

MANAGEMENT'S DISCUSSION AND ANALYSIS



3D printing innovations deliver medical breakthroughs for Veterans

VA was an early adopter of 3D printing, using the technology for years to promote health care innovation and address individual Veteran health care needs. The benefits of 3D printing are limitless — from individually customized care, such as creating hand and foot orthotics, prosthetic limbs and reconstructive surgery, to more groundbreaking applications, such as the ability to accurately replicate a patient’s heart, lung, spine, or aortic valve. Clearly, it has a profound impact on Veterans’ lives.

VA’s early investment in 3D printing technology allows the Department to innovate and improve Veteran care on an ongoing basis and permitted VA staff to quickly apply the technology to aid in VA’s COVID-19 response. In response to the pandemic, VA coordinated a Memorandum of Understanding for open-source medical products with the Food and Drug Administration and the National Institutes of Health. Additionally, VA partnered with America Makes to rally health care providers and 3D printing organizations into rapidly innovating face mask designs during the pandemic.

Transforming a computer file into anatomical precision

The impact 3D printing can have on a Veteran’s life and well-being is significant. Imagine if your physician discovered a huge tumor wrapped around your ribs and growing on your lung. Using a 3D-printed model derived from computerized tomography or magnetic resonance imaging scans and sophisticated computer software, your medical team can hold the model of your anatomy in their hands. Using the model as a visual aid for pre-surgical planning, they can see details they may not see in two-dimensional imaging. Models also help clinicians determine whether you can avoid an invasive surgical procedure and painful recovery.

Veterans across the country benefit from these custom 3D-printed health care solutions. They receive better health outcomes by being more informed and in control of their health care.

Building One Layer at a Time

Building solutions that meet unique Veteran challenges is a hallmark of VA’s Office of Information and Technology’s (OIT) support for VHA’s 3D printing transformational technology. Nick Bogden, Enterprise Design Pattern Lead in OIT’s Enterprise Program Management Office, leads a five-person team that delivers architecture and design innovation to achieve VHA-wide 3D printing capabilities.

When the 3D Printing Advisory Committee needed to increase use and access to the limited number of stand-alone 3D printers at VA hospitals two years ago, they reached out to Mr. Bogden and his team. The result? 3D Printing Enterprise Design Patterns (EDP). The EDP operational product provides a framework of capabilities and constraining principles to aid in the development, acquisition, and implementation of information technology (IT) systems and services for 3D printing.

“Our focus is to translate the requirements and business needs of the committee from a technology perspective and furnish an enterprise solution,” Mr. Bogden explained. Network design and security, cloud-based 3D printing services and data security are the three key EDP pillars fundamental to advancing the current 3D printing landscape at VA.

Picture previous page: Tracy 3D printing innovations deliver medical breakthroughs for Veterans.

MISSION

President Lincoln's immortal words, delivered in his second inaugural address more than 140 years ago, best describe 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 carries out four specific missions to make good on that commitment: Veterans health care, Veterans benefits, national cemeteries and our fourth mission. VA's fourth mission," supported by all the Administrations, is to improve the Nation's [preparedness](#) for response to war, terrorism, national emergencies and natural disasters by developing plans and taking actions to ensure continued service to Veterans, as well as to support national, state and local emergency management, public health, safety and homeland security efforts.

Photo: President Lincoln's charge to care for Veterans and their families, on VA's Washington, DC building.

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 military-to-civilian transition assistance services, disability compensation, pension, fiduciary services, educational opportunities, Veteran readiness and employment (VR&E) services, home loan guaranty and life insurance benefits.

Photo: The CARES Act allows borrowers with government-backed loans (including VA loans) to request special forbearance – an agreement between the Veteran and their mortgage servicer – where their servicer agrees to either delay payments or to accept partial payments for one or more months.



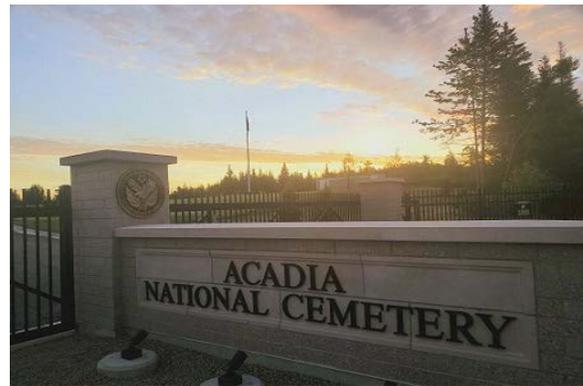


VHA provides a broad range of primary care, specialized care and related medical and social support services that are uniquely related to Veterans' health or special needs. VHA advances medical research and development in ways that support Veterans' needs by pursuing medical research in areas that most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

Photo: VA's National Artificial Intelligence Institute (NAII) seeks to develop AI research and development capabilities as a means to support Veterans, their families, survivors and caregivers.

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.

Photo: In August 2020, Acadia National Cemetery opened as a 6.22-acre VA National Cemetery located in Washington County, Maine. The cemetery serves the needs of more than 23,599 Veterans, spouses and eligible children within a 75-mile radius of nearby Machias.

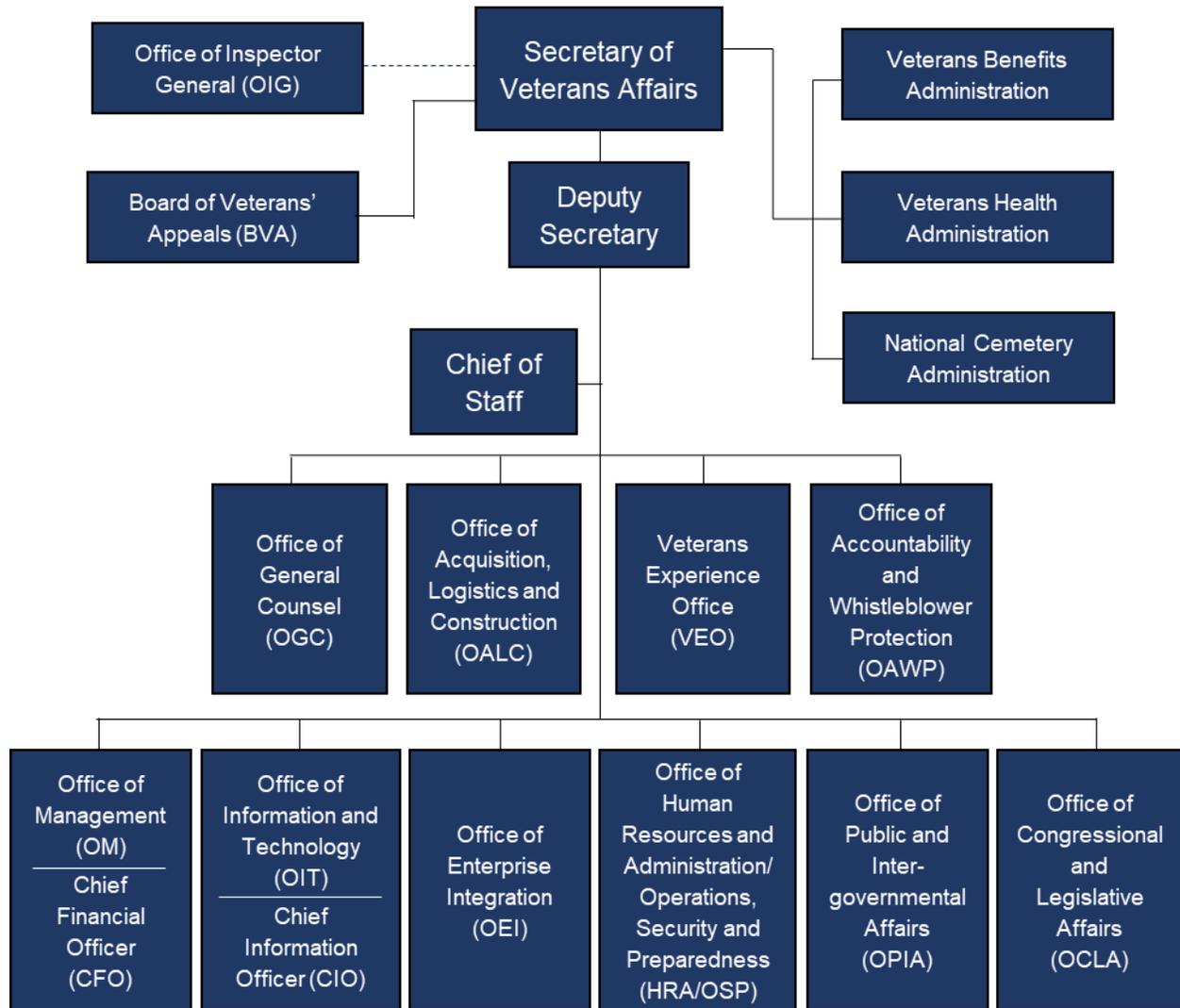


VA Staff Offices provide various services to the Department, including information technology (IT), human capital management, security and preparedness, strategic planning, Veteran outreach and education, financial management, acquisition and facilities management.

Photo: The state of New Hampshire leadership, community business leaders and the VA Secretary's Center for Strategic Partnerships secured scarce Personal Protective Equipment (PPE) to be deployed to the VA clinical and first-responders workforce nationwide.



DEPARTMENT OF VETERANS AFFAIRS ORGANIZATIONAL STRUCTURE



On November 11, 2019, the Nation observed Veterans Day. Washington, DC events included commemorations at the National World War II Memorial, the National Observance at Arlington National Cemetery, and the Vietnam Veterans Memorial (pictured above).

A HISTORY OF VA

1776
 Continental Congress encouraged enlistments during the Revolutionary War, providing pensions to disabled soldiers.

1811
 Federal Government authorized the first domiciliary and medical facility for Veterans.

1862
 Congress enacted legislation that authorized the president to purchase "cemetery grounds" to be used as national cemeteries "for soldiers who shall have died in the service of the country."

As the United States (U.S.) entered World War I, Congress established a new system of Veterans benefits, including programs for disability compensation, insurance, and vocational rehabilitation for the disabled. Congress tasked the Bureau of War Risk Insurance and the Public Health Service with operating hospitals specifically for returning Veterans.

1873
 All honorably discharged Veterans became eligible for burial in national cemeteries.

Per a law signed by President Abraham Lincoln, the first national home opened near Augusta, Maine for all soldiers, regardless of race, who fought for the Union Army.

1866

By 1929
 The Federal system of national homes had grown to 11 institutions that spanned the country and accepted Veterans of all American wars.

1917-1918

1930
 Although services had been provided to Veterans since 1776, an agency was formed whose sole focus was to serve our Nation's Veterans. President Herbert Hoover signed legislation to create the Veterans Administration to "consolidate and coordinate Government activities affecting war Veterans." Brigadier General Frank T. Hines was named the first Administrator. He served in the role until 1945.

1930s
 New national cemeteries were established to serve Veterans living in major metropolitan areas. Several of them, closely associated with battlefields such as Gettysburg, were transferred to the National Park Service because of the value in their historical significance.

Public Law 93-43 authorized the transfer of 82 national cemeteries from the Department of the Army to the Veterans Administration.

Public Law 293 established the Department of Medicine and Surgery within VA, along with numerous other programs like the VA Voluntary Service. The law enabled VA to recruit and retain top medical personnel by modifying the civil service system.

Congress enacted many new benefits for war Veterans, the most significant of which was the World War II GI Bill. From 1945 – 1966, one-fifth of all single-family residences built were financed by the GI Bill for either World War II or Korean War Veterans.

1973

1946

1944

1988-1989
 The VA was elevated to a cabinet-level executive department by President Ronald Reagan and renamed the Department of Veterans Affairs. At the same time, VA's Department of Medicine and Surgery, was re-designated as the Veterans Health Services and Research Administration.

1991
 The Veterans Health Services and Research Administration name changed to the Veterans Health Administration (VHA).

1998
 President Bill Clinton signed the Veterans Programs Enhancement Act of 1998, changing the name of the National Cemetery System to the National Cemetery Administration (NCA).



- Today**
- **VHA:** The VA health care system has grown from 54 hospitals in 1930 to 1,600 health care facilities today, including 144 VA Medical Centers and 1,232 outpatient sites of care of varying complexity.
 - **VBA:** VBA programs have a sweeping impact not only on the Veteran community, but also on the whole of American society. Over 5 million Service members (or their dependents) receive compensation each year.
 - **NCA:** VA administers 151 national cemeteries through NCA. New cemeteries are in development.

VA BY THE NUMBERS

The infographic below presents key statistics on Veteran population and VA programs as of September 30, 2020. Collection and analysis of this data helps VA to support planning, analysis and decision-making activities. For additional information, please visit VA's National Center for Veterans Analysis and Statistics at <https://www.va.gov/VETDATA/index.asp>.



AGENCY PRIORITY GOALS, STRATEGIC GOALS AND OBJECTIVES

VA tracks performance based on the [VA FY 2018-2024 Strategic Plan](#), which contains VA's goals, strategies and performance measures. This section presents the results of VA's FY 2021/FY 2019 APP&R, which shows how VA measures and monitors its activities against a long-range plan. The results presented in this section are derived from FY 2019 performance data, the most current available. Results for FY 2020 will be published in the FY 2022/FY 2020 APP&R posted at www.va.gov/performance/ in March 2021.

 VA FY 2018 - FY 2024 STRATEGIC PLAN MISSION STATEMENT: To fulfill President Lincoln's promise, "To care for him who shall have borne the battle and for his widow, and his orphan".	
STRATEGIC GOALS AND OBJECTIVES	
	Goal 1: Veterans choose VA for easy access, greater choices and clear information to make informed decisions. Objective 1.1: VA understands Veterans' needs throughout their lives to enhance their choices and improve customer experiences. Objective 1.2: VA ensures Veterans are informed of, understand, and can get the benefits, care and services they earned, in a timely manner.
	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. Objective 2.1: VA has collaborative, high-performing, and integrated delivery networks that enhance Veteran well-being and independence. Objective 2.2: VA ensures at-risk and underserved Veterans receive what they need to end Veteran suicide, homelessness and poverty.
	Goal 3: Veterans trust VA to be consistently accountable and transparent. Objective 3.1: VA is always transparent to enhance Veterans' choices, to maintain trust and to be openly accountable for its actions. Objective 3.2: VA holds personnel and external service providers accountable for delivering excellent customer service and experiences while eliminating fraud, waste and abuse.
	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. Objective 4.1: (Agility) VA's infrastructure improvements, improved decision-making protocols and streamlined services enable VA to adapt to changing business environments and Veteran needs. Objective 4.2: (Human Capital Management Modernization and Transformation) VA will modernize its human capital management capabilities to empower and enable a diverse, fully staffed and highly skilled workforce that consistently delivers world class services to Veterans and their families. Objective 4.3: (VA IT/Cybersecurity) VA IT modernization will deliver effective solutions that enable VA to provide improved customer service and a secure, seamless experience within available resources in a cost-effective manner. Objective 4.4: (Data Driven Decision Making) VA will institutionalize data supported and performance focused decision making that improves the quality of outcomes.
AGENCY PRIORITY GOALS (APGs)	
	Appeals Improvement and Modernization Act Implementation: To improve the claims and appeals process by implementing the new, streamlined framework authorized by the Veterans Appeals Improvement and Modernization Act of 2017 (AMA).
	Community Care: To improve Veterans' health experiences by consolidating all VA-purchased care programs into one modernized community care program under the VA Maintaining Systems and Strengthening Integrated Outside Networks (MISSION) Act.
	Veteran Suicide Prevention: To reduce the likelihood of Veteran suicide and overdose through timely intervention. Suicide prevention is VA's top clinical priority.
	Veteran Customer Experience: To increase Veteran trust in VA by driving performance improvements in health care and benefits.

AGENCY PRIORITY GOALS (APG)

APGs are a mechanism to focus leadership priorities, bringing focus to mission areas where the Department needs to drive significant progress and change. The Government Performance and Results Act Modernization Act (GPRAMA) requires CFO Act agencies to select four to five APGs every 2 years and review performance on a quarterly basis to identify barriers to progress and make changes to implementation strategies. VA's APGs for the FY 2018-2019 cycle are defined on the previous page with the strategic goals and objectives that they support, mapped by icon. APG performance results are reported below.



APPEALS IMPROVEMENT & MODERNIZATION ACT IMPLEMENTATION

By February 2019, VA fully implemented the AMA and adjudicated decision reviews and appeals under the new appeals system while resolving the remaining legacy appeals. VA promulgated regulations, established procedures, created training materials, hired and trained personnel, implemented IT system changes and conducted outreach to implement the law.



COMMUNITY CARE

In June 2018, Congress passed legislation for community care reform; the VA MISSION Act was signed into law. VA's goal was to improve Veterans' health experiences by consolidating all VA-purchased care programs into one modernized community care program. By September 2019, VA increased the targeted percentage of Veterans who are satisfied with the community care they received from 73% to 79%.



VETERAN SUICIDE PREVENTION

In September 2019, VA reported that 85.5% of Veterans targeted through predictive modeling algorithms were receiving core recommended interventions, a significant increase from the baseline of 57%. In addition, VA and the Department of Health and Human Services Substance Abuse and Mental Health Services Administration developed community plans to end suicide of Veterans outside VHA care in 24 cities and 7 states.



VETERAN CUSTOMER EXPERIENCE

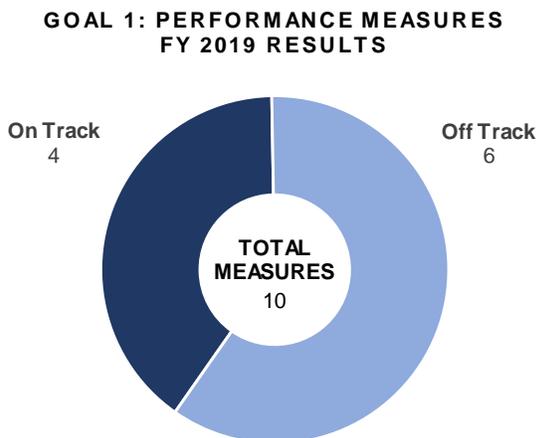
This APG stated that by September 2019, Veterans' positive responses would increase from 67% (September 2017) to 90% in response to the statement, "I trust VA to fulfill our country's commitment to Veterans." Although VA did not make the goal of 90%, outpatient scores for trust (72%), ease of experience (71%), effectiveness of interaction (76%) and emotion (73%) have all increased since 2017.



STRATEGIC GOAL 1:

Veterans choose VA for easy access, greater choices and clear information to make informed decisions.

PERFORMANCE RESULTS



To provide Veterans with better choices and improved access to benefits, care and services, VA must enhance our understanding of the Veteran experience at each phase of their life journey. To that end, VA establishes interactive relationships with Veterans prior to their release from active duty, during their transition to civilian life and thereafter.

The graphic at left presents the results of the 10 measures the Department currently uses to evaluate Goal 1 performance. The six off track measures are related to:

- Veterans made aware of benefits through marketing efforts:* Our target audiences are learning about VA benefits and services through other sources not captured by the performance assessment, such as partnering organizations or directly with medical centers. Beginning FY 2020, the National Veterans Outreach Office revised the methodology to track Veteran benefit awareness. Data is collected from all access points, not just eBenefits, and OPIA in coordination with VEO is improving strategy, integration and measurement.
- Integrated Disability Evaluation System (IDES) participants who have a proposed rating completed within the 20-day standard:* Program delays were primarily attributable to the termination of the secure access file exchange used by the Department of Defense (DoD) and VA. Through process improvements made during the third quarter, including updated guidance, collaborative tasking and close communication with the field and DoD, the IDES Program improved performance to a measure of 71% for the month of September 2019, 19% higher than the average for the year and exceeding the target.
- Results of the VEO trust survey (four measures):* VEO surveyed hundreds of thousands of Veterans across the country to obtain ranked responses to four statements. Since the inception of the survey in FY 2016, Veteran trust has risen from 60% to 72%. In order to drive an increase in trust, effectiveness, ease and emotion among Veterans, VEO has matured customer experience capabilities across VA, hardwired feedback into strategy and decision-making, delivered capabilities and tangible products with measurable impact and refined internal and external communications. In FY 2019, as VA matured its data science capability, the survey was used to predictively identify areas for improvement and to prescribe recommended courses of corrective action.

VEO Veteran Customer Experience Survey
Leveraged from the Forrester Model

- "I trust VA to fulfill our country's commitment to Veterans." (Trust)
- "I got the care or service I needed." (Effectiveness)
- "It was easy to get the care or service I needed." (Ease)
- "I felt like a valued customer." (Emotion)

PERFORMANCE HIGHLIGHT

Of the four on track measures, one measure where VA has performed well and consistently exceeded the target is the percentage of Veterans served by a burial option within a reasonable distance (75 miles) of their residence.

This increase represents NCA providing service to over 53,000 additional Veterans and enhances access for Veterans to make it easy to choose VA for their interment. The NCA Rural Initiative was established to address the issue of Veterans in less densely populated areas where the distance to a VA cemetery may exceed a reasonable distance.

To maintain (or restore) service in high-density urban areas, the NCA Urban Initiative is placing columbaria at a cost significantly less and in a timeframe significantly shorter than would be required to construct a new facility.

PERFORMANCE MEASURE HIGHLIGHT:
VETERANS SERVED BY A BURIAL OPTION
WITHIN A REASONABLE DISTANCE



PERFORMANCE IN ACTION



Community members of the Navajo Nation Tselani/Cottonwood Chapter attend a VA benefit claims event. Photo Credit: VA.

Native American Veteran benefits were at the center of a November 2019 Senate Committee on Indian Affairs hearing. Secretary Robert Wilkie told Congress there are two areas that can help Native American Veterans – expanding telehealth and more benefits events.

By November 2019, VA had hosted 30 claims events during the year, enabling more than 1,000 Veterans from 24 tribes to speak directly with VA representatives, get answers to benefits questions, file claims and receive same-day decisions.

“Our pledge at VA is to continue to work with tribal governments to face the unique challenges that accompany life of America’s Native communities. It’s our mission to make sure all Native Americans know that this VA belongs to them as well,” Secretary Wilkie said. VA works with Indian Health Services to make sure Native American Veterans get the care they need.

Secretary Wilkie has traveled to North and South Dakota, Montana, Oklahoma, Alaska and Wyoming to meet with Native American Veterans, tribal leaders and caregivers.

In FY 2020, VA began tracking the number of Veterans attending VA-sponsored claims clinics in Indian Country as a performance measure under Goal 1.

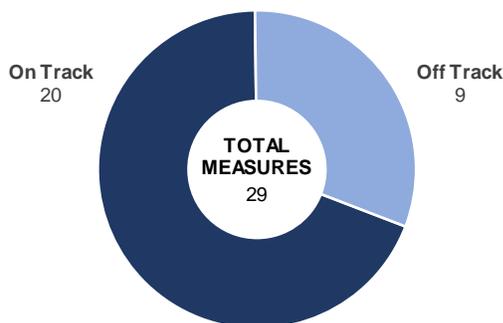


STRATEGIC GOAL 2:

Veterans receive highly reliable and integrated care and support and excellent customer service that emphasizes their well-being and independence throughout their life journey.

PERFORMANCE RESULTS

**GOAL 2: PERFORMANCE MEASURES
FY 2019 RESULTS**



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

The graphic at left presents the results of the 29 measures used to evaluate Goal 2 performance. The nine off track measures are related to:

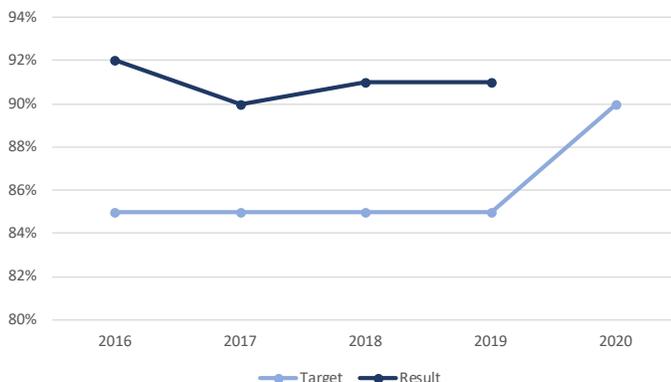
- *Calls answered by the VBA National Call Center (NCC) within 2 minutes:* The target was not achieved due to a high agent attrition rate and performance issues with the Customer Relationship Management (CRM) tool. The NCC has implemented an improvement plan, which included an aggressive hiring strategy, business process improvements and system enhancements, and coordinated with OIT to address CRM system performance issues.
- *Housing vouchers allocated that have resulted in homeless Veterans obtaining permanent housing:* The primary reasons the target was not met were staffing vacancies and lack of affordable housing units. VA must improve: 1) hiring, to fully utilize the vouchers, and 2) landlord engagement, especially in communities where stock is limited, to secure housing.
- *VR&E class achievement rate:* VR&E is focusing on modernization initiatives that will support maintaining the counselor to Veteran ratio at 1:125, improving technology to reduce administrative burden and actively engaging Veterans through the lifecycle of their program.
- *Community care claims processed timely:* VHA is implementing a rigorous plan to reduce the claims backlog by increasing staff and contract support, addressing gaps in the automated processing system and transitioning customer service calls to the NCC.
- *Average improvement in mental health symptoms after start of treatment as measured by scores on the World Health Organization assessment:* VA is discontinuing this measure; however, VA continues to measure average improvement using the Short Form-12 assessment. VA met its target for improvement under this assessment.
- *Pension claims processing (four measures):* In FY 2019, VA transitioned to a new workload management system that prioritizes processing of the oldest claims first, which has a short-term negative impact on this measure. VA will continue to leverage the new system to optimize distribution of claims and improve timeliness.

Impacted Pension Claims Processing Measures
National claim-based quality for pension claims
Veterans pension rating claims processed within 125 days
Survivor pension entitlement determinations processed within 60 days
Dependents Indemnity Compensation rating claims processed within 125 days

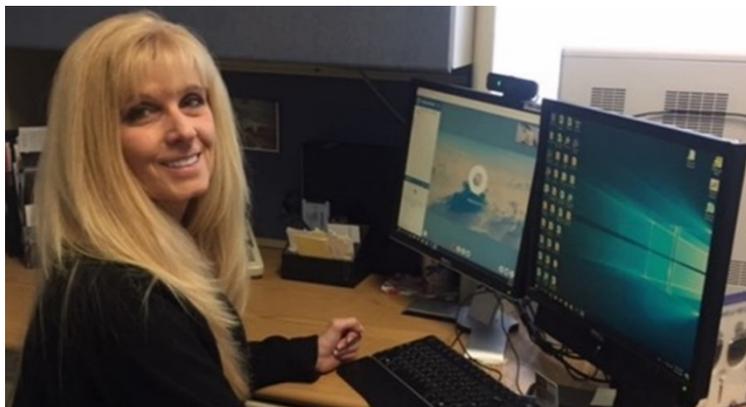
PERFORMANCE HIGHLIGHT

Of the 20 on track measures, one measure where VA has performed well and consistently exceeded the target is the percentage of Supportive Services for Veteran Families (SSVF) participants who were at risk of homelessness and were prevented from becoming homeless. SSVF is designed to rapidly re-home Veteran families and prevent homelessness for those at imminent risk. Funds are granted to organizations that assist low-income Veteran families by providing a range of services designed to promote housing stability. In FY 2019, VA announced \$426 million in awards providing access to SSVF services and assisted over 105,000 individuals, including over 70,000 Veterans and over 20,600 children.

PERFORMANCE MEASURE HIGHLIGHT:
SSVF PARTICIPANTS AT RISK OF
HOMELESSNESS THAT WERE PREVENTED
FROM BECOMING HOMELESS



PERFORMANCE IN ACTION



Kimberly Braswell, nurse practitioner in the cardiology unit at the James A. Haley Veterans' Hospital in Tampa, Florida. Photo Credit: VA.

In FY 2019, the telehealth program exceeded its target with more than 909,000 Veterans receiving care via a VA telehealth modality, up 18% from FY 2018. VA telehealth has removed barriers to quality care, such as transportation time and cost, inclement weather, mobility and social stigma, particularly with mental health care.

VA Video Connect, one of VA's telehealth modalities, lets Kimberly

Braswell (pictured above) ensure continuity of care for the Veterans she serves, which has proved especially important during the COVID-19 pandemic. VA Video Connect allows her patients to have secure, real-time video visits through a smartphone, computer or tablet.

Braswell estimates between 60% to 70% of her patients have switched to video appointments, many of them first-time users. She says some Veterans who were skeptical of being able to understand the new technology were surprised to see how easy VA Video Connect is to use. Age has not proved to be a barrier either — Braswell's oldest patient using VA Video Connect is 99 years old!

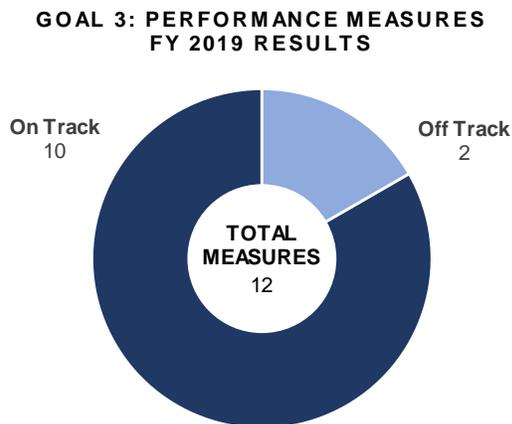
“Working in cardiology, our entire patient population would be in the higher vulnerability and higher risk group should they contract coronavirus. Therefore, it's very important to protect them from any potential exposures. You can see the Veterans' relief and happiness. They can connect to their providers and have their issues addressed without interrupting their care.”



STRATEGIC GOAL 3:

Veterans trust VA to be consistently accountable and transparent.

PERFORMANCE RESULTS



VA's pledge to build lifelong, trusted relationships with its Veterans is the basis for delivering relevant and excellent benefits, care and services that enhance Veterans' lives. VA understands that earning Veterans' trust is the gold standard the Department aspires to achieve and is critical to our long-term success. How VA delivers on its promises is just as important as what it delivers. VA will earn trust and be the natural choice for Veterans by being accountable, being transparent about how the Department is performing and adhering to the core values with every interaction.

The graphic above presents the results of the 12 measures currently used to evaluate Goal 3 performance. The two off track measures are related to:

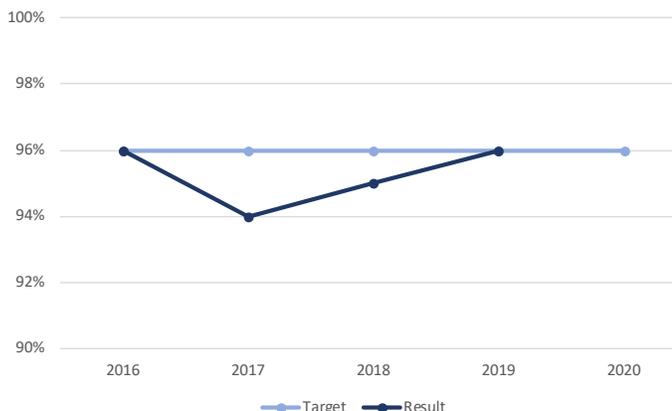
VA's Core Values	
I	Integrity - Act with high moral principle
C	Commitment - Work diligently to serve Veterans
A	Advocacy - Be truly Veteran-centric
R	Respect - Treat all with dignity and respect
E	Excellence - Strive for the highest quality

- Reports (audits, inspections, investigations and other reviews) issued that identified opportunities for improvement and provide recommendations for corrective action:* Although OIG did not meet nominal report targets, it achieved a remarkable number of programmatic benchmarks through published report recommendations that will lead to qualitative improvements in VA programs and services. The 236 reports published by OIG in 2019 included 864 recommendations, which addressed a variety of VA operational topics including access, quality and timeliness of health care services, benefits accuracy and adjudication, stewardship of taxpayer resources, leadership and governance practices and IT systems. Beginning in FY 2020, this measure will capture the percentage of reports issued that identified opportunities for improvement and provide recommendations for corrective action, rather than the total number of reports issued.
- Investigative cases that resulted in criminal, civil or administrative actions:* Although the OIG did not meet the nominal target for this measure in FY 2019, its investigative work yielded monetary benefits exceeding \$336 million and encompassed a wide range of criminal and civil cases that presented unacceptable risks to Veterans or VA operations. To meet the target in FY 2020, the OIG Office of Investigations (OI) will carefully assess each allegation to determine the level of associated risk and conduct preliminary or developmental investigations, as appropriate. Where facts and circumstances reasonably indicate that a full investigation is warranted, the OI will initiate such investigation and submit its findings to the Department of Justice, state or local law enforcement offices, or to VA.

PERFORMANCE HIGHLIGHT

Of the 10 on track measures, one measure where VA has encountered challenges and worked diligently to rebound to meet the target is the accurate processing of disability compensation ratings. VA offers disability compensation to Veterans who became sick or injured while serving. Ratings are assigned based on the severity of the service-connected condition and used to determine the level of compensation the Veteran will receive.

PERFORMANCE MEASURE HIGHLIGHT:
DISABILITY COMPENSATION RATING ISSUES
PROCESSED ACCURATELY



VBA's Compensation Service is working diligently to drive quality and improve accuracy for Veterans. In FY 2020, VBA hired additional staff to perform quality improvement projects and a new team was created to conduct special focus reviews to better analyze the trend of compensation errors. These changes are Veteran-centric with the goal to focus on solutions to improve the quality, timeliness and delivery of benefits to Veterans and their families.

PERFORMANCE IN ACTION



A Service member bottle feeds a baby during Operation Babylift. Photo Credit: VA.

During the evacuation of Saigon in 1975, hundreds of Air Force security police traveled to Tan Son Nhut to assist in the rescue of Vietnamese orphans in an effort called Operation Babylift, a fact only recently confirmed by VBA and the Air Force Historical Research Agency (AFHRA) through newly discovered military records.

Clara Beheler, a Veterans Benefits Quality Review Specialist at the Roanoke, Virginia Regional Office, was working a claim for an Air Force Veteran who stated that he was sent to Vietnam in support of these operations. She was unable to verify participation based on the documents in his personnel file, service treatment records or through extensive online research. Beheler, however, was not deterred. She contacted Barry Spink, a researcher from AFHRA, to assist her in finding records. After an exhaustive archive search that lasted many months, Spink found records that confirmed participation of 296 personnel.

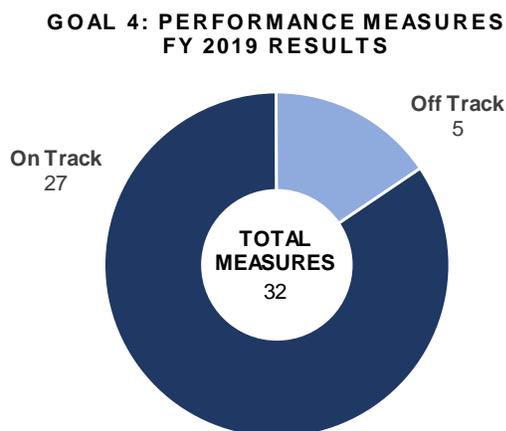
As a result of this find, the first claim was granted, but Beheler's team didn't stop there. With this newfound information, the team of records research specialists began awarding benefits to Veterans and survivors whose claims were impacted by discovering these important records. "Finding these records are life-changing for so many people," Beheler said. To date, retroactive claims have been awarded to 16 Veterans or survivors with nearly a half-million dollars paid.



STRATEGIC 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.

PERFORMANCE RESULTS



The cross-cutting objectives in this goal adapt the organization's behavior into four critical categories that will enable it to perform in an ever-changing business environment.

The Department will be better prepared to: make future choices about its strategic footprint (capital assets and construction); rapidly deploy human capital capabilities as 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.

The graphic above presents the results of the 32 measures currently used to evaluate Goal 4 performance. Five measures are off track, four of which are related to cybersecurity. They are:

VA's Four Critical Categories For an Ever-Changing Business Environment
Agility
Human Capital Management Modernization & Transformation
Information Technology / Cybersecurity
Data-Driven Decision Making

- *Construction projects accepted by VA as substantially complete in the quarter identified:* The target was not met due to challenges predicting when a project will get to the acceptance stage. VA continues to improve the forecasting of acceptance utilizing risk registers and integrated master schedules.
- *Intrusion detection and prevention:* VA did not meet this target due to several domains that are not administratively owned or managed by the Department's Cyber Security Operations Center. VA will move these to the va.gov domain to achieve compliance.
- *Percent of employees who receive Insider Threat training:* VA will increase outreach and education efforts across VA that target the entire workforce. Specifically, VA will provide training during new employee orientation.
- *Exfiltration and enhanced defenses:* This metric is intended to measure the organization's ability to monitor network communication to detect any unauthorized copying, transferring or retrieval of data from systems or servers. VA is pursuing additional capabilities through the implementation of the Continuous Diagnostics and Monitoring Program.
- *Hardware asset management:* VA views this metric in two parts: 1) discovery of hardware assets and 2) authorization and management of those hardware assets. VA can discover 95% of assets on the network; however, only a portion is centrally visible. VA manages approximately 40% of the network endpoints by policy enforcement. VA will work to increase its hardware asset management capabilities.

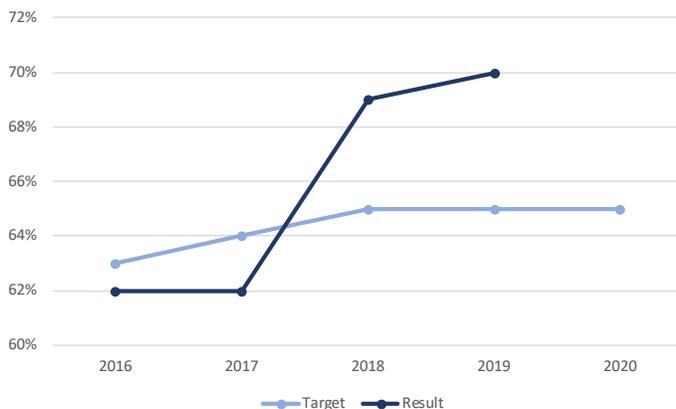
PERFORMANCE HIGHLIGHT

One Goal 4 measure where VA has progressed significantly in the past 2 years is the employee engagement index (EEI) score. The EEI is an engagement measure based on questions from the Office of Personnel Management (OPM) Federal Employee Viewpoint Survey. These questions assess the culture of engagement in the workplace.

Multiple efforts contributed toward progress in this measure. In 2019 the VA-wide Employee Engagement (EE) plan was developed and implemented.

This plan included recommendations on policies, programs and initiatives relating to employee engagement at VA. Additionally, the VA Employee Engagement Council (EEC) membership was updated to ensure participation and input from field representatives and labor partners. EEC meetings are held quarterly for monitoring EE strategies and implementation, proposing EE initiatives and sharing leading practices.

PERFORMANCE MEASURE HIGHLIGHT:
EEI RESPONSES MARKED POSITIVE
ON THE OPM FEVS



PERFORMANCE IN ACTION



Lorrie Lollar-Ray, Air Force Veteran and vocational rehab counselor at Ralph H. Johnson VAMC. Photo Credit: VA.

Nearly one-third of all VA employees are Veterans, a Goal 4 measure for which VA is near target. Lorrie Lollar-Ray is an Air Force Veteran who now works for VA as a Vocational Rehabilitation Counselor. She describes how she overcame obstacles to find meaning in helping other Veterans.

“I came to work at the Ralph H. Johnson VA Medical Center under a Schedule A appointment (for people with certain disabilities) while I was in therapy myself for service-connected injuries. I was in mental health care and started with a sailing

program to assist me with the isolation I had created in my life.

This job is fulfilling and personally satisfying. I assist Veterans who could very well be me. After the Air Force, I studied law in an effort to assist those at-risk or underprivileged. In my current capacity, I assist people with their barriers to employment. I love what I contribute to Veterans’ lives, and I enjoy having meaningful work that allows me to communicate with each person individually to determine and overcome individual problems. The mission, vision and values of VA align with me personally because ... I CARE.”

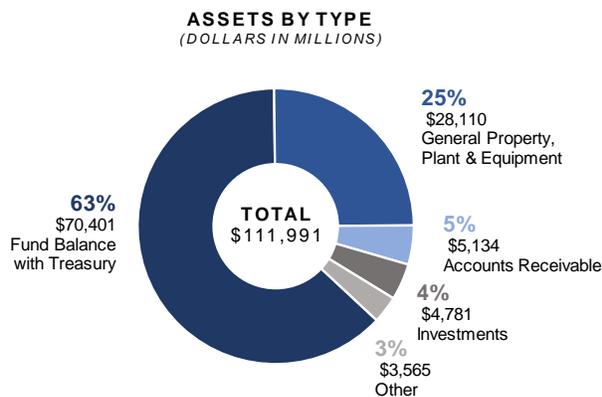
ANALYSIS OF FINANCIAL STATEMENTS

BALANCE SHEET

The Balance Sheet provides a snapshot of the Department's financial position and comprises assets, liabilities and net position. The table below shows VA's key asset and liability components and the total change for each component over the prior fiscal year.

Balance Sheet Key Components				
<i>(dollars in millions)</i>	2020	2019	\$ Change	% Change
Assets				
Fund Balance with Treasury	\$ 70,401	\$ 58,306	\$ 12,095	21%
General Property, Plant, & Equipment	28,110	27,164	946	3%
Accounts Receivable	5,134	6,087	(953)	-16%
Investments	4,781	4,498	283	6%
Other	3,565	3,250	315	10%
Total Assets	\$ 111,991	\$ 99,305	\$ 12,686	13%
Liabilities				
Federal Employee and Veterans' Benefits (FEVB)	\$ 4,008,469	\$ 3,248,620	\$ 759,849	23%
Non-FEVB Liabilities				
Accounts Payable	20,330	15,525	4,805	31%
Loan Guarantee Liability, Net	7,408	7,636	(228)	-3%
Other	7,756	7,474	282	4%
Total Non-FEVB Liabilities	35,494	30,635	4,859	16%
Total Liabilities	4,043,963	3,279,255	764,708	23%
Total Net Position	(3,931,972)	(3,179,950)	(752,022)	-24%
Total Liabilities and Net Position	\$ 111,991	\$ 99,305	\$ 12,686	13%

ASSETS



Assets represent items owned by the Department that have probable economic benefits. The graphic at left depicts the composition of VA's total asset balance. As of September 30, 2020, the largest asset was fund balance with Treasury (FBWT) at \$70.4 billion, an increase of \$12.1 billion or 21% primarily due to:

- Emergency funding received in response to the COVID-19 pandemic (refer to page 24 for additional information); and,
- New legal authority for VA to compensate Veterans and survivors for service-connected disabilities under the Blue Water Navy Vietnam Veterans Act of 2019.

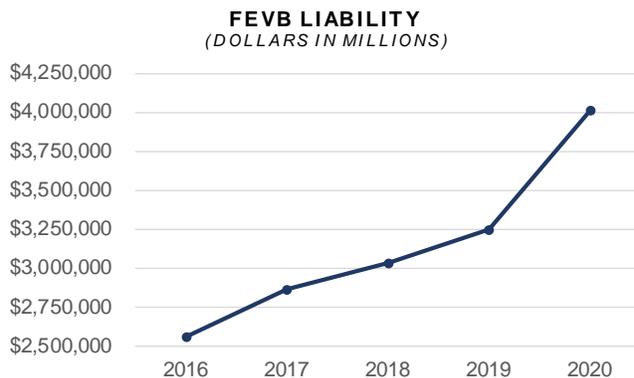
The second largest asset was property, plant and equipment (PP&E) at \$28.1 billion, which is primarily composed of buildings, structures, equipment and internal use software (IUS) used to provide medical care to Veterans.

Accounts receivable was \$5.1 billion, a decrease of nearly \$953 million or 16% primarily due to collections totaling \$600 million on an account receivable for excess contingency reserves in the Veterans' Group Life Insurance (VGLI) Program. \$2.5 billion of the total \$3.4 billion receivable remains and will continue to be transferred to the VA over a period of 4 years. Additionally, accounts receivable decreased due to a decrease in billable medical care activity, such as primary care appointments and community care consultations, as a result of COVID-19.

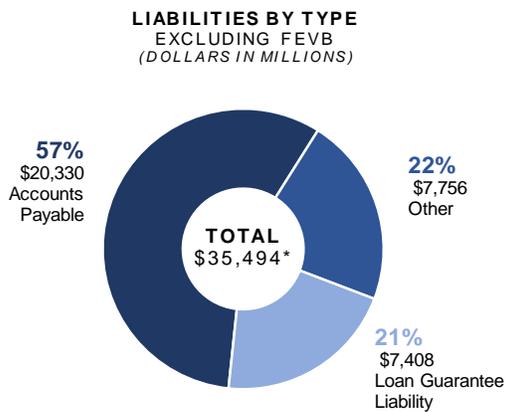
The other category includes Investments, cash, direct loans and loan guarantees, inventory and other assets. The increase of \$315 million, or 10%, is primarily due to an increase in advances for major construction projects at VAMCs.

LIABILITIES

Liabilities represent probable future outflows or other sacrifices of resources as a result of past transactions or events. As of September 30, 2020, the largest liability was Federal employee and Veterans' benefits (FEVB) at \$4 trillion or 99% of total liabilities, an increase of \$759.8 billion or 23% over prior year. Compensation benefits compose more than 99% of this liability and represent amounts owed to Service members (or their dependents) who died or were disabled due to active military service-related causes. The liability is an estimate of the future



cost to provide benefits to participants, expressed in today's dollars. The graphic at left presents the year-to-year increase in the FEVB liability from FY 2016 – FY 2020. Actuarial cost and the loss on actuarial assumptions drive these increases. Refer to page 22 for discussion of increases in actuarial cost and losses. For additional information, refer to [Note 13](#) in the Financial Section.



The composition of the remaining liability balance is illustrated in the graphic at left. The Department's second largest liability is accounts payable at \$20.3 billion, an increase of \$4.8 billion or 31% primarily due to a change in accounting for Veterans community care (VCC) obligations. In FY 2019, VCC referrals were recorded using an obligation at payment model; thus, the obligations and associated accounts payable were not recorded until the claims were adjudicated. As a component of FEVB, VA estimated an incurred but not

paid liability at the end of each period to recognize the cost of services incurred where claim

*Total Liabilities with FEVB is \$4,008,469

invoices had not yet been received, validated and paid. In FY 2020, VA determined that it lacked the authority to apply the obligation at payment model. As a result, the accounts payable balance increased as these amounts moved from the unfunded FEVB liability to the funded accounts payable liability. FY 2019 has been restated to reflect this change. For additional information, refer to [Note 23](#) in the Financial Section.

Loan guarantee liability, net was \$7.4 billion, a decrease of \$228 million or 3% due to subsidy re-estimates resulting from updated model inputs that decrease the likelihood of VA covering defaulted guaranteed housing loans. The updated inputs relate to favorable housing market conditions and an associated improvement in loan performance. As these conditions improve, the likelihood that VA must cover defaults declines.

The other category includes debt, environmental and disposal liabilities and other liabilities. The balances have not fluctuated significantly compared to prior year.

CHANGES IN NET POSITION

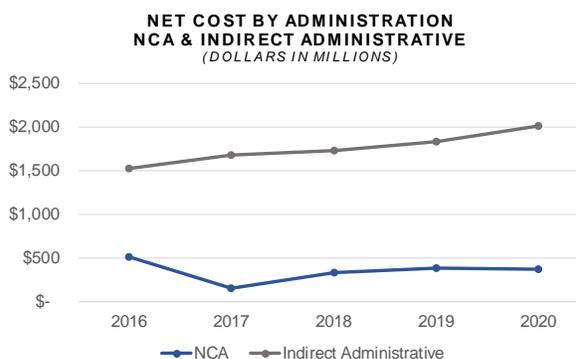
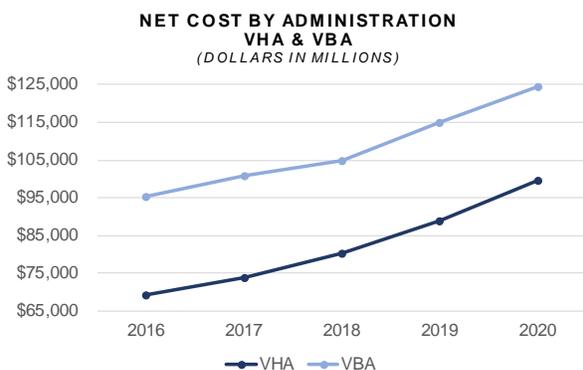
The Statement of Changes in Net Position combines the net cost of operations with nonexchange sources of financing to arrive at a net position. Net position decreased by 24% from a deficit of \$3.2 trillion in FY 2019 to a deficit of \$3.9 trillion in FY 2020. The decrease is attributable to the increase in net cost of operations, discussed in the next section.

NET COST OF OPERATIONS

Net cost of operations is the cost incurred less any exchange revenue earned. The Statement of Net Cost is designed to show net cost separately for each of VA's Administrations: VHA, VBA and NCA. Indirect administrative program costs support Department operations not directly attributable to VHA, VBA or NCA and include the supply fund, general administration and the Board of Veterans' Appeals programs. In FY 2020, total net cost of operations for the Department was \$987.1 billion, an increase of \$567.5 billion or 135%, driven primarily by the loss on actuarial liability changes.

PROGRAM NET COST

The graphics below present program net cost by Administration, excluding actuarial, from FY 2016 – FY 2020. While VHA and VBA have experienced significant increases in net cost over prior year, NCA and indirect administrative net costs have remained relatively consistent.



VHA's net cost was \$99.7 billion, an increase of \$10.9 billion or 12% primarily due to an increase in community care payments and other medical expenses that align with the implementation of the MISSION Act and COVID-19 response activities.

Additionally, VHA's net cost increased due to an increase in full time equivalent employees to serve the medical needs of a growing population of enrolled Veterans and in response to the COVID-19 pandemic. The CARES Act provided supplemental funds that enabled VA to hire and retain staff to support pandemic response.

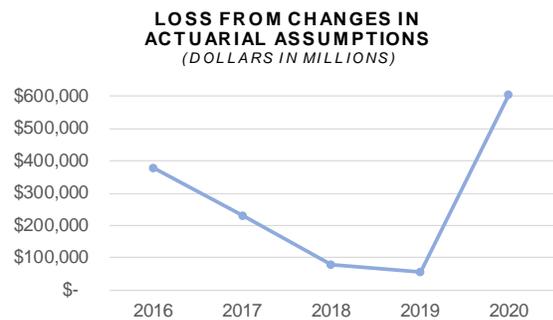
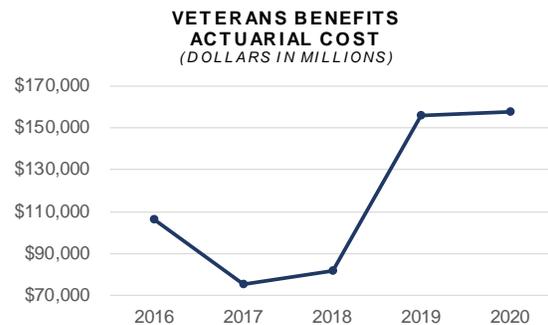
VBA's net cost (excluding actuarial) was \$124.5 billion, an increase of \$9.6 billion or 8% due to increases in compensation payments to Veterans and their beneficiaries. VA processed over 1.4 million more payments in FY 2020 than in FY 2019, as of September 30. Additionally, VBA continued to process claims with improved timeliness and accuracy, which resulted in approximately 155,000 more active beneficiaries in FY 2020 than in FY 2019.

ACTUARIAL COST & (GAIN)/LOSS

VA provides compensation, burial, education and VR&E benefits to eligible Veterans and beneficiaries. The liability for future benefit payments is calculated using an actuarial model (see discussion of FEVB liability on page 20). On a periodic basis, the liability is adjusted for changes in assumptions, which results in the recognition of actuarial cost and/or a (gain)/loss. The actuarial cost and (gain)/loss are composed of the elements below.

Actuarial Cost	<ul style="list-style-type: none"> • Interest on Liability Expense • Changes in Experience (e.g., Veteran counts) • Prior Service Cost • Less: Amounts Paid 	(Gain) / Loss	<ul style="list-style-type: none"> • Discount Rate • Cost of Living Adjustments (COLA) • Other Assumptions
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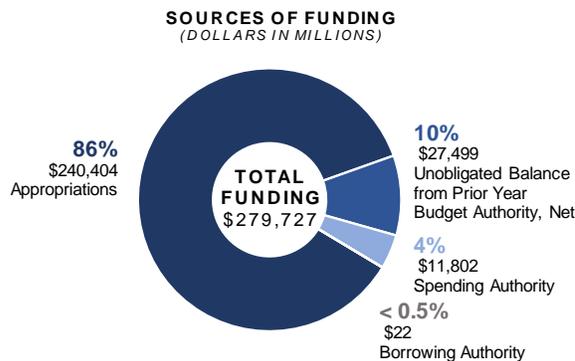
The Veterans benefits actuarial cost was \$157.8 billion, an increase of \$2.1 billion or 1% over FY 2019. In FY 2019, VBA reported a significant increase in year-to-year actuarial cost, primarily due to changes in experience required due to a substantially larger number of Veterans and beneficiaries receiving compensation benefits. In FY 2020, actuarial cost remained consistent with prior year.



Net (gain)/loss from changes in actuarial assumptions was \$602.7 billion, an increase of \$544.7 billion due to assumption changes in the model used to estimate the liability. The most significant change in assumptions was related to disability ratings. The updated rates increase the likelihood of compensation recipients' transition into higher rating classes, thus increasing the liability. Additionally, the Veteran population table was updated to reflect current data.

BUDGETARY RESOURCES

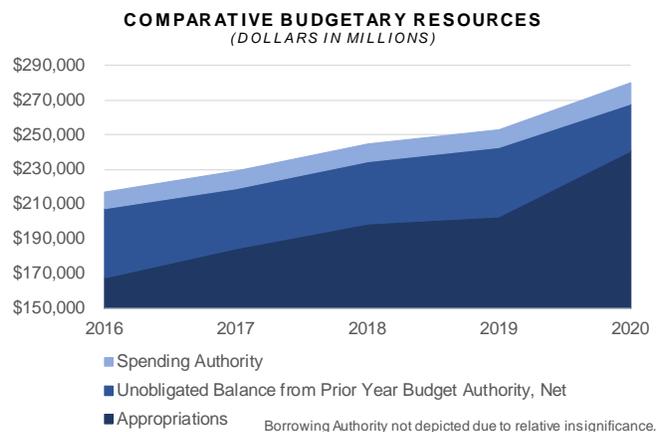
The Statement of Budgetary Resources provides information on the sources and status of funding available to the Department. The primary sources of VA funding are appropriations from Congress and the unobligated balance from prior year budget authority. VA expends a substantial amount of its budgetary resources on medical service and care, compensation, pension, burial, education and VR&E benefits for Veterans, their beneficiaries and dependents.



Appropriations were \$240.4 billion, an increase of \$38.0 billion or 19% over FY 2019, primarily due to \$19.6 billion in funding from the CARES and Families First Acts, as discussed on page 24. Additionally, appropriations increased to support the implementation of the MISSION Act. The MISSION Act provides eligible Veterans greater choice in where they receive care through integrated community care programs.

The stacked area graph below presents the composition of budgetary resources comparatively from FY 2016 – FY 2020 and illustrates that the increase in budgetary resources has been driven primarily by appropriations. The increase in appropriations was received to fund:

- The establishment and expansion of community care programs for health care provided to Veterans at non-VA medical facilities;
- 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;
- Major construction projects, including improvements and additions to existing medical facilities and construction of new facilities; and
- Emergency response to COVID-19 pandemic through the CARES and Families First Acts.



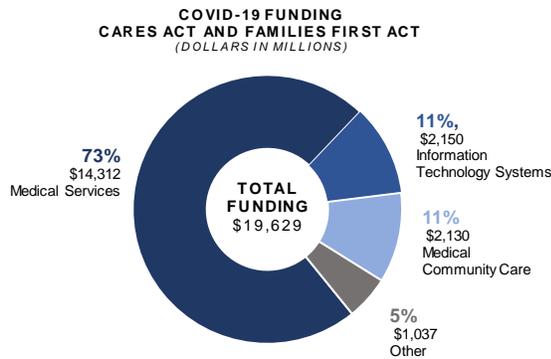
The rise in overall budgetary resources between FY 2019 and FY 2020 resulted in an increase of new obligations and upward adjustments totaling \$22.3 billion or 10% over prior year primarily due to:

- MISSION Act costs related to clinical service delivery for community care, such as care coordination including referrals, eligibility verification, enrollment and the establishment of care networks;

- Purchases of PPE and medical equipment in response to the COVID-19 pandemic and in accordance with the CARES and Families First Acts; and,
- An increase in the number of compensation payments processed due in part to VBA's continued progress in processing claims with improved timeliness and accuracy.

Net outlays increased by \$18.8 billion or 9%. The increase in net outlays was primarily attributable to the increase in budgetary resources, new obligations and upward adjustments.

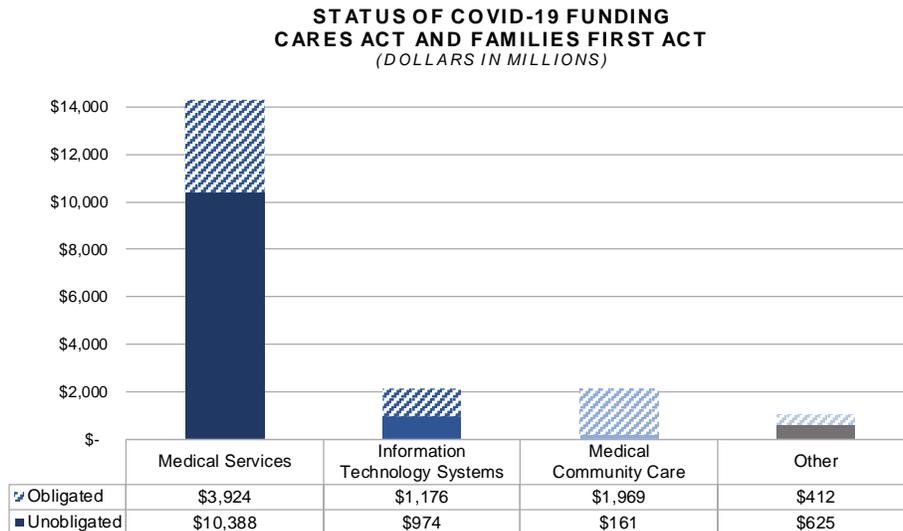
IMPACT OF COVID-19



As the largest integrated health care system in the U.S. providing services to over nine million Veterans, VA was heavily impacted by the COVID-19 pandemic in FY 2020. In response to the pandemic, the Department received \$19.6 billion in supplemental emergency funding from the CARES and Families First Acts. As depicted in the graphic at left, the funding was primarily allocated to the Medical Services Program, which received \$14.3 billion or 73%. The remaining \$5.3 billion was

allocated to Information Technology Systems, Medical Community Care and other programs.

As of September 30, 2020, 38% of the total emergency funding had been obligated. These funds are available for obligation through FY 2021 for \$19.557 billion in funding and through FY 2022 for the additional \$72.5 million. As depicted in the graphic below, \$3.9 billion or 27% had been obligated from the Medical Services Program as of September 30, 2020 to cover inpatient COVID-19 pandemic care, surge activities and national purchases of PPE and other equipment. \$3.6 billion or 67% had been obligated from Information Technology Systems, Medical Community Care and other programs. Additional detail may be found in [Note 25](#) in the Financial Section.



For additional information about VA's response to the COVID-19 pandemic and ways in which the Department is using its supplemental emergency funding to protect and care for Veterans, their families, health care providers and staff, visit <https://www.publichealth.va.gov/n-coronavirus/>. On a weekly basis, the Department publishes VA's COVID-19 Response: By the Numbers, which reports metrics across several categories including:

- Veteran & Virtual Care
- Support to Non-VA Nursing Homes
- Veteran Engagement
- Support to States & Other Agencies

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 United States Code (U.S.C.) § 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.



On Wednesday, November 11, 2020, the Nation observed Veterans Day. President Trump, Vice President Pence and VA Secretary Wilkie observed the day with a traditional wreath laying at the Tomb of the Unknown Soldier at Arlington National Cemetery. This ceremony was followed by a wreath laying at the grave of World War II hero Audie Murphy in observance of the 75th Anniversary of the end of World War II.

MANAGEMENT'S STATEMENT OF ASSURANCE



THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

November 24, 2020

The Department of Veterans Affairs (VA) management is responsible for managing risks and maintaining effective internal controls to meet the objectives of § 2 and § 4 of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). VA conducted its assessment of risks and internal controls in accordance with Office of Management and Budget (OMB) Circular 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, 2020, except for the following reported material weaknesses:

- Controls over Significant Accounting Estimates;
- Obligations, Undelivered Orders and Accrued Expenses;
- Financial Systems and Reporting;
- Information Technology (IT) Security Controls; and
- Entity-Level Controls, including Chief Financial Officer (CFO) Organizational Structure.

The Department noted noncompliance with the following:

- Federal Financial Management Improvement Act (FFMIA);
- FMFIA § 2 and § 4;
- Title 38 United States Code (U.S.C.) § 5315, *Interest and Administrative Cost Charges on Delinquent Payments of Certain Amounts Due the United States* and 31 U.S.C. § 3717, *Interest and Penalty on Claims*;
- Anti-Deficiency Act (ADA); and
- Payment Integrity Information Act of 2019.

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 § 4. 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 § 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 working with Congress to enact a legislative change which will permit the continued use of obligating funds at the time of payment (obligate at payment) for VA community care claims covered under certain network and provider contracts. VA obligated funds at the time of payment during FY 2019 and FY 2020, without authorization, but has restated its FY 2019 financial statements, and corrected its FY 2020 balances to remove the effects of obligate at payment.

In July 2020 the VA Office of Management (OM) identified a data breach involving the personal information of approximately 46,000 Veterans. This data breach is currently under VA Office of Inspector General (OIG) investigation.

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

SUMMARY OF MATERIAL WEAKNESSES

(1) Controls over Significant Accounting Estimates: 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 issues and errors in the analysis of the models. The VBA CFO's office continues to implement a Corrective Action Plan (CAP), which includes the VBA CFO's office taking steps to reduce the severity of the material weakness by updating models, policies, procedures, process narratives and training. Estimated completion date: FY 2021.

(2) Obligations, Undelivered Orders and Accrued Expenses: VHA has weaknesses in its design and implementation of controls over the Medical 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) continues to lead the effort to develop and manage the CAP to address the VA community care material weakness identified by VA's auditors. The CAP includes:

- a. refining and updating OCC's IBNR methodology whitepaper and financial policies to reasonably estimate unfunded liabilities;
- b. refining and updating methodologies to reconcile claims data from source systems to FMS before data is used in OCC IBNR estimations;
- c. enhancing VHA policies and procedures;
- d. developing monthly consolidated reconciliations of obligations and expenditures recorded in Integrated Funds Distribution, Control Point Activity, Accounting and Procurement, Centralized Administrative Accounting Transaction System, Electronic Contract Management System and FMS for all open obligations to ensure the accounting information is valid and proper;
- e. enhancing policies and procedures for monitoring and validating 1358 transactions to ensure recorded obligations and accrued expenses were not overstated; and
- f. providing training.

VA obligated funds at the time of payment during FY 2019 and FY 2020, without authorization, but has restated its FY 2019 financial statements, and corrected its FY 2020 balances to remove the effects of obligate at payment. VA is working with Congress to enact a legislative change which will permit the continued use of obligating funds at the time of payment (obligate at payment) for VA community care claims covered under certain network and provider contracts. In the meantime, VA will update this CAP to address current year audit findings including the timely preparation of the model to estimate the amounts for obligations, undelivered orders and accrued expenses. 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 addition, VHA continues to provide reports to the Veterans Integrated Service Networks (VISN) and stations on potential late capitalization of assets to proactively remediate late capitalization findings. 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 and Change Management Controls; Contingency Planning; Incident Response and Monitoring; Continuous Monitoring; and Contractor Systems Oversight. The VA Enterprise Cybersecurity Program (ECSP) monitors and addresses components of the material weakness and OIG Notices of Findings and Recommendations (NFR) by evaluating, prioritizing, planning and executing approximately 40 cybersecurity projects each year. The project prioritization process directly incorporates the NFRs and aligns with the National Institute of Standards and Technology Cybersecurity Framework and Risk Management Framework. Since 2019, 21 projects reached their cybersecurity milestones, with direct implications for seven NFRs, including contingency planning and configuration management. Through ECSP, VA maintains a governance structure to enable risk-based decision-making and prioritization, engage stakeholders across the enterprise in support of accountability and ownership, and provide oversight of cybersecurity projects. These projects are part of the larger VA ECSP implementation plan designed to address the five distinct goals critical to evolving and maturing the overall VA cyber environment to achieve Federal Chief Information Officer priorities. The targeted completion year for most ECSP projects is FY 2021. Therefore, the CAP completion changed from FY 2020 to FY 2021 since many of the ECSP projects that address the OIG NFRs will not have addressed their NFR tangible outcomes. Estimated completion date: FY 2021.
- (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, OM continues to facilitate communication and control over Department-wide CFO functions through the CFO council, and VA communicates audit findings and material weaknesses to all levels of the organization, with ownership and corrective actions being assigned to the most senior leaders in the program, demonstrating the commitment to quality improvement. Accordingly, the estimated completion date has been extended from FY 2020 to FY 2021. Estimated completion date: FY 2021.

SUMMARY OF MATERIAL NONCOMPLIANCE

- (1) Federal Financial Management Improvement Act:** VA assessed FMS to determine conformance with FFMIA and FMFIA § 4. 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 FFMIA. VA is developing a new accounting system, iFAMS, to replace FMS. iFAMS is designed to be compliant with FFMIA. Estimated completion date: FY 2025.
- (2) FMFIA § 2 and § 4:** VA conducted its evaluation of financial management systems for compliance with FFMIA 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 the USSGL at the transaction level. OM developed a robust internal control assessment process to implement the requirements for full compliance with FMFIA and OMB Circular A-123, Appendix A, to include documentation of transactional-level testing to support the assurance statement. VA is developing a new accounting system, integrated Financial and Acquisition Management System (iFAMS), to replace FMS to comply with FMFIA § 4. Testing of iFAMS will be executed as it is incrementally deployed. 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.
- (3) Title 38 U.S.C. § 5315, *Interest and Administrative Cost Charges on Delinquent Payments of Certain Amounts Due the United States* and 31 U.S.C. § 3717, *Interest and Penalty on Claims*:** In 1992, the then Acting Secretary of VA, determined that VA would not charge interest and administrative fees on delinquent Compensation and Pension debts, as required by 38 U.S.C. § 5315. VA continues to handle debts in accordance with its long-established policy. VA leadership is pursuing a legislative solution to assess interest and administrative cost charges at the VA Secretary's discretion by resubmitting a modification to the FY 2022 Legislative Review Panel. Estimated completion date: FY 2022.
- (4) Anti-Deficiency Act:** In FY 2019, VA identified an ADA violation regarding State Home obligations. OCC used the Medical Community Care (Fund 0140) appropriation instead of the Medical Services (Fund 0160) appropriation for State Home aid expenses. Corrective actions have already been implemented, as appropriations language in Public Law 116-94 (Further Consolidated Appropriations Act of 2020) dated December 20, 2019, removed the reference to State Home Services in the Medical Services Appropriation. Completed date: FY 2020.

In addition, VA is working with Congress to enact a legislative change which will permit the continued use of obligating funds at the time of payment for VA community care claims covered under certain network and provider contracts. VA obligated funds at the time of payment during FY 2019 and FY 2020, without authorization, but has restated its FY 2019 financial statements, and corrected its FY 2020 balances to remove the effects

of obligate at payment. VA is also examining whether there is an ADA violation related to this issue. Estimated completion date: FY 2021.

- (5) Payment Integrity Information Act of 2019:** In FY 2020, VA reported approximately \$11.37 billion in improper payments. This was the second consecutive year reporting decreases in improper payments with a net reduction of \$3.3 billion for FYs 2019 and 2020. VA continues to enact specific corrective actions to remediate root causes of improper payments and strategically strengthen program integrity while ensuring Veteran access to health care and benefits. VA developed detailed CAPs for each program to address the findings and deficiencies. Estimated completion date: FY 2024.

SUMMARY OF INTERNAL CONTROL ASSESSMENT

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 annual statements of assurance. OBO developed an Internal Controls Assessment (ICA) tool for evaluating each of the 17 principles in the Government Accountability Office's Standards for Internal Control in the Federal Government (Green Book). The 17 principles fall into the following 5 components of internal control: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In FY 2020, VA assessed the following three distinct but overlapping objectives of internal control: operations, compliance and reporting.

In FY 2020, 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, Administration or Staff Office management, in accordance with OMB Circular A-123, exercised judgment in determining the severity of the deficiency.

Each Administration and Staff Office signed a statement of assurance based on the results of its ICA. The statement of assurance 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 control assessment.

In FY 2020, OBO conducted OMB Circular A-123, Appendix A, Test of Design over specified business processes and key controls as well as developed maturity models within the risk assessment to identify high-, medium- and low-level control risks within the business cycles; however, was unable to complete a comprehensive assessment over all planned business processes. 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.

FINANCIAL SYSTEMS FRAMEWORK

VA'S FINANCIAL MANAGEMENT SYSTEMS STRATEGY

VA's Financial Management Business Transformation (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 those who serve our Veterans. The FMBT 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 data analytics and projections;
- Improving customer service and support of goods, supplies and services for Veterans; and
- Improving the speed and reliability of communicating financial information throughout VA and providing timely, robust and accurate financial reporting.

CURRENT FINANCIAL MANAGEMENT SYSTEM FRAMEWORK

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

The external financial statement auditors 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.

FUTURE FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK

The scope of the FMBT Program is focused on migrating VA from its legacy core FMS and eCMS to a commercial off the shelf (COTS) cloud solution, configured for VA as iFAMS, allowing VA to leverage the Software-as-a-Service (SaaS) model. This involves:

- Migrating to a financial and acquisition management solution compliant with Federal regulations;
- 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.

iFAMS will be deployed in a phased implementation approach, beginning with NCA in November 2020 and continuing across the Department until complete. In response to the COVID-19 pandemic, FMBT converted planning, training and testing activities to virtual events, successfully mitigating negative impacts on the program.

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 enterprise risk management 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 22 portfolios of risks listed in the profile, but the following are the top three 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 Government Accountability Office's (GAO) 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 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 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 electronic health record (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 Service members' 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.

Focusing on the VA business systems transformation is the fourth priority. Upgrading VA to a 21st century operating capability includes the transformation of digital services, financial management, logistics and supply chain systems, human capital management systems/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.

Cyber tips you should know before your next virtual doctor visit

These days, COVID-19 has all of us opting for telehealth or virtual appointments rather than visits to the doctor's office. The health care industry has seen a significant increase in telehealth visits as a result. Telehealth is a win-win for providers and patients, but there are some privacy and security risks that cyber providers must minimize to protect your sensitive patient data.



Make sure you have the equipment you need

- A phone line if the visit is audio only.
- Headphones.
- An internet connection.
- Video access through a smart phone, tablet, or computer with a camera.
- An app used by the provider to connect (be sure to download before your appointment).

The best setting for a virtual doctor's visit

- Find a quiet location in a well-lit area.
- If you are in a public place, make sure you have privacy via headphones so no one can steal your personally identifiable information (PII) or patient health information (PHI).
- Consider having a family member join you to take notes or raise possible questions and concerns if you forget.

Cybersecurity tips

- Your health information is your private information and it should remain private.
- A doctor's office will never ask you to text your PII or PHI. In most cases, nurses are calling the patient ahead of time to confirm information or switching to patient portals.
- Confirm the platform you are using for your appointment is compliant with the Health Insurance Portability and Accountability Act (HIPAA) – talk to your doctor about this when scheduling your appointment. You will not be the first person to ask this question, so do not be nervous.
- If you are concerned about your connection, ask the doctor's office what other HIPAA-compliant options you have. We have all been there where our internet goes wonky and we get cut off.
- If you are using an app for your visit, make sure it is up to date. Security measures have increased drastically since COVID-19.
- Ask the doctor to confirm they are in a private location for your visit. You are taking precautions and so should they!
- COVID-19 scams are increasing rapidly every day. The American Association of Retired Persons released a recent study showing that phone scams are extremely common right now. If a doctor's office calls you and asks for payment over the phone, verify it is them by calling them back with the number you have on file for them. A doctor's office will never text or email you for payment. Call to confirm how your doctor will send invoices – either an invoice in the mail or a notification in your patient portal.
- Just like before, always use proper methods to dispose of medication information and receipts. Never throw them away. Shred receipts and take the stickers off any prescription bottles before recycling or throwing away.