integrated delivery networks. VA will engender the full trust of our customers.

The Department implemented multiple protocols and activities to combat fraud, waste, and abuse and signed an information sharing agreement with the Centers for Medicare and Medicaid Services (CMS) to identify providers with revoked Medicare billing privileges. VA also partnered with the Department of Treasury (Treasury) to jointly conduct contract deliverables and identify actions VA should take to combat fraud, waste, and abuse. VBA and the Social Security Administration compared data to identify beneficiary awards paid to deceased dependents and Veterans in receipt of Individual Unemployability benefits and wages. This data matching identified more than 27,000 possibly deceased dependents currently active on beneficiary awards; VA estimates an initial savings of over \$38 million, and an additional annual savings with continued future monitoring.

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We established the Office of Accountability and Whistleblower Protection (OAWP) to advise the Secretary on all matters related to accountability, including accountability of employees of the Department for retaliation against whistleblowers, to conduct investigations and recommend actions related to the removal, demotion, or suspension of senior leaders based on poor performance and/or misconduct or related to any supervisor if the allegation involves whistleblower retaliation. OAWP published reports online for public review.

Administrations and Organizations	Performance Measures	Historical Results 2018	Preliminary Results 2019	Target 2019	Status (On- or Off-Track)
OIG	Percentage of recommendations implemented within one year to improve efficiencies in operations through legislative, regulatory, policy, practice, and procedural changes in VA (#590)	86.0%	87.0%	85.0%	On-Track
OIG	Monetary benefits (\$ in millions) from audits, inspections, investigations, and other reviews (#587)	\$2,840	\$3,855	\$3,400	On-Track

GOAL 4 VA WILL TRANSFORM BUSINESS OPERATIONS BY MODERNIZING SYSTEMS AND FOCUSING RESOURCES MORE EFFICIENTLY TO BE COMPETITIVE AND TO PROVIDE WORLD-CLASS CUSTOMER SERVICE TO VETERANS AND ITS EMPLOYEES

The cross-cutting objectives and strategies in this goal adapt the organization’s behavior into four critical categories that will enable it to perform in an ever-changing business environment. It also addresses two critical functions, HR and IT, that must be optimized for the Department to modernize. The strategies will help the Department make future choices about its strategic footprint (capital assets and construction); rapidly deploy the right human capital capabilities as mission requirements evolve; put in place an IT infrastructure that supports its Veteran engagement and delivery goals; and emphasize value analytics so VA makes smart, implementable, and relevant business decisions. VA will either develop or take advantage of shared services to improve hiring, procurement, and IT to drive improved service and delivery.

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PROGRESS HIGHLIGHTS – HUMAN CAPITAL CAPABILITIES AND IT SOLUTIONS

As part of VA's number one clinical priority to eliminate Veteran suicide, VA accelerated hiring of mental health clinicians to reach the FY 2019 goal of 1,000 net new hires. VHA successfully completed the Secretary's Mental Health Hiring Initiative on July 31, 2019, adding 1,045 more mental health providers. VA completed two virtual Trainee Recruitment Events (TRE) to connect, match, place, and retain 143 health professional trainees to date; and kicked off the first TRE targeting psychiatrists in July 2019.

VA continued plans to proceed with the new electronic health record (EHR). On the Federal IT Acquisition Reform Act Scorecard, VA scored a B+. VA scored an A in three of seven categories (Agency CIO Authorities Enhancements; Transparency and Risk Management; and Software Licensing). VHA, VBA, VEO, and the Board of Veterans' Appeals have also developed several IT solutions to improve efficiencies for employees and Veterans.

VA will shape the business operating environment and champion legislative change recommendations that reduce bureaucracy, shift resources and employees to Veterans' services and most important needs, and give VA the flexibility to adapt operations to serve Veterans. By working with communities; other Government agencies, Federal, State, Tribal, and Local; and other public and private institutions to shape smarter and better approaches to service delivery, VA can focus on its strengths and ensure Veterans receive what they need, where they need it.

VA and the Department of Defense (DoD) continue to engage Congressional Armed Services and Veterans' Affairs Committees in developing flexible authorities to allow the Departments to work together more efficiently and effectively. The Departments have unsuccessfully sought like-legislation to promote joint construction planning, resulting in a loss of opportunities for joint facility planning. Next steps include conducting joint outreach to VA and DoD congressional committees to clearly communicate the benefits for both Departments to speak with one voice.

VA has taken on several modernization efforts to transform business operations to improve customer service and efficiency. The Electronic Health Record Modernization (EHRM) initiative will leverage an existing commercial solution to achieve interoperability within VA, with DoD, and with community care providers. In FY 2019, Financial Management Business Transformation (FMBT) finalized the Integrated Financial and Acquisition Management System (iFAMS) enterprise configuration, which standardizes the foundational system configuration that will be used VA-wide. VA's Logistics System Branch developed the business architecture, data architecture, and systems view artifacts in order to support the finalization of a Defense Medical Logistics Standard Support interface.

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Administrations and Organizations	Performance Measures	Historical Results 2018	Preliminary Results 2019	Target 2019	Status (On- or Off-Track)
HRA	Time to Hire VA-wide (#718) ¹	N/A	51.0%	51.0%	On-Track
OALC	Percent of major construction projects accepted by VA as substantially complete in the quarter identified (#400)	N/A	40.0%	75.0%	Off-Track



The James A. Haley Veterans Hospital recently held its Annual National Fall and Prevention and Safe Patient Handling and Mobility Day on Sept. 25. The purpose of the event is to enhance knowledge on the clinical definition of falls and to provide education on the fall interventions that are used throughout the facility. The event’s guest speaker, Dr. Tatjana Bulat, Director of the Tampa Patient Safety Center of Inquiry, presented evidence-based research on falls and fall interventions. Subject matter experts and event spokespersons addressed a variety of questions and concerns on patient falls and vendors were on hand to educate attendees on safe patient handling equipment that’s used throughout the facility. The event also served as an opportunity to celebrate the work of frontline staff who continuously implement practices that prevent fall injuries from happening to Veterans. Photo via the James A. Haley VA staff.

¹ Defined as Office of Personnel Management’s (OPM) Target of 80 days from date the Agency validates the hiring need to entry on duty (USA Staffing Upgrade).

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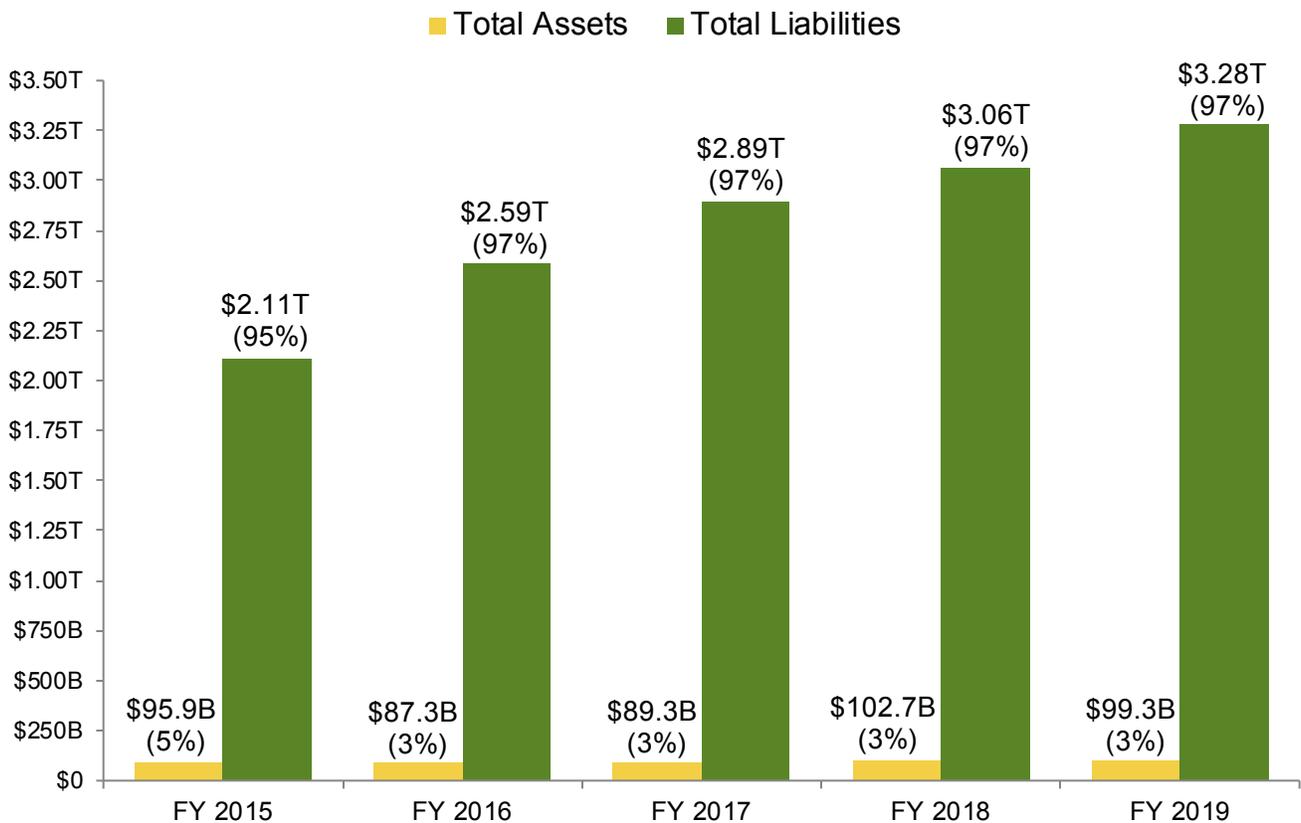
ANALYSIS OF FINANCIAL STATEMENTS AND STEWARDSHIP INFORMATION

BALANCE SHEET

The Balance Sheet provides a snapshot of the Department’s financial position. As shown in Chart 1, the Department’s total liabilities significantly exceed total assets.

Chart 2 shows the components of the Department’s liabilities, with the largest being Unfunded Federal Employee and Veterans Benefits Liability.

Chart 1: Comparative Total Assets and Liabilities FY 2015 - FY 2019



The Federal Employee and Veterans Benefits Liability accounts for 99 percent of VA’s liabilities. The liability represents VA’s future outflow of Federal Employees’ Compensation Act (FECA), Medical Claims, Compensation, Burial, Education, and VR&E benefits paid to Veterans,

Servicemembers, beneficiaries, and dependents.

The liability reflects estimates by professional actuaries of the future cost, expressed in today’s dollars, of providing benefits to participants in the future. To compute these liabilities, the actuaries

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make assumptions about participants, the economy, and interest rates.

Due to actuarial gains and losses, VA's net cost to provide Compensation, Burial, Education, and VR&E benefits can vary from year to year. Actuarial gains decrease VA's net cost, while actuarial losses increase it. In computing the net cost, VA's actuaries must make assumptions about the future. When the actual experience differs from these assumptions, actuarial gains and/or losses will occur. There are two primary types of assumptions: economic assumptions that are used for modeling how time value of money affects the net cost estimations, and demographic assumptions that are used for modeling how participant's behavior affects the amount and timing of benefits paid. Key economic assumptions include the interest rate and Cost of Living Adjustments (COLA). Key demographic assumptions include mortality rates, expected amount of benefit use, and benefit remaining. Should the actual mortality rates be less than assumed mortality rates, there will be an actuarial loss. Additionally, should the actual interest rates be lower than the assumed interest rates, there will also be an actuarial loss.

Due to the growth in VA's Federal Employee and Veterans Liability, total VA liabilities has increased substantially from \$2.1 trillion in FY 2015 to \$3.3 trillion in FY 2019. Significant factors contributing to this increase are:

- Decreases in the Compensation discount rate used to calculate the present value of future payments, which has the effect of increasing the liability.

The single weighted average discount rate has decreased in the last five years from 4.08 percent in FY 2015 to 3.42 percent in FY 2019, resulting in an overall increase in the liability of approximately \$435 billion.

- Increases in the projected average growth in Compensation participant counts. In FY 2016, VA changed the projected growth rates, resulting in an increase of approximately \$277 billion to the liability. This projection was updated to reflect the historical increase over the last five years.
- Changes in Compensation experience, which include increases to the number of eligible participants and their benefit amounts. There has been an increase in each of the last five years resulting in an overall increase to the liability by approximately \$319 billion.
- The recognition of a liability for education benefits in FY 2016. This liability represents estimated future outflows for VA's Post-9/11 GI Bill education benefits to participants who were enrolled in the program. This recognition increased the liability by approximately \$60 billion in FY 2016.
- Compensation mortality rate updates. In FY 2016, there were several updates in the mortality rate related to assumptions resulting in an overall increase of approximately \$45 billion to the liability. The two main updates were mortality rates and mortality improvement factors.
- The recognition of a liability in FY 2019 for potential future new enrollees for Post-9/11 GI Bill and VR&E education

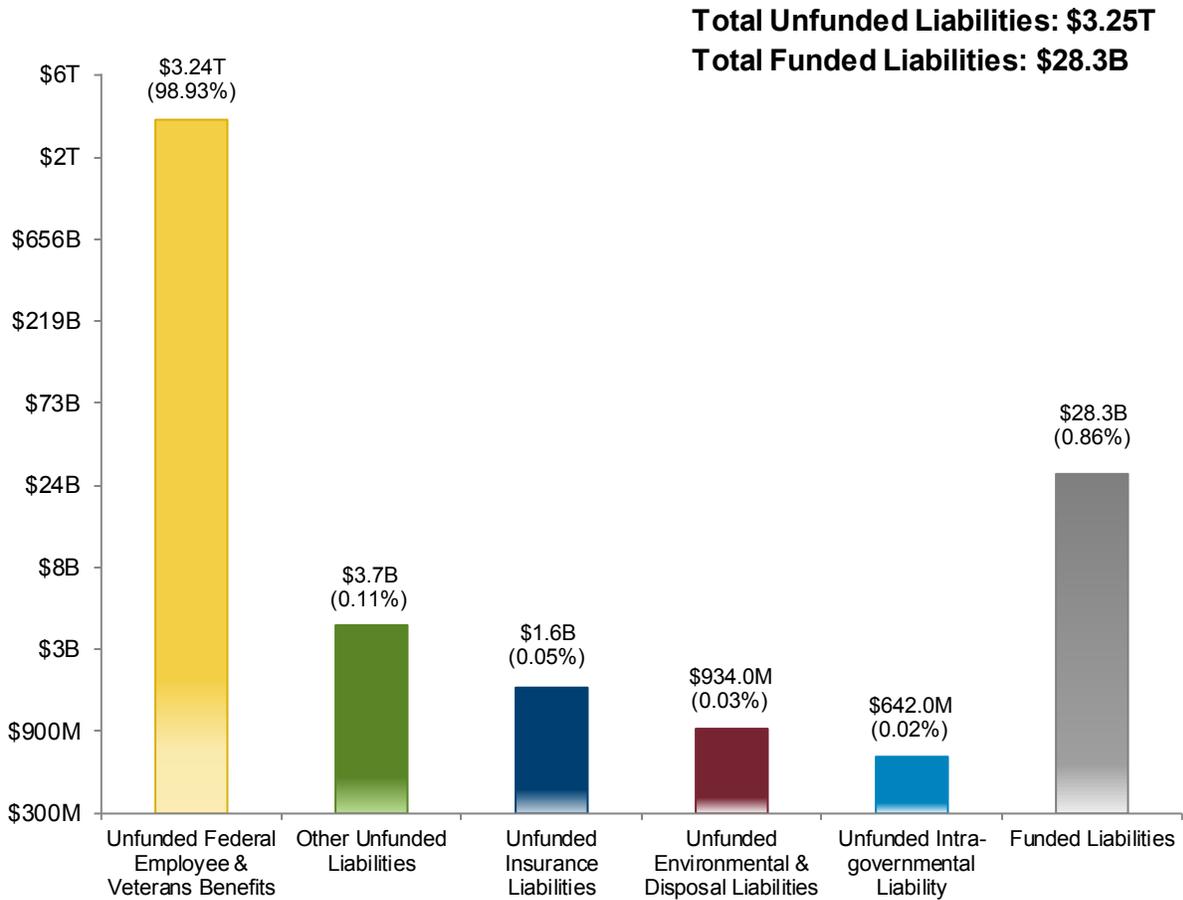
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benefits. This recognition increased the liability by approximately \$48 billion.

In addition, beginning in FY 2019, to recognize the cost of medical claims for which VA has not received, validated, or paid invoices, an actuarial liability is estimated based on the Incurred But Not

Reported (IBNR) model. This component of the liability is reflected in the Federal Employee and Veterans Benefits Liability because it supports a more holistic view of the Federal Government’s future commitment to Veterans. The liability as of September 30, 2019, is estimated at \$4.7 billion.

Chart 2: FY 2019 Breakdown of Funded and Unfunded Liabilities



The scale in Chart 2 increases in incremental dollar value due to the wide range of liability component balances from \$642 million to \$3.24 trillion.

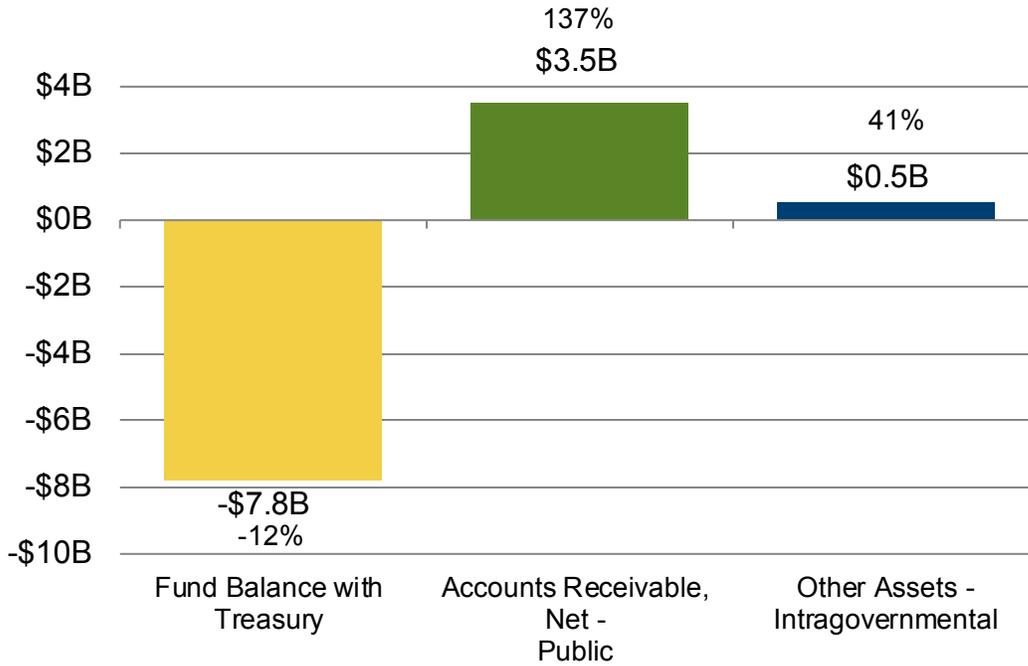
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Here are the components and corresponding details of the Unfunded Federal Employee and Veterans Benefits liability of the consolidated Balance Sheet.

Unfunded Federal Employee and Veterans Benefit Liability Programs	
Compensation Benefits	
\$3.12 Trillion	
Compensation benefits are the most significant component of Federal Employee and Veterans Benefit liabilities. VA delivers compensation benefits to:	
<ul style="list-style-type: none"> • Veterans with military service-related disabilities, and • Beneficiaries of deceased Veterans. 	
Education and VR&E Benefits	Burial Benefits
\$105.9 Billion	\$7.1 Billion
VA delivers benefits through numerous education programs to eligible:	VA provides burial-related benefits to recognize Veterans’ sacrifices in service of the Nation. Benefits include:
<ul style="list-style-type: none"> • Veterans; • Veteran dependents; • Beneficiaries of deceased Veterans; and • Active duty Servicemembers. 	<ul style="list-style-type: none"> • Burials; • Burial flags, headstones, markers, and medallions; and • Presidential Memorial Certificates.
Medical Claims Benefits	FECA
\$4.7 Billion	\$2.4 Billion
Consists of an estimate for IBNR health care claims for services provided to Veterans at non-VA medical facilities under VA’s Community Care programs.	FECA provides compensation benefits to Federal Employees for disability due to personal injury sustained while in performance of duty.

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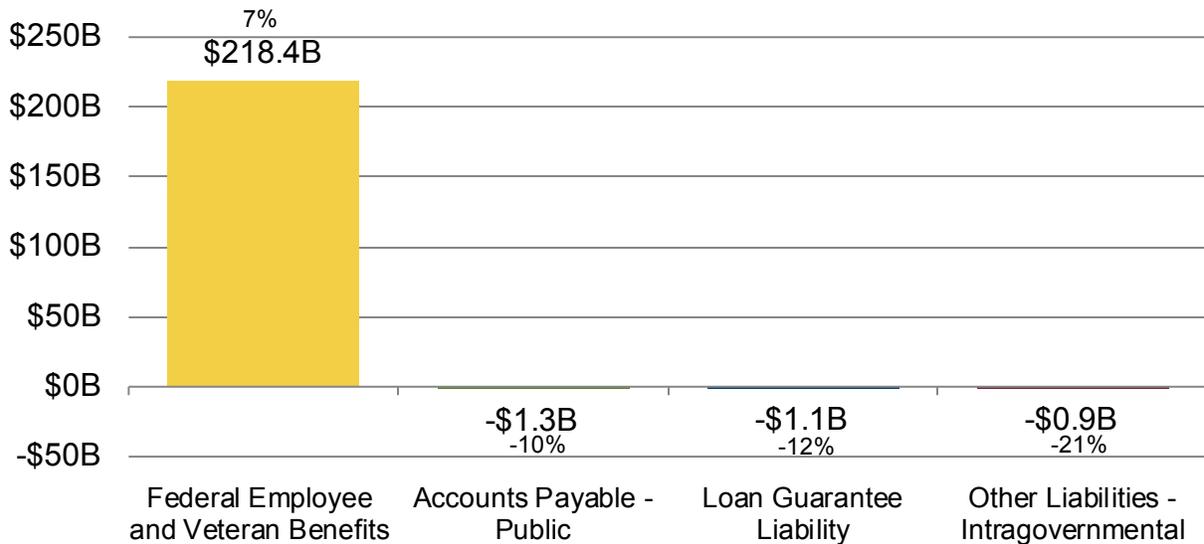
Chart 3: Significant Changes in Assets, FY 2019 – 2018



Fund Balance with Treasury	Accounts Receivable, Net - Public	Other Assets - Intragovernmental
<p>The decrease is primarily due to:</p> <ul style="list-style-type: none"> Increased payments related to the expansion of community care programs for health care provided at non-VA medical facilities; Increased payments attributed to an increase in the number of full-time equivalent (FTE) employees needed to service the growing Veteran population and ensure quality health care is provided in a timely manner; and Increases in Compensation payments to Veterans and their beneficiaries. VA continues to process claims with improved timeliness and accuracy, resulting in approximately 173 thousand more active beneficiaries at the end of FY 2019 as compared to FY 2018. 	<p>The increase is primarily due to a recognition of an accounts receivable for \$3.4 billion from the Prudential Insurance Company for excess contingency reserves in the Veterans’ Group Life Insurance (VGLI) program in FY 2019. These funds are to be transferred to the VA over a period of five years. Prudential administers these programs under a group policy with VA. VA collected \$300 million in FY 2019, resulting in a remaining balance of \$3.1 billion. Additional information on these transfers are contained in Note 6, Accounts Receivable, Net and Note 17, Life Insurance Programs.</p>	<p>The increase is due to advances made to the U.S. Army Corp of Engineers for major construction projects awarded for improvements, additions and new construction of VA medical facilities.</p>

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Chart 4: Significant Changes in Liabilities, FY 2019 – 2018

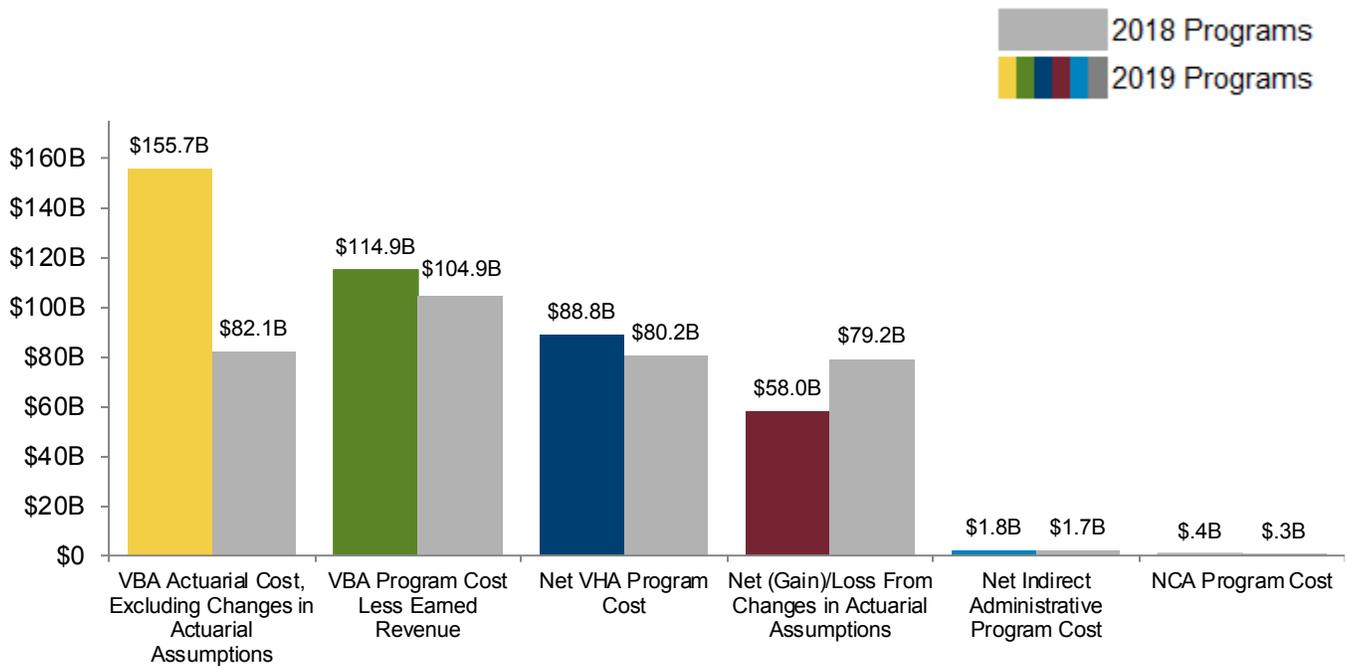


Federal Employee and Veterans Benefits Liability	Accounts Payable, Public
<p>This benefit liability increase is due to actuarial computation adjustments to project for future:</p> <ul style="list-style-type: none"> • Compensation benefit costs, relating primarily to changes in experience, an increase in the estimated interest on the liability, and a decrease in the discount rate assumption; and • Post 9/11 GI Bill education benefit costs, relating primarily to the addition of a factor in the model to project for expected future new beneficiaries. 	<p>The decrease is due to:</p> <ul style="list-style-type: none"> • The implementation of the Obligate at Payment in FY 2019 resulted in a new actuarial methodology to estimate IBNR claims for services provided to Veterans outside of VA medical facilities. Under this model, obligations are not created until the point of invoice and payment rather than at the time of referral for Veterans who receive medical care at non-VA facilities. Rather than accruing for funded services (accounts payable), an estimate for IBNR claims is recorded in the Federal Employee Veterans Benefits liability; and • The implementation of a standardized vendor accrual methodology for medical services provided at VA facilities.
Loan Guarantee Liability	Other Liabilities - Intragovernmental
<p>The decrease is due to continued favorable conditions in the housing market and associated improvement in loan performance. This results in a decreased likelihood that VA must cover defaulted guaranteed housing loans. In addition, the economic outlook favors the avoidance of a market crisis within the next 10 years. Factoring these into the models to compute subsidy re-estimates has resulted in substantial downward re-estimates and a corresponding decrease in Loan Guarantee Liabilities.</p>	<p>The decrease is due to a reduction in downward subsidy re-estimate accruals in FY 2019 as compared to FY 2018. Downward re-estimates related to housing loans guaranteed by VA result in a liability to Treasury of the excess subsidy funds.</p>

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NET COST OF OPERATIONS AND CHANGES IN NET POSITION

Chart 5: Comparative Statement of Net Cost, FY 2019 – FY 2018



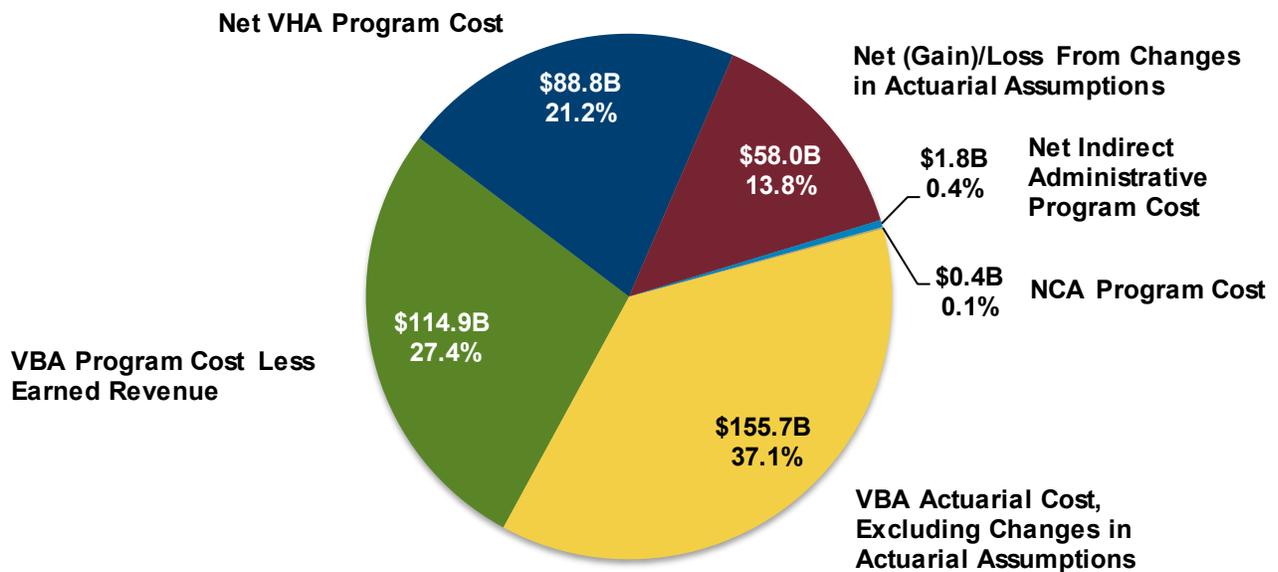
Summary:	2019	2018	% Change
Total Net Cost of Operations	\$420B	\$348B	↑ 20%

VBA Actuarial Cost, Excluding Changes in Assumptions	VBA Program Costs Less Earned Revenue
The increase is due to adjustments to the actuarial models for experience changes to compute future outflows of Compensation payments, primarily resulting from a substantially larger number of Veterans and beneficiaries receiving these benefits and an increase in the average payment amount.	The increase is due to increases in Compensation payments to Veterans and their beneficiaries. VA processed 4.1 million more payments in FY 2019 than in FY 2018. In addition, COLA increases resulted in higher average payment amounts.

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Net VHA Program Cost	Net (Gain)/Loss From Changes in Actuarial Assumptions
<p>The increase is due to:</p> <ul style="list-style-type: none"> • The implementation of the Obligate at Payment in FY 2019 resulted in a new actuarial methodology to estimate IBNR claims for services provided to Veterans outside of VA medical facilities. VA records an expense to be funded with future year appropriations for these estimates; and • An increase in the number of FTEs needed to service the growing Veteran population receiving health care at VA medical facilities. 	<p>The decrease is due to changes in the following actuarial assumptions to compute future Compensation benefit payments:</p> <ul style="list-style-type: none"> • Discount rate decrease, which is based on the ten-year average Treasury Yield Curve spot rates. • COLA rate decrease, which is based on the ten-year average of Treasury Breakeven Inflation Curve interest rates.

Chart 6: FY 2019 Net Program Costs



CHANGES IN NET POSITION

The Statement of Changes in Net Position combines the net cost of operations with nonexchange sources of financing to arrive at a net position. Net position changed by

7.4 percent from a deficit of \$2.96 trillion in FY 2018 to a deficit of \$3.18 trillion in FY 2019.

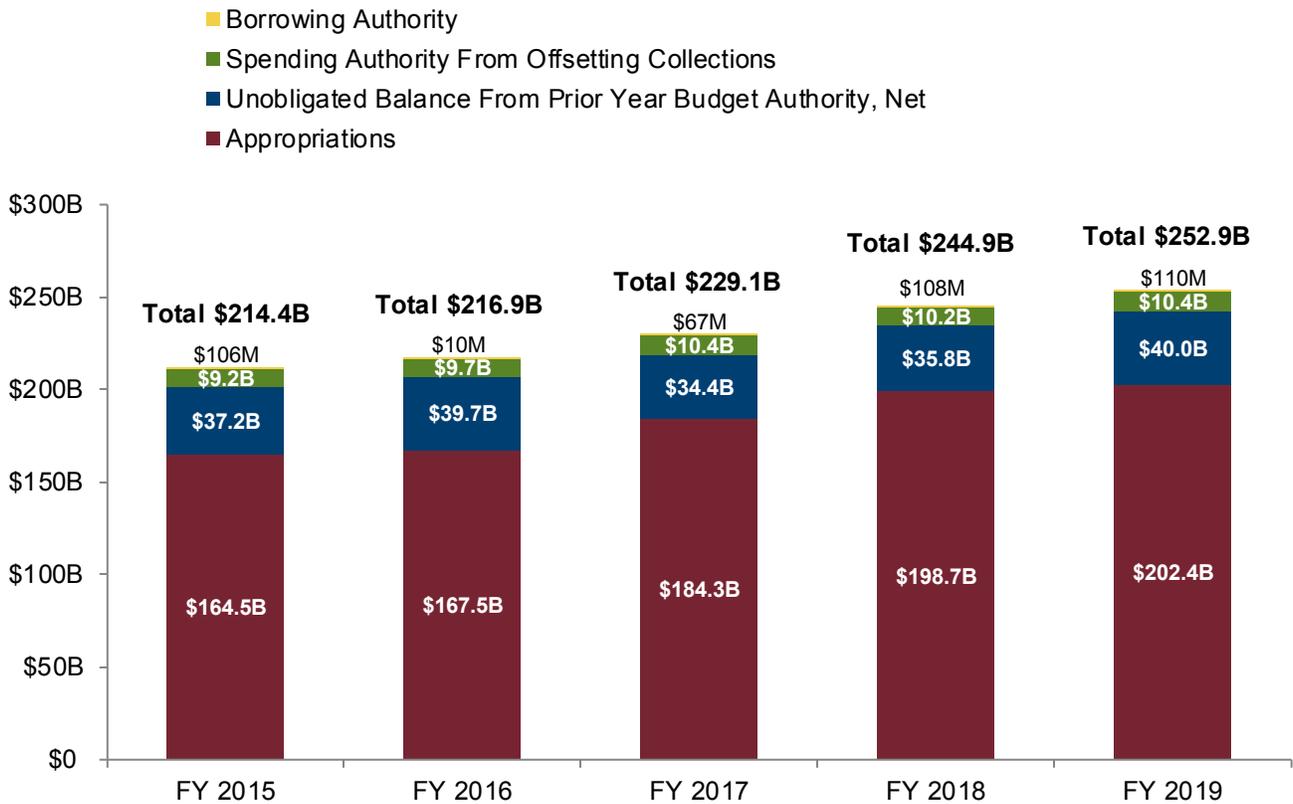
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BUDGETARY RESOURCES

VA expends a substantial amount of its budgetary resources on Medical Service and Care, Compensation, Pension, Burial, Education, and VR&E benefits for Veterans, their beneficiaries, and dependents. The

primary sources of VA funding are appropriations from Congress and unobligated balances from prior year budget authority.

Chart 7: Comparative Budgetary Resources, FY 2015 – FY 2019



Budgetary Resources

The increase in budgetary resources from FY 2015 through FY 2019 is reflective of increases in appropriations received to fund:

- The establishment and expansion of Community Care programs for health care provided to Veterans at non-VA medical facilities, ensuring that Veterans receive the right care, at the right time, from the right provider;
- Medical services provided at VA medical facilities resulting from an increase in the number of Veterans receiving care;
- Higher compensation costs resulting from increases in the number of Veterans and beneficiaries accessing and receiving these benefits; and
- Major construction projects, including improvements and additions to existing medical facilities and construction of new facilities.

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The increase in overall budgetary resources between FY 2018 and FY 2019 resulted in an increase of new obligations and upward adjustments of \$13.2 billion (or 6.3 percent). Net outlays increased by \$24.8 billion (or 13.4 percent) between FY 2018 and FY 2019. In addition to increased

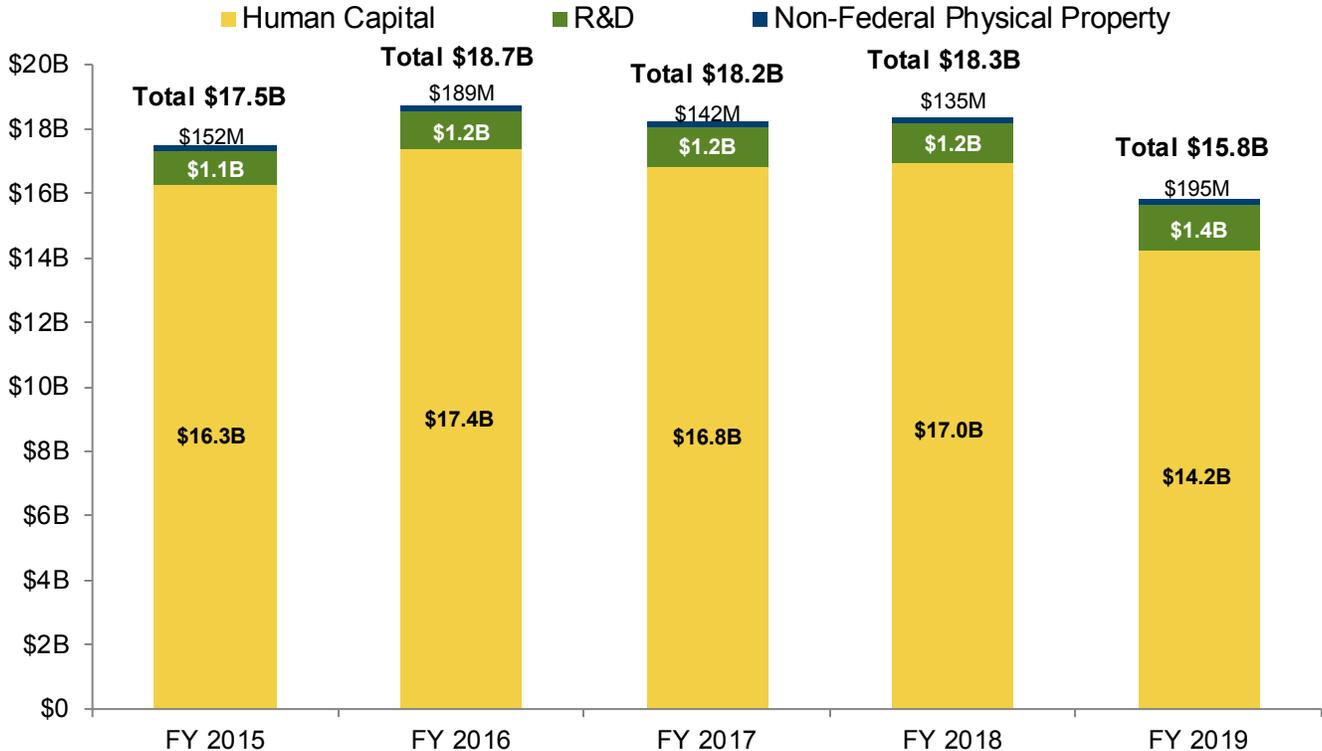
outlays related to increases in budgetary resources, new obligations and upward adjustments, timing differences for scheduled compensation payments resulted in an additional \$6.6 billion increase in outlays in FY 2019 compared to FY 2018.

STEWARDSHIP

Stewardship investments are substantial investments made by the Federal Government for the benefit of the Nation that are not physical assets owned by the Federal Government. When incurred, they

are treated as expenses in determining the net cost of operations. The following chart presents a trend comparison of VA’s stewardship investments.

Chart 8: Comparative Stewardship Investments, FY 2015 – FY 2019



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Human Capital	Research and Development (R&D)	Non-Federal Physical Property
<p>Investment in human capital is comprised of education and training expenses for eligible:</p> <ul style="list-style-type: none"> • Servicemembers; • Reservists; • Veterans; • Family members; and • Health care professionals. 	<p>Investment in R&D is comprised of expenses that are intended to increase or maintain national economic production capacity or to yield other benefits. VA R&D investment components include:</p> <ul style="list-style-type: none"> • Medical research service; • Rehabilitative R&D; • Health services R&D; • Cooperative studies research service; and • Medical research support. 	<p>VA provides funding for the purchase, construction, or major renovation of:</p> <ul style="list-style-type: none"> • State extended care facilities, and • State and tribal Veterans cemeteries.



Researchers from VA and the artificial intelligence (AI) company DeepMind, part of Google, have developed technology that has the potential to predict a life-threatening kidney condition up to two days before it happens. Using VA data, the researchers developed an AI model to detect acute kidney injury in patients up to 48 hours before it would otherwise be identified.

Acute kidney injury (AKI) can progress to kidney failure that requires dialysis. It can also affect other organs and cause death. But treatment is often effective if it's started before the condition progresses. In the study, the model predicted 56 percent of all in-patient episodes of AKI and 90 percent of the most severe cases, where the patient later required dialysis. AKI is often hard to predict. Patients can deteriorate very quickly once it occurs. Foreseeing the condition up to two days in advance can help doctors start treatment to prevent kidney breakdown.

“The important number is predicting 90 percent of the most severe AKI cases early, so slowing progression and preventing dialysis or transplant is feasible,” says Dr. Christopher Nielson, VA’s principal investigator on the study and VA director of predictive analytics. “To evaluate this, you would need to do a randomized trial, which is being planned. Also, the risks of using artificial intelligence to identify patients at risk of needing dialysis are very low. The values of preventing dialysis and transplant are very high. If you save one person from renal failure or death, it’s worthwhile.”

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ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

MANAGEMENT'S STATEMENT OF ASSURANCE



THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

November 19, 2019

The Department of Veterans Affairs (VA) management is responsible for managing risks and maintaining effective internal controls to meet the objectives of sections 2 and 4 of the Federal Managers' Financial Integrity Act (FMFIA) of 1982. VA conducted its assessment of risks and internal controls in accordance with Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, the Department can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2019, except for the following reported material weaknesses:

- Controls over Significant Accounting Estimates and Transactions;
- Liability for Community Care, Undelivered Orders, Reconciliations, and Accrued Expenses;
- Financial Systems and Reporting;
- Information Technology Security Controls;
- Entity Level Controls including Chief Financial Officer (CFO) Organizational Structure; and
- Government Accountability Office (GAO) High-Risk List.

The Department noted noncompliance with:

- FMFIA Sections 2 and 4;
- Anti-Deficiency Act (ADA);
- Improper Payments Information Act of 2002 (as amended by Improper Payments Elimination and Recovery Act of 2010 and the Improper Payments Elimination and Recovery Improvement Act of 2012); and
- Title 38 United States Code (U.S.C.) Section 5315, *Interest and Administrative Cost Charges on Delinquent Payments of Certain Amounts Due the United States*.

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FFMIA requires agencies to implement and maintain financial management systems that substantially comply with Federal financial management system requirements, Federal accounting standards, and the United States Standard General Ledger (USSGL) at the transaction level. VA assessed the Financial Management System (FMS) to determine conformance with FMFIA section 4 and found that it substantially complies with Federal accounting standards. However, FMS does not comply with application of the United States Standard General Ledger at the transaction level. Therefore, management cannot provide reasonable assurance that VA is in conformance with FMFIA, section 4.

VA has internal controls in place to provide reasonable assurance of the quality of data used for Digital Accountability and Transparency Act (DATA Act) reporting and is in the process of reviewing and strengthening the data quality assessment to increase trust and transparency in the data used.

VA is responsible for providing an annual certification that management has appropriate policies, controls, and corrective actions to mitigate the risk of fraud and inappropriate use of charge cards, as required by OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*. The Department can provide reasonable assurance that controls over charge cards are in place and effective with no material weaknesses.

Sincerely,



Robert L. Wilkie

SECTION I: MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARY OF MATERIAL WEAKNESSES

- (1) Controls Over Significant Accounting Estimates and Transactions:** VA's financial statement auditor identified internal control deficiencies in the control environment related to the Compensation, Pension, Burial, and Education actuarial estimates, along with quality control and errors in the analysis of the models. The Veterans Benefits Administration's (VBA) CFO office continues to implement a Corrective Action Plan (CAP), which include additional analysis and validation of data sources, additional sensitivity analysis where required as well as enhancing policies relevant to the reporting of Compensation, Pension and Education benefits. As part of the Loan Guarantee CAP, VBA is working on a loan level variable default model and updating our policies and procedures in regard to the housing models. VBA documents policies and procedures related to the Servicemembers and Veterans Group Life Insurance excess contingency reserve funds and ensures collaboration and communication under the CFO's leadership to establish working level committees to resolve financial management issues. Estimated completion date: FY 2021.
- (2) Liability for Community Care, Undelivered Orders, Reconciliations, and Accrued Expenses:** The Veterans Health Administration (VHA) has weaknesses in its design and implementation of controls over the Community Care program, specifically with transaction authorization and obligation, monitoring and timely liquidation of unfulfilled authorizations, reconciliations, and related accrued expenses. The Office of Community Care (OCC) has been leading the effort to develop and manage the CAP to address the Purchased Care Material Weakness identified by VA's auditors. In FY 2019, OCC implemented the "obligation at the time of payment" method. This method allows OCC to record obligations at the time of payment as opposed to estimating obligations with uncertain data. The "obligation at the time of payment" method has greatly improved the accuracy of obligations. Estimated completion date: FY 2021.
- (3) Financial Systems and Reporting:** VA's outdated legacy financial management systems are driving a myriad of financial reporting deficiencies, including overuse of journal vouchers, increased need for analytics, and issues with intra-governmental activities. VA is developing a modernized financial management system to replace the legacy FMS in the Department. Until a new system is developed and fully deployed, VA will continue to deploy compensating controls such as developing detailed flux analysis reviews, monitoring and resolving abnormal balances monthly, implementing additional suspense account monitoring procedures, and initiating cleansing efforts around Inter-Agency Agreements. Estimated completion date: FY 2025.
- (4) Information Technology Security Controls:** VA continues to have an IT Material Weakness in Agency-Wide Security Management Program; Identity Management and Access Controls; Configuration Management Controls; System Development/Change

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Management Controls; Contingency Planning; Incident Response and Monitoring; Continuous Monitoring; and Contractor Systems Oversight. Under the VA Enterprise Cybersecurity Program (ECSP), remediation efforts and compensating controls are being monitored to address the Material Weakness findings, and efforts are underway to mitigate the Material Weakness through cybersecurity project prioritization, planning, and execution. The Enterprise Cyber Security Team (ECST) implementation plans refer to the detailed actions required to fully address the Material Weakness findings.

These actions are contained within 35 individual plans of action tailored to meet each of the specific Office of Inspector General (OIG) findings. All plans are part of the larger VA ECST implementation plan designed to address the five distinct goals critical to evolving and maturing the overall VA cyber environment to achieve Federal CIO priorities.

Estimated completion date: FY 2020.

- (5) Entity Level Controls including CFO Organizational Structure:** VA's financial statement auditor reported a Material Weakness for the CFO organizational structure, noting VA operates under a decentralized environment, with a fragmented financial management and reporting structure. To address this material weakness, the Office of Management (OM) established a formal CFO Council to facilitate communication and control over Departmentwide CFO functions and implemented the practice of CFOs providing performance inputs for subordinate CFOs. Estimated completion date: FY 2020.
- (6) Government Accountability Office (GAO) High-Risk List:** (1) Ambiguous Policies and Inconsistent Processes; (2) Inadequate Oversight and Accountability; (3) Information Technology Challenges; (4) Inadequate Training for VA Staff; and (5) Unclear Resource Needs and Allocation Priorities. VHA continues to develop Secretary of VA responses incorporating VHA's Plan for Modernization, "10 Lanes of Effort," modeled on plans developed by the Department of Homeland Security. VHA's GAO-OIG Accountability Liaison continues to work with risk owners to develop comprehensive plans. Estimated completion date: To Be Determined.

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SUMMARY OF MATERIAL NONCOMPLIANCE

- (1) **FMFIA Sections 2 and 4:** VA conducted its evaluation of financial management systems for compliance with the Federal Financial Management Improvement Act of 1996 in accordance with OMB Circular A-123, Appendix D. Based on the results, VA's FMS does not substantially comply with Federal financial management systems requirements and application of USSGL at the transaction level. OM developed a robust internal control assessment process to implement the new requirements for full compliance with FMFIA. OM continues to make significant progress integrating internal control functions with Enterprise Risk Management in the Office of Enterprise Integration. Estimated completion date: FY 2025.
- (2) **Anti-Deficiency Act (ADA):** VA identified one violation of the ADA during FY 2019 which was reported to Congress on July 8, 2019. The Office of Transition, Employment, and Economic Impact used the VBA General Operating Expenses fund to pay for development of a dashboard instead of using the Information Technology Systems appropriation funds. VBA is working to strengthen controls over the use of appropriated funds to prevent such occurrences in the future. Estimated completion date: To be determined.

In addition, VA identified a potential violation of the ADA regarding State Home appropriation. OCC used the Medical Community Care (Fund 0140) appropriation instead of the Medical Services (Fund 0160) appropriation for State Home aid expenses. Management is working with authorities to consider amending language regarding appropriate use of the Medical Services (Fund 0160) appropriation. Estimated completion date: To be determined.

- (3) **Improper Payments Information Act of 2002:** In May 2019, OIG reported on VA's FY 2018 compliance with the Improper Payments Elimination and Recovery Act (IPERA). In FY 2018, VA reported approximately \$14.7 billion in improper payments. OIG determined VA did not comply with two of six IPERA requirements by not maintaining a gross improper payment rate of 10 percent or less and/or meeting reduction target rates for all programs published in the Agency Financial Report. The Improper Payments Remediation and Oversight Office was established in FY 2015 to oversee all improper payment remediation efforts in VA. Estimated completion date: FY 2022.
- (4) **Title 38 U.S.C. Section 5315, Interest and Administrative Cost Charges on Delinquent Payments of Certain Amounts Due the United States:** VA continues to handle debts in accordance with its long-established policy. VA does not plan to reprogram VBA benefit systems to handle interest and administrative fees because it is replacing its legacy finance and accounting systems with a new VA core financial management system, called iFAMS. VA leadership is pursuing a legislative solution to

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assess interest and administrative cost charges at the VA Secretary's discretion. To facilitate this effort, VA is pursuing a legislative change that will allow the Secretary to prescribe when to assess interest and penalties. Estimated completion date: To Be Determined.

- (5) Federal Financial Management Improvement Act:** VA assessed FMS to determine conformance with FMFIA section . FMS substantially complies with Federal accounting standards. However, it does not comply with application of the USSGL at the transaction level. Therefore, management cannot provide reasonable assurance that VA is in conformance with FMFIA section 4. VA is developing a new accounting system, iFAMS, to replace the current FMS. iFAMS is designed to be compliant with FFMA. Estimated completion date: FY 2025.

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SUMMARY OF INTERNAL CONTROL ASSESSMENT

SUMMARY OF PROCESS FOR ASSESSING INTERNAL CONTROLS

VA’s Office of Business Oversight (OBO) oversees the internal control program and assists VA’s major organizations in completing an internal controls assessment to support their statements of assurance. OBO developed an Internal Controls Assessment (ICA) tool for evaluation of each of the 17 principles in the GAO Standards for Internal Control in the Federal Government (Green Book). The 17 principles fall into 5 components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. In FY 2019, VA assessed the three distinct but overlapping objectives of internal control: operations, compliance, and reporting.

In FY 2019, the Department required all Administrations and major Staff Offices to complete an ICA, identifying how the entity met the control objectives of each Green Book principle and concluding on the overall effectiveness of the principle, the control component, and the system of internal controls. If deficiencies were identified, management of the Administration or Staff Office, in accordance with OMB Circular No. A-123, exercised judgment in determining the severity of the deficiency.

Each Administration and Staff Office signed a statement of assurance (SOA) based on

the results of its ICA. The SOA provides an informed judgment of the overall adequacy and effectiveness of internal control. OBO analyzed ICA submissions and statements of assurance to ensure the statements appropriately captured material weaknesses identified during the internal controls assessment.

Due to financial system modernization, VA did not perform a comprehensive assessment over its internal controls over financial reporting as prescribed by OMB Circular No. A-123, Appendix A, in FY 2019. For FY 2019, agencies must continuously build risk identification capabilities into the framework to identify new or emerging risks, and/or changes in existing risks. OBO conducted OMB Circular No. A-123, Appendix A testing for FY 2019, which included Test of Design and Test of Effectiveness over specified business processes and key controls for specific locations as well as developing maturity models within the risk assessment to identify high-, medium-, and low-level controls risks within the business cycles. OBO focused its efforts on developing business process narratives at an enterprise level, documenting actual operations, and identifying key financial controls or gaps in the design of controls for the target state. Through FMBT system modernization, VA will continue to mature its evaluation of internal control over reporting.

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FINANCIAL SYSTEMS FRAMEWORK

VA'S FINANCIAL MANAGEMENT SYSTEMS STRATEGY

VA's FMBT program will increase the transparency, accuracy, timeliness, and reliability of financial information, resulting in improved fiscal accountability to American taxpayers and offering a significant opportunity to improve care and services to our Veterans. The FMBT program goals capitalize on the opportunities for business process improvements to resolve systemic and procedural issues, including:

- Standardizing, integrating, and streamlining financial processes including budgeting, procurement, accounting, resource management, and financial reporting;
- Facilitating more effective management by providing stronger analytics and projections for planning purposes;
- Integrating finance and acquisition solutions;
- Improving customer service and support of goods, supplies, and services for Veterans; and
- Improving the speed and reliability of communicating financial information throughout the VA and providing timely, robust, and accurate financial reporting.



VA's FMBT program: migrating VA's financial and acquisition management systems to a modern, cloud-based solution.

CURRENT FINANCIAL MANAGEMENT SYSTEM FRAMEWORK

VA's existing financial and acquisition management systems consist of FMS, the core financial system, and the acquisition system, known as the Electronic Contract Management System (eCMS), along with a number of interfacing systems:

- Integrated Funds Distribution, Control Point Activity, Accounting, and Procurement System (IFCAP);
- Veterans Information Systems and Technology Architecture (VistA);
- Management Information Exchange; and
- Centralized Automated Accounting Transaction System (CAATS).

Auditors have repeatedly identified a need for VA to fully integrate these applications and the detailed transactions they contain into the core financial and acquisition management systems.

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FUTURE FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK

The scope of the FMBT program is focused on migrating VA from its legacy core FMS and eCMS to the Momentum cloud solution, configured for VA as iFAMS, allowing VA to leverage the Software-as-a-Service model. This involves:

- Migrating to a financial and acquisition management solution compliant with Federal regulations;
- Standardizing financial and acquisition management business processes across VA;
- Standardizing VA's accounting classification structure;
- Replacing the financial management functionality of IFCAP and CAATS and the procurement functionality of eCMS;
- Implementing a new business intelligence solution and data warehouse for financial reporting; and
- Interfacing iFAMS with designated VA systems.

The first delivery of iFAMS went live in March 2018. The second delivery will be full iFAMS implementation at NCA, which is targeted for FY 2020.

FMBT KEY ACCOMPLISHMENTS

The FMBT program achieved several significant milestones during FY 2019, including:

- Finalized iFAMS enterprise configuration, which standardizes the foundational system configuration that will be used VA-wide in concert with administration specific configuration;
- Completed migration of iFAMS to the VA Enterprise Cloud;
- Continued to perform Internal Control assessments to identify current-state financial and acquisition management process weaknesses and risks in order to proactively address areas of concern during wave configuration;
- Completed design of VA's new Accounting Classification Structure which standardizes VA accounting elements across the Department;
- Identified core competency curriculum to address fundamental skill gaps prior to system training;
- Developed wave-based training for Administrations and Staff Offices; and
- Created FMBT Integrated Master Schedule and developed iFAMS enterprise implementation roadmap.

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FORWARD-LOOKING INFORMATION

RISKS

Like every organization, VA faces risks to its ability to function at its most effective and efficient levels. As VA develops its ERM processes and begins formally and systematically surveying its environment, it has developed a Risk Profile that identifies the most significant risks it faces. There are 16 risks listed in the profile, but the following are the top 3 risks VA faces:

- Managing Risks and Improving VA Health Care – If VA does not utilize Change Management to holistically address the five core issues highlighted in GAO's High-Risk List Update (includes ambiguous policies, inconsistent processes, inadequate oversight and accountability, IT challenges, inadequate training, and unclear resource needs and allocation priorities), then Veteran health will suffer, and the Veteran experience will not be positive.
- Disability Claims and Appeals Process Barriers - If VA fails to improve processes that support claims, appeals, and payments, then Veterans will be unable to fully access VA benefits and services, which could result in an increase in claims and appeals processing backlogs, delayed payments, and a poor Veteran Experience.
- IT Modernization/Legacy - If VA fails to fund, develop, and implement an IT Modernization Program, including cloud maximization, that supports operational business processes, then VA will be unable to effectively deliver Veteran services and benefits in a fully integrated, seamless, and customer-centric environment.

PRIORITIES

Secretary Wilkie has chosen four priorities for the Department to continue the good work it has started and to accelerate its transformation.

Customer service is the prime directive and first priority. VA is driven by customer feedback, unified Veterans data, and employees characterized by a customer-centric mind-set to make accessing VA services seamless, effective, efficient, and emotionally resonant for our Veterans.

The second priority is MISSION Act implementation. This landmark legislation will fundamentally change VA health care through its mandates to enhance service offerings based on robust market analyses of VA health care facility capacity and quality compared to commercially available health care companies. Using this data, VA will put in place the right combination of VA and locally offered services to best meet the health care needs of Veterans wherever they may be. The Act also asks VA to

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expand support to caregivers of Veterans. Our Veteran families and caregivers are pivotal partners for VA, and we will ensure that we provide them with the support and services they need to help us take care of our Nation's Veterans.

Replacing the aging EHR system is the third priority for VA. The new EHR system will connect VA to DoD, private health care providers, and private pharmacies to enable the seamless and secure transfer of Veterans' and Servicemembers' sensitive health information. EHR will enhance the coordination of care to improve patient care and safety. With the new EHR system, VA will change the way we do business and make the delivery of VA services more

efficient, timely, and focused on the health and safety of Veterans.

Focus on VA Business Systems Transformation is the fourth priority. Upgrading VA to a 21st century operating capability. This includes transformation of digital services; financial management, logistics, and supply chain systems; human capital systems and processes; and other modernization efforts, will help the Department move beyond the old siloed approach to mission accomplishment. Transformation will be evidenced by an empowered VA workforce ably serving Veterans in the field with world-class customer service and improved outcomes.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements are prepared to report the financial position and results of operations of the entity, pursuant to the requirements of title 31 U.S.C. section 3515 (b). These are prepared from the books and records of the entity in accordance with Generally Accepted Accounting Principles (GAAP) for Federal

entities and the formats prescribed by OMB, and are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government.