MANAGEMENT’S
DISCUSSION AND
ANALYSIS
Formerly homeless Veteran flourishes in job at national cemetery

Picture previous page: David Lowe, Army Veteran.

As part of VA’s mission to end Veteran homelessness, the National Cemetery Administration and Homeless Veterans Community Employment Services are providing the opportunity for Veterans experiencing or at risk of homelessness to work at national cemeteries. The Cemetery Apprenticeship Program trains Veterans to be caretakers at VA national cemeteries, performing a variety of grounds, equipment and building maintenance duties.

The apprenticeship program started in 2012 at a handful of VA cemeteries and expanded to additional locations based on yearly needs and availability. Veterans who successfully complete the year-long program are guaranteed full-time permanent employment at a national cemetery or can pursue employment at other federal facilities.

A Program Helping Veterans Thrive

At Dayton National Cemetery in Ohio, Army Veteran David Lowe found great success through the apprenticeship program. In 2015, Lowe was experiencing homelessness but was persistent in searching for a job despite the many obstacles he faced, including not having a phone or vehicle. He was even turned down for many jobs because he didn’t have a car. But Lowe didn’t give up.

In 2018, while receiving assistance from VA’s Housing and Urban Development-VA Supportive Housing (HUD-VASH) program, Lowe learned about the Cemetery Apprenticeship Program and applied. He has done nothing but flourish since being accepted. He was even promoted to a higher position at the cemetery after completing the apprenticeship year.

Lowe encourages other Veterans to maintain the same level of determination he had when looking for a job. Many describe him as an excellent employee who is always smiling while holding his co-workers to a high standard.

“Keep trying and have patience – strive for excellence and continue to follow up with people,” Lowe said. “During the apprenticeship, it was great to hear other Veteran success stories that gave me hope.”

VA is dedicated to helping Veterans who are experiencing or at risk of homelessness secure and maintain employment to increase their housing and personal stability. The ultimate goal is to help Veterans return to healthy, productive lifestyles in their own communities.

More Information:

- Interested in hiring Veterans? Click here to find local Veteran employment coordinators.
- Visit VA’s Homeless Veterans Community Employment Services webpage to learn more about employment initiatives and other programs for Veterans experiencing homelessness.
- Veterans who are homeless or at risk of homelessness should contact the National Call Center for Homeless Veterans at 877-4AID-VET (877-424-3838).
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: Service members transitioning to civilian life should check out VA’s Transition Assistance Program (TAP). TAP provides emotional, employment and financial stability and a support network to make this a smooth transition.
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: L. Gale Bell, Registered Nurse (RN), Women Veterans Program Manager gave Secretary McDonough a tour of the Women Veterans Health Pavilion at the Washington, DC VA Medical Center (VAMC) on February 10, 2021.

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: A student volunteer from the University of Central Florida leads a group of 7th graders through a “Day of Learning” at St. Augustine National Cemetery as part of NCA’s Veterans Legacy Program. The program aims to educate the public about VA national cemeteries and the Veterans laid to rest within them.

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: In an effort to reach more of the 2 million female Veterans, the Office of Environmental Programs Service (EPS)/Healthcare Environmental Facilities Program (HEFP) is encouraging female Veterans to apply for the Environmental Management Service (EMS) Technical Career Field (TCF) Trainee Program.
On Memorial Day, May 31, 2021, VA Secretary Denis McDonough and Vice President Harris took part in a wreath-laying ceremony at the Tomb of the Unknowns at Arlington National Cemetery.
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 a high-level summary of the results reported in VA’s FY 2020 Annual Performance Plan and Report (APP&R), which shows how VA measures and monitors its activities against a long-range plan. Beginning on page 13, the Performance & the Financial Connection section links significant performance metrics to the Administrations and discusses their impact on VA’s financial results. The goal icons in the graphic below are used throughout this section to map the goals toward achieving the Agency Priority Goals (APGs) and financial results.

<table>
<thead>
<tr>
<th>STRATEGIC GOALS AND OBJECTIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal 1:</strong> Veterans choose VA for easy access, greater choices, and clear information to make informed decisions.</td>
</tr>
<tr>
<td><strong>Objective 1.1:</strong> VA understands Veterans’ needs throughout their lives to enhance their choices and improve customer experiences.</td>
</tr>
<tr>
<td><strong>Objective 1.2:</strong> VA ensures Veterans are informed of, understand, and can get the benefits, care, and services they earned, in a timely manner.</td>
</tr>
<tr>
<td><strong>Goal 2:</strong> Veterans receive highly reliable and integrated care and support and excellent customer service that emphasizes their well-being and independence throughout their life journey.</td>
</tr>
<tr>
<td><strong>Objective 2.1:</strong> VA has collaborative, high-performing, and integrated delivery networks that enhance Veteran well-being and independence.</td>
</tr>
<tr>
<td><strong>Objective 2.2:</strong> VA ensures at-risk and underserved Veterans receive what they need to end Veteran suicide, homelessness, and poverty.</td>
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<tr>
<td><strong>Goal 3:</strong> Veterans trust VA to be consistently accountable and transparent.</td>
</tr>
<tr>
<td><strong>Objective 3.1:</strong> VA is always transparent to enhance Veterans’ choices, to maintain trust, and to be openly accountable for its actions.</td>
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<tr>
<td><strong>Objective 3.2:</strong> VA holds personnel and external service providers accountable for delivering excellent customer service and experiences while eliminating fraud, waste and abuse.</td>
</tr>
<tr>
<td><strong>Goal 4:</strong> 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.</td>
</tr>
<tr>
<td><strong>Objective 4.1:</strong> (Agility) VA’s infrastructure improvements, improved decision-making protocols, and streamlined services enable VA to adapt to changing business environments and Veteran needs.</td>
</tr>
<tr>
<td><strong>Objective 4.2:</strong> (Human Capital Management Modernization &amp; 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.</td>
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<tr>
<td><strong>Objective 4.3:</strong> (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.</td>
</tr>
<tr>
<td><strong>Objective 4.4:</strong> (Data Driven Decision Making) VA will institutionalize data supported and performance focused decision making that improves the quality of outcomes.</td>
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AGENCY PRIORITY GOALS (APG)

APGs are a mechanism to focus leadership priorities on 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 two years and review performance on a quarterly basis to identify barriers to progress and make changes to implementation strategies. VA’s APGs for FY 2020 are reported below and mapped by icons to the strategic goals and objectives that support them. Updated APGs will be released in the latest Strategic Plan, to be published on www.va.gov/performance/ in February 2022.

DECISION REVIEW AND APPEALS

VA will provide claimants who disagree with VA’s decisions on benefits claims and appeals with timely reviews under the new, streamlined process authorized by the Veterans Appeals Improvement and Modernization Act of 2017 (AMA). In FY 2020, despite the challenges presented by Coronavirus Disease 2019 (COVID-19), the Board of Veterans’ Appeals (Board) dispatched a historic 102,663 appeals decisions to Veterans and their families. This represents 11,163 more decisions (12.2% higher) than the FY 2020 goal of 91,500 decisions and almost 8% higher than VA’s record decision output in FY 2019.

SUICIDE PREVENTION

Through clinical and community strategies, VHA will proactively identify and provide interventions for at-risk Veterans, for those using VHA care and those using other care systems, to prevent suicide and overdose death. VA will increase the implementation of Safety Planning in Emergency Departments (SPED), increase the use of predictive modeling to reach high-risk Veterans and partner with the Department of Health and Human Services, Substance Abuse and Mental Health Services Administration to develop statewide plans to end Veteran suicide. VA’s latest data shows a 7.2% decrease in the Veteran suicide mortality rate from 2018 to 2019, which equates to 399 fewer deaths.

CONNECTED CARE/TELEHEALTH

VA will improve Veterans’ access to quality health care using digital care delivery methods. VA will focus efforts on ambulatory care providers delivering care to Veterans using video telehealth in the home, expand the use of VA’s text messaging app, expand the use of secure messaging and increase triage support from clinical contact centers.

VETERAN EXPERIENCE WITH VA.GOV

VA will measure and improve Veterans experience with VA.gov by September 30, 2021, using the Government-wide drivers identified for measuring customer experience with the Federal Government. Veterans experience scores related to VA.gov will increase by 5% compared to an FY 2020 baseline with a long-range plan to reach an aspirational goal of at least 90%.
STRATEGIC GOAL RESULTS SUMMARY

The results presented in this section are derived from performance data in the FY 2020 APP&R, the most current available. Results for FY 2021 performance will be published in the FY 2021 APP&R posted at www.va.gov/performance/ in March 2022. For each measure in the APP&R, VA sets a target that helps drive continuous improvement. On track measures are those where the target has been met or exceeded. Off track measures represent areas for improvement.

STRATEGIC GOAL 1: Veterans choose VA for easy access, greater choices and clear information to make informed decisions.

VA improved its performance in Goal 1 in FY 2020 by increasing total on track measures by one. VA increased the percentage of Integrated Disability Evaluation System (IDES) participants who have a proposed rating completed within the 20-day standard by nearly 18% over prior year.

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.

The percentage of on track measures for Goal 2 decreased slightly over prior year primarily due to the challenges presented by COVID-19. For example, VA saw a decrease in the use of housing vouchers due to closed or reduced operations at many public housing authorities. Despite these challenges, VA is maintaining progress in Goal 2.

STRATEGIC GOAL 3: Veterans trust VA to be consistently accountable and transparent.

In FY 2020, VA maintained progress with the Goal 3 measures. VA developed and deployed innovative capabilities to combat fraud, waste and abuse. Key highlights include convictions for fraudulent VA Aid and Attendance claims and a pension fraud scheme. VA also developed and implemented whistleblower rights and protection training for all VA employees.
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 employees.

In FY 2020, VA either maintained or achieved noteworthy progress with measures in three of the four Goal 4 objectives (4.1 – 4.3). The Department demonstrated the ability to ensure continuity of essential operations in the face of COVID-19. Objective 4.4 is a focus area for improvement. VA has taken several steps to improve its use of data to support decision-making. In FY 2020, VA leadership began asking senior leaders to demonstrate how their programs and metrics support VA’s Strategic Plan, encouraging collective ownership.

Suicide Prevention is Everyone’s Business

Eric Wittenberg, Minneapolis VA Suicide Prevention Coordinator and United States (U.S.) Army Veteran, recounted the following story, a testament to the fact that suicide prevention is everyone’s business.

“When we go to a public event, we always bring “swag” with the Veterans Crisis Line number. We bring tote bags, key chains, pop sockets, stress balls and bandanas. We don’t usually know for sure if the items are being used or if they are helpful. But talking with one very grateful Veteran, we were able to get the answer.

A Veteran approached our table at an outreach event. We started to ask him the usual questions of “Are you enrolled in VA Healthcare?” or “What branch of the military did you serve?” Before we could start, the man said he wanted to tell us how a Veterans Crisis Line bandana saved his battle buddy’s life.

He was with his dog at a local park one morning when he received a phone call from a battle buddy he served with in Iraq. The friend wasn’t doing well and said he didn’t know if he could continue with life. The Veteran knew his friend was in crisis, but he didn’t know what to do. The friend lived in a different state and he didn’t know about any resources to help him there. Then he remembered his dog was wearing a bandana he picked up at a VA outreach event. The bandana had the Veterans Crisis Line phone number on it.

The Veteran was able to give his battle buddy the direct phone number to the Veterans Crisis Line. He made his friend promise he’d call the line and call him back afterward. The friend called the line and was able to get help at his local VAMC. The Veteran said his dog’s bandana saved his friend’s life. Grateful for a way to help his friend, he thanked us and VA for doing the work to get the message in the hands of Veterans so they can help others.

You never know when you’ll encounter someone who needs help. Dogs aren’t the only ones who can be a man’s best friend.”
VA’s financial statements reflect the resources required or used to accomplish the Department’s goals and objectives. This section links the Department’s activities to achieve those goals with costs from the FY 2020 Statement of Net Cost (SNC). To mirror the components of the SNC, performance at each administration (VHA, VBA and NCA), plus the indirect administrative offices, is discussed.

**VETERANS HEALTH ADMINISTRATION**

**PERFORMANCE HIGHLIGHT**

In FY 2020, total gross costs associated with VHA were $103.3 billion for activities related to providing a broad range of primary care, specialized care and related medical and social support services. Activities performed by VHA help VA to achieve objectives for Goals 1, 2 and 4.

Two areas of focus for VHA under the Medical Services fund in alignment with the Department’s APGs are 1) the expansion of telehealth services and 2) suicide prevention through mental health services. In FY 2020, costs related to telehealth and mental health services amounted to $4.8 billion, which aided in the following accomplishments.

- **During FY 2020,** Veterans’ access to care remained a VA priority, especially during the COVID-19 pandemic. VHA had already begun to expand telehealth capability; therefore, it was able to quickly shift routine care appointments to virtual modalities to keep Veterans safe. 1.1 million Veterans received video visits in their homes for general healthcare, which was a 1,037% increase from FY 2019. Daily video visits increased from approximately 2,500 in February 2020 to 38,000 in September 2020.

- **VA providers in Mental Health** conducted an unprecedented amount of outreach to Veterans, as they pivoted from face-to-face to telephone and video care, to keep Veterans safe during the COVID-19 pandemic. During FY 2020, Mental Health Services completed more than 1.5 million video visits into the home or other non-VA site. This represents an increase of 693,111 video visits since FY 2019.

In FY 2019, VA began tracking the percentage of eligible Veterans who have received telehealth services during the fiscal year. In the same year, the Department exceeded the baseline target by 1%. Due in part to the Department’s ability to leverage telehealth during the COVID-19 pandemic, VA exceeded its FY 2020 target by 11%. For FY 2021, FY 2022 and FY 2023, the target is increased to 30%, 32.5% and 35%, respectively, to encourage continue building on the success of the programs.
In FY 2019, VA began tracking the percentage of Veterans flagged as high risk for suicide who have received all recommended interventions and follow-up. In the same year, the Department exceeded the baseline target by 16%. Despite the challenges encountered with COVID-19 in FY 2020, VA continued to improve, increasing the percentage by 5%. For FY 2021, FY 2022 and FY 2023, the target is increased to 87%, 89% and 90%, respectively, to encourage continued improvement in this highly impactful metric.

For FY 2021, VHA received $313 million in budgetary resources, an increase of $75 million over FY 2020, to enhance suicide prevention outreach activities. VHA received $1.3 billion, an increase of $271 million, to expand the Telehealth/Connected Care Services Program with the goal to increase Veteran access to healthcare. During FY 2021, Congress appropriated an additional $13.5 billion for medical care and health needs under the American Rescue Plan (ARP) Act. It includes funding for sustainment of Coronavirus Aid, Relief and Economic Security (CARES) Act supported service-level expansions, including suicide prevention and telehealth.

PERFORMANCE IN ACTION

Michael Novielli served as a U.S. Marine during the late 1960s. Novielli’s care team at the VA Medical Center in Northport, New York, first suggested telehealth about five years ago. They gave Novielli a blood pressure monitor that he could use at home to keep track of his health.

In April, Novielli was hospitalized for four days with COVID-19 and upon returning home, he began sharing his temperature, oxygen levels and heart rate every day with his VA telehealth team. On April 22, more than two weeks after Novielli was discharged from the hospital, Marjorie Rogers, a registered nurse with 14 years’ experience with VA, noticed something unusual in Novielli’s vitals. Although his temperature and oxygen levels were normal, Novielli’s heart rate was elevated.

Rogers called Novielli immediately. “She said, ‘Your heart rate is up. Something’s definitely wrong. Go to emergency right away,’” When Novielli arrived back at the hospital, doctors found that COVID-19 had caused fluid to build up in his lungs. Novielli had developed pneumonia.

This time, Novielli was in the hospital for almost two weeks. He was on oxygen and antibiotics, felt weak and tired, and lost 40 pounds. But after 13 days, he said, “The monster had left me.” “Marjorie saved my life,” said Novielli. “If I wasn’t on the telehealth, I would have stayed home with the pneumonia, and who knows what would have happened.”
In FY 2020, total gross costs associated with VBA were $125.4 billion for activities related to providing various benefits to Veterans and their families. Activities performed by VBA help VA to achieve objectives for Goals 1, 2 and 3.

One of VBA’s primary functions is to process education, pension, compensation, survivor and community care claims and appeals with a focus on timeliness and quality. In FY 2020, costs related to these Veterans benefit claim activities were $4.8 billion.

The following charts show fluctuations in the claims inventory since FY 2012 and the claims backlog since FY 2013. The claims inventory includes disability compensation and pension claims received by VA that normally require a rating decision. Commonly known as the rating bundle, this includes claims for disability compensation, dependency and indemnity compensation for survivors and Veterans’ pension benefits, including both original and supplemental claims. Once VA decides a claim, it’s no longer in the claims inventory. If a Veteran appeals a benefits decision, the appealed claim is tracked separately. When claims in the inventory exceed 125 days, they are considered “backlogged”.

The charts presented demonstrate that the claims inventory and backlog decreased significantly from Quarter 2 of FY 2013 through Quarter 1 of FY 2015 and remained steady until Quarter 3 of FY 2020, when the COVID-19 pandemic halted medical examinations and caused inflated processing times. VA has prioritized resolving the enlarged backlog as the Department returns to more stable operating conditions.

The backlog also increased as a result of benefits changes for Veterans enacted by law. The Blue Water Navy Act of 2019 expanded the definition of qualifying service for Agent Orange exposure, allowing more Veterans to potentially receive compensation benefits for Agent Orange-related disabilities. Additionally, the William M. Thronberry National Defense Authorization Act for FY 2021, Public Law (P.L.) 116-283, added three conditions to the list of those presumptively associated with exposure to Agent Orange.
During FY 2021, Congress appropriated an additional $272 million under the ARP Act, which will enable VBA to reduce the claims backlog to approximately 100,000 by mid-FY 2024, from approximately 207,000 in September 2021. In addition to the ARP funds, Congress has authorized an additional $150 million to accelerate record-scanning; VA is seeking additional funding for this project to further reduce or eliminate any delays caused by third-party requests for federal records to support claims processing. For FY 2022, VA requested $13.6 million, in part to hire 95 additional full-time employees (FTE) to support disability compensation claims processing.

PERFORMANCE IN ACTION

On March 19, 2021, the Phoenix VA Regional Office (VARO) participated in the first season of “The Veteran Voice Podcast,” a collaborative communications initiative started by the Phoenix VA Health Care System.

During the hour-long program titled “Benefacts,” VARO Outreach Coordinator Harry Miller and VARO Public Contact Supervisor Eddie Fuenmayor provided Veterans and their beneficiaries useful information about such VBA benefits as disability compensation and pension. They also provided recommendations on how to file these types of claims.

“This was a great opportunity to share my experiences working at the Veteran Resource Center (VRC) located on the Phoenix VA Health Care System campus,” said Miller, a Marine Corps Veteran. “I was also able to share tips on what a Veteran should bring when they visit the VRC to file for VBA benefits.”

“The Veteran Voice Podcast” is hosted by Army Veteran James Fawbush, a public affairs specialist at the Phoenix VA Health Care System. Starting in radio in 2008, he co-hosted a weekly entertainment radio program on American Forces Network (AFN) in Guantanamo Bay, Cuba. Fawbush has been involved in podcasting since 2011.

“This podcast is a wonderful opportunity to help share information on VBA benefits with Veterans,” said Fuenmayor, an Air Force Veteran. “We hope to continue on a regular basis and look forward to branching out with James and the Phoenix VA Healthcare System on their Facebook live channel.”
NATIONAL CEMETERY ADMINISTRATION

PERFORMANCE HIGHLIGHT

In FY 2020, total gross costs associated with NCA were $376 million for activities related to Veteran burial and interment services (headstones, markers and flags), construction projects and operations at VA’s 155 national cemeteries. Activities performed by NCA help VA to achieve objectives for Goals 1 and 2.

One of NCA’s most significant performance metrics is the percentage of Veterans served by a burial option within a reasonable distance. This metric helps NCA identify areas of the country that are not appropriately served, such as rural areas, and plan potential construction projects or gravesite expansions for the future. NCA has continuously improved performance in this metric year over year. In FY 2020, NCA had $4.6 million in gross cost for activities related to this metric.

The combined results of establishing planned new national cemeteries, working with our state and tribal partners in establishing new grant-funded Veterans’ cemeteries through the NCA Veterans Cemetery Grants Program and completing the transfer of responsibility for 11 cemeteries formerly managed by the U.S. Army, has resulted in a significant increase in the percent of Veterans served with burial access.

In FY 2020, VA received $172 million in budgetary resources for cemetery expansion and improvement projects, advance planning and design funds and land acquisition. In FY 2021, VA received $94 million, a decrease of $78 million primarily due to the completion of several gravesite expansion projects in the prior year.

PERFORMANCE IN ACTION

Phillip Key. Mark Hackett. Dallas Smith. Ronald Horn. John Gallagher. Dannie Fouts. Klaus Schaeffer. Paul Reed. Those are the names of six Army Veterans, one Navy Veteran and one Coast Guard Veteran whose remains were unclaimed by family or friends but received a burial honoring their service. The service was held at the Dallas-Ft. Worth National Cemetery on May 7, 2021.

More than eighty Patriot Guard Riders came to pay their respects to the eight unclaimed Veterans. Roshanda Bost, Army Veteran and assistant director, Dallas-Fort Worth National Cemetery, along with Army Veteran Ken Hammock, a ride captain with Patriot Guard Riders, accepted flags for their fellow Veterans.
during the service. Hammock has participated in more than 700 services and says it was an honor to accept a Veteran’s flag who did not have family available.

“We are here to honor Veterans,” said Larry Williams, Marine Veteran and director, Dallas-Fort Worth National Cemetery. “All Veterans deserve the best and we are going to try and provide the best service for them. These eight Veterans didn’t have anybody to claim them, but they do have somebody, us, their fellow Veterans.”

INDIRECT ADMINISTRATION

PERFORMANCE HIGHLIGHT

In FY 2020, total gross costs associated with Indirect Administration were $2.4 billion for activities to support Department operations not directly attributable to VHA, VBA or NCA, including the supply fund, human resources, OIG investigations and Board of Veterans’ Appeals programs. Indirect administrative activities help VA to achieve objectives for Goals 3 and 4.

One of the most critical functions under Indirect Administration relates to the VA OIG. The OIG’s mission is to serve Veterans and the public by conducting meaningful independent oversight of the Department. In FY 2020, total gross cost related to OIG activities was $221 million. The monetary benefits metric, presented at right, provides an assessment of the value of OIG’s audits, inspections, investigations and other reviews. OIG has exceeded the monetary benefits target since FY 2019.

In FY 2020, VA’s OIG oversight work was detailed in the 336 publications issued and resulted in the identification of more than $4 billion in monetary impact. VA’s OIG hotline received and triaged more than 29,000 contacts to help identify wrongdoing and concerns with VA programs and activities. OIG criminal investigators opened 380 investigations and closed 471. Collectively, this work was essential to ongoing efforts to hold wrongdoers accountable, resulting in 2,224 arrests, indictments, convictions, criminal complaints, pretrial diversions and administrative sanctions.

In FY 2020, VA OIG received $210 million in budgetary resources to support essential oversight of VA’s programs and operations and for the timely detection and deterrence of fraud, waste and abuse. In FY 2021, VA received $228 million, an increase of $18 million primarily to hire and fund additional full-time employees. The additional resources provide support to further enhance oversight in program areas that are vital to Veterans and taxpayers, particularly implementation of the Maintaining Systems and Strengthening Integrated Outside Networks (MISSION) Act and the ongoing electronic health records modernization effort.
In September 2021, a man from Pennsylvania was sentenced to three years and four months in prison and ordered to pay $302,121 in restitution. The charges stemmed from the defendant fraudulently claiming to have served on an elite Navy Sea, Air and Land (SEAL) team and falsely representing that he had been a Prisoner of War (POW) in order to secure healthcare benefits from the VA. Due to his false representations as a POW, the defendant received healthcare from the VA in Priority Group 3, effectively receiving healthcare before deserving military Service members. In reality, the defendant never served a single day in the U.S. military.

“We are grateful to our federal partners for their work in pursuing and prosecuting those who impersonate our nation’s hero’s and unlawfully obtain benefits meant for those who served,” said Rear Admiral Karen Flaherty-Oxler (Retired), Medical Center Director for the Corporal Michael J. Crescenz VAMC in Philadelphia. “It is disheartening to see someone who benefited from the service of our Veterans, dishonor them in this manner. Nonetheless, our day-to-day mission of caring for our Veterans continues uninterrupted and with the same vigor and commitment.”

“Today’s sentence sends a clear message that those who benefit from falsely claiming to have served in the United States military will be held accountable,” said Special Agent in Charge Christopher Algieri, VA OIG, Northeast Field Office. “The VA OIG appreciates the support of the United States Attorney’s Office and our law enforcement partners in securing justice for our nation’s true heroes.”

The case was investigated by the VA OIG, Social Security Administration OIG and the Bureau of Alcohol, Tobacco and Firearms. The case was prosecuted by the U.S. Department of Justice (DOJ).
ANALYSIS OF THE 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.

<table>
<thead>
<tr>
<th>Balance Sheet Key Components</th>
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<tbody>
<tr>
<td>(dollars in millions)</td>
</tr>
<tr>
<td>Assets</td>
</tr>
<tr>
<td>Fund Balance with Treasury</td>
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<tr>
<td>90,687</td>
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<tr>
<td>General Property, Plant, &amp; Equipment</td>
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<tr>
<td>Accounts Receivable</td>
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<tr>
<td>Investments</td>
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<tr>
<td>Other</td>
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<tr>
<td>Total Assets</td>
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<tr>
<td>Liabilities</td>
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<tr>
<td>Federal Employee and Veterans' Benefits (FEVB)</td>
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<tr>
<td>Non-FEVB Liabilities</td>
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<tr>
<td>Accounts Payable</td>
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<tr>
<td>Loan Guarantee Liability, Net</td>
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<tr>
<td>Other</td>
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<tr>
<td>Total Non-FEVB Liabilities</td>
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<tr>
<td>Total Liabilities</td>
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<tr>
<td>Total Net Position</td>
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<tr>
<td>Total Liabilities and Net Position</td>
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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, 2021, the largest asset was fund balance with Treasury (FBWT) at $90.7 billion, an increase of $20.3 billion or 29% primarily due to:

- Emergency funding received in response to the COVID-19 pandemic (refer to page 25 for additional information); and,
- An increase in VBA’s FY 2021 appropriation due to historical increases in caseload and average payments, economic assumptions and implications of enacted legislation and VA policy decisions.

Department of Veterans Affairs - FY 2021 Agency Financial Report 20
The second largest asset was property, plant and equipment (PP&E) at $29.4 billion, which is primarily composed of buildings, structures, equipment and internal use software (IUS) used to provide medical care to Veterans. The PP&E balance did not change significantly from FY 2020.

Accounts receivable was $4.1 billion, a decrease of $1.1 billion or 21% primarily due to the cancellation of copayments receivable as a result of the ARP Act and collections on an account receivable for excess contingency reserves in the Veterans’ Group Life Insurance (VGLI) Program. Additional details may be found in Note 6 in the Financial Section.

Investments was $5.4 billion, an increase of $595 million or 12% primarily due to the collection and subsequent investment of the VGLI and Servicemembers Life Insurance Program (SGLI) excess contingency reserves.

The other category includes cash, direct loans and loan guarantees, inventory and other assets, which did not change significantly from FY 2020.

**LIABILITIES**

Liabilities represent probable future outflows or other sacrifices of resources as a result of past transactions or events. As of September 30, 2021, the largest liability was Federal employee and Veterans’ benefits (FEVB) at $4.5 trillion or 99% of total liabilities, an increase of $454.7 billion or 11% 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 2017 – FY 2021. Actuarial cost and the loss on actuarial assumptions drive these increases. Refer to page 23 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 $14.1 billion, which did not change significantly from FY 2020.

Loan guarantee liability, net was $10.9 billion, an increase of $3.5 billion or 47%. As a result of an active market during FY 2021, VA experienced an increase in funding fees paid by the borrower, which increased the liability.
The other category includes debt, environmental and disposal liabilities and other liabilities totaling $6.6 billion, a decrease of $2.1 billion or 25% primarily due to a decrease in the liability to the U.S. Department of Treasury (Treasury) resulting from the budget credit subsidy calculations used to maintain the estimated amounts to cover future 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 decreased by 11% from a deficit of $3.9 trillion in FY 2020 to a deficit of $4.4 trillion in FY 2021. 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 SNC 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 2021, total net cost of operations for the Department was $695.8 billion, a decrease of $291.6 billion or 30%, driven primarily by a decrease of $256.4 billion in the loss on actuarial liability changes.

**PROGRAM NET COST**

The graphics below present program net cost by Administration, excluding actuarial, from FY 2017 – FY 2021. While VHA and VBA have experienced significant increases in net cost over the past five years, NCA and indirect administrative net costs have remained relatively consistent.

VHA’s net cost was $104.4 billion, an increase of $4.5 billion or 5% primarily due to an increase in community care payments and other medical expenses that align with the implementation of the MISSION Act. Areas of focus include mental health services, homeless programs, telehealth, caregiver support, opioid treatment, accessibility for rural Veterans, Women Veterans (gender-specific care) and precision oncology.

VBA’s net cost (excluding actuarial) was $131.5 billion, an increase of $7 billion or 6% primarily due to increases in compensation payments to Veterans and their beneficiaries.
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 Note 13 in the Financial Section). 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.

- Interest on Liability Expense
- Changes in Experience (e.g., Veteran counts)
- Prior Service Cost
- Less: Amounts Paid
- Discount Rate
- Cost of Living Adjustments (COLA)
- Other Assumptions

The Veterans benefits actuarial cost was $111 billion, a decrease of $46.9 billion or 30% compared to FY 2020. The number of Veterans increased in 2021 but not at the same rate as that of FY 2020, which resulted in a decrease of the Veterans benefits actuarial cost.

Loss from changes in actuarial assumptions was $346.3 billion, a decrease of $256.4 billion or 43% compared to FY 2020 due to assumption changes in the model used to estimate the liability for compensation, burial, education and VR&E. The most significant changes are related to the discount rate and COLA assumptions.

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 $263.0 billion, an increase of $22.6 billion or 9% over FY 2020, primarily due to the $17.1 billion in funding from the ARP Act, as discussed on page 25. 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 2017 – FY 2021 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, Families First and ARP Acts.

The rise in overall budgetary resources between FY 2020 and FY 2021 resulted in an increase of new obligations and upward adjustments totaling $16.8 billion or 7% 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 personal protective equipment (PPE) and other supplies in response to the COVID-19 pandemic in accordance with the CARES, Families First and ARP 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 $15.8 billion or 7%. The increase in net outlays was primarily attributable to the increase in budgetary resources, new obligations and upward adjustments.
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 2021. In response to the pandemic, the Department received $19.6 billion in supplemental emergency funding from the CARES and Families First Acts in FY 2020 and an additional $17.1 billion from the ARP Act in FY 2021. As depicted in the graphics below, the funding was primarily allocated to the Medical Services Program, which received $8 billion or 41% of the CARES and Families First Act funding, after reallocation, and $14.5 billion or 85% of the ARP Act funding. In FY 2021, $6.4 billion in funding from medical care services was reallocated to Information Technology Systems, Medical Community Care and three new CARES Act programs (National Cemetery Administration, Board of Veterans’ Appeals and Canteen Service). The new programs fall under the Other category in the CARES Act and Families First Act graphic below.

As of September 30, 2021, nearly 100% of the total CARES and Families First Act funding had been obligated. 61% of the total funding was obligated during FY 2021. As depicted in the graphic below, $8 billion or 99% had been obligated from the Medical Services Program as of September 30, 2021 to cover inpatient COVID-19 pandemic care, surge activities and national purchases of PPE and other equipment. 100% of the available funding had been obligated for Information Technology Systems and Medical Community Care. $1.8 billion or 98% had been obligated for programs in the other category.
As of September 30, 2021, 4% of the total ARP Act funding had been obligated. The ARP Act funds have various periods of availability, ranging from September 2021 through 2023, or until expended. Nearly all ARP Act obligations as of September 30, 2021 fall under the Prohibited Copayments and Cost Sharing Program, which allows VA to waive copays that otherwise would be charged to Veterans for healthcare services, and the State Veterans Homes (SVH) Program, which provides construction funds and emergency payments to enhance treatment of Veterans at SVHs. Additional detail may be found in Note 26 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.
The Department of Veterans Affairs’ (VA or the Department) 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, 2021, except for the following reported material weaknesses:

- Controls over Significant Accounting Estimates and Transactions;
- Financial Systems and Reporting; and
- Information Technology Security Controls.

The Department noted noncompliance with:

- FMFIA § 2 and § 4;
- Anti-Deficiency Act (ADA);
- Payment Integrity Information Act of 2019;
- 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; and
- Federal Financial Management Improvement Act (FFMIA).

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 FFMIA. 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 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,

Denis McDonough
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 and Education (CP&E) actuarial estimates, along with infrequent and untimely experience studies/assumption updates. The Veterans Benefits Administration (VBA) CFO’s office continues to implement a Corrective Action Plan (CAP) to improve CP&E model audit readiness, including controls to ensure data used is complete and accurate, strengthen controls surrounding the models and enhance the current policies, procedures and/or process narratives relevant to VBA’s accounting and financial reporting of benefits. Estimated completion date: FY 2022.

(2) Financial Systems and Reporting: VA’s outdated legacy financial management system (FMS) continues to require manual processes, reconciliations and journal entries in order for VA to produce a set of auditable financial statements. VA continues to have various financial reporting issues, though some improvements have occurred in certain areas since the prior year. VA is implementing a multi-year migration plan to the new accounting system, the Integrated Financial and Acquisition Management System (iFAMS). Until iFAMS is fully deployed across all Administrations and Staff Offices, VA will continue to require stations to perform a quarterly Integrated Funds Distribution, Control Point Activity Accounting & Procurement (IFCAP) to FMS reconciliation. Estimated completion date: FY 2028.

(3) Information Technology Security Controls: VA maintains a material weakness in its 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, as identified by the Office of Inspector General (OIG) during its annual Federal Information Systems Audit Manual audit. VA established both operational and procedural capabilities to evaluate, prioritize, plan and execute actions designed to mitigate or close the material weakness findings noted in the OIG Notice of Findings and Recommendations (NFR) report. VA continues to pursue a prioritized set of actions designed to improve or mature the overall cybersecurity state of the environment to address the material weakness. Estimated completion date: FY 2022.
SUMMARY OF MATERIAL NONCOMPLIANCE

(1) **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 system requirements and application of the USSGL at the transaction level. The Office of Management (OM) developed an internal control assessment process to implement the requirements for full compliance with FMFIA and OMB Circular A-123, to include documentation of transactional-level testing to support the assurance statement. VA is developing a new accounting 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 2028.

(2) **Anti-Deficiency Act:** As of September 30, 2021, VA received confirmation from OMB that there are five violations of the ADA, 31 U.S.C. §1341(a) (for reporting to Congress and the President, with a copy of the report provided to the Comptroller General). These five violations were previously being investigated as potential violations from prior years. The violations relate to obligations made in the Minor Construction and/or Medical Facilities accounts on projects that should have been classified as “Major Construction Projects.” Total obligations for each of these projects exceeded $10 million, the statutory Major Construction threshold at the time of their original obligations. VA expects to formally report this violation in FY 2022. VA also identified a potential violation where VA may have improperly used current-year appropriations to fund within-scope modifications for which there was antecedent liability on prior-year major and minor construction contracts. The review to determine if an ADA violation occurred is expected to be completed in FY 2022.

VA identified a violation where VA improperly signed a Confidentiality and Hold Harmless Agreement with an insurance company, which stated, among other provisions, that upon written request the insurance company would disclose confidential information requested by VA. The agreement also contains an open-ended indemnification provision that purported to indemnify the insurance company for damages incurred as a result of fulfilling the agreement that were not the result of negligence or malfeasance on the part of insurance company’s employees. VA sent letters to the President, Congress and the Government Accountability Office (GAO) on September 28, 2021 disclosing the ADA violation.

VA identified a potential violation where VA improperly authorized extensions of adaptive sports grants. The ADA investigation is in progress and is expected to be completed in FY 2022.
(3) **Payment Integrity Information Act of 2019**: In FY 2021, VA reported its third consecutive and largest decrease in improper payments of $6.25 billion. In addition, VA removed five programs from improper payment reporting, as statistically valid testing showed these programs did not have significant improper payments. VA continues to enact specific corrective actions to remediate the root causes of improper payments and strategically strengthen payment 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 2029.

(4) **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 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. The FY 2022 President's Budget included a legislative proposal to clarify Secretary of VA authority on interest and administrative costs charged on delinquent debts. The proposal is awaiting Congressional action. Estimated completion date: FY 2023.

(5) **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 undergoing a multi-year rollout of a new accounting system, iFAMS, to replace FMS. iFAMS is designed to be compliant with FFMIA. Estimated completion date: FY 2028.
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 GAO’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 2021, VA assessed the following three distinct but overlapping objectives of internal control: operations, compliance and reporting.

In FY 2021, 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 the entity’s internal controls. OBO analyzed ICA submissions and statements of assurance to ensure the statements appropriately captured material weaknesses identified during the internal control assessments.

In FY 2021, OBO conducted OMB Circular A-123, Appendix A, Test of Design and limited Test of Effectiveness over specified business processes and key controls. OBO focused its efforts on developing business process narratives and testing at an enterprise level, documenting actual operations and identifying key financial controls or gaps in the design of controls.
VA’S FINANCIAL MANAGEMENT SYSTEMS STRATEGY
VA’s Financial Management Business Transformation (FMBT) Program is increasing the transparency, accuracy, timeliness and reliability of financial information, resulting in improved fiscal accountability to American taxpayers and offering a significant opportunity to improve 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;
- Providing real-time financial and acquisition integration by implementing a single, integrated system;
- Leveraging economies of scale to increase efficiencies; 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 Management System (FMS) and the core 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 a single, integrate 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 and hosted in the VA Azure cloud. 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 is being deployed in a phased implementation approach. Each completed system delivery, or go-live, represents the point of transition of one or more VA organizations from their legacy systems to iFAMS. Following go-live, the organization is now considered live in iFAMS. As of September 2021, FMBT has delivered the financial component of iFAMS to NCA and the VBA General Operating Expenses (GOE) fund. The next planned system go-live is the Enterprise Acquisition implementation wave in support of NCA, which is scheduled for April 2022. FMBT will continue deploying iFAMS in a phased approach across VA until enterprise-wide implementation is achieved. A high-level implementation timeline is shown below.
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.

VA’S FOUR FUNDAMENTAL PRINCIPLES

VA leadership is developing the FY 2022 – 2028 Strategic Plan under the Department’s new Secretary, Denis McDonough. The Strategic Plan will incorporate Secretary McDonough’s four fundamental principles, outlined below, to lead and manage VA. The Strategic Plan will be published in February 2022 at www.va.gov/performance/.

1. Advocacy – VA will be the Nation’s premier advocate for Veterans, their families, caregivers and survivors.

2. Access – VA will provide timely access to VA resources: world-class health care, earned benefits and a final resting place as a lasting tribute to their service:
   - Deliver benefits, care and services to our most vulnerable Veterans.
   - Reduce Veterans’ homelessness and suicide.
   - Ensure access to educational opportunities, training and jobs worthy of their skills and service.
   - Provide care in their homes when Veterans need it and the training, support and resources our caregivers need.

3. Outcomes – Veteran outcomes will drive everything we do:
   - Leverage data, health informatics and evidence to understand outcomes.
   - Measure the quality and effectiveness of benefits, care and services and Veterans’ experiences and satisfaction.
4. Excellence – VA will seek excellence in all we do for Veterans:
   - Leverage the strength and diversity that defines our Veterans, workforce and our country.
   - Ensure every Veteran is afforded access to VA’s capacity and resources.
   - Diversity, equity and inclusiveness are fundamental to everything we do.
   - VA welcomes all Veterans, including women, Veterans of color and lesbian, gay, bisexual, transgender and queer (LGBTQ) Veterans.

   Every person feels safe, free of harassment and discrimination in VA facilities.

**SPOTLIGHT ON CLIMATE CHANGE**

The realities of climate change have become increasingly apparent for communities across the Nation, and the VA community is no exception. VA recognizes that climate change has a real and lasting impact on our mission and capabilities to provide timely, high-quality care and benefits to Veterans.

Louisiana has been especially susceptible to climate change in the form of intense hurricanes. In the wake of Hurricane Ida in August 2021, the cities of Shreveport and Monroe opened shelters to support the community. Many survivors were Veterans, and the Overton Brooks VAMC in Shreveport deployed teams to provide healthcare and support for displaced Veterans. One of the VA peer support specialists, Mike Smith, explained that “we are tracking each Veteran we identify to ensure they know we are here for healthcare needs, counseling, clothing or just answering questions.” One Veteran, Harry Rouyer, said, “I’m grateful to know I can speak to someone about medical issues. The situation is bearable, but I would like to be home. It’s good you guys from Shreveport are here.”

**VA’S CLIMATE ACTION PLAN**

As the frequency of natural disasters like Hurricane Ida continues to rise, the need for an updated Climate Action Plan (CAP) has become increasingly critical. VA’s 2021 CAP outlines our response to the projected impacts of climate change with the goal of ensuring sustained operations to support the uninterrupted delivery of benefits and services and VA’s fourth mission. VA’s CAP was developed in response to Executive Order (EO) 14008 § 211, *Tackling the Climate Crisis At Home and Abroad*, signed...
January 27, 2021, which places greater emphasis on taking a government-wide approach to the climate crisis. The CAP draws on VA’s ongoing efforts and establishes a pathway for expanding climate adaptation and resilience opportunities across all agency missions and roles.

Climate change is driving widespread changes to both natural and human systems. With a broad mission and geographical distribution of facilities, VA expects to be affected by these changes in a variety of ways. VA’s primary climate vulnerabilities are those of its built infrastructure and burdens placed on its healthcare delivery systems, and interruptions in the supply of energy and material.

Specific vulnerabilities include:

1. **Threats to VA Facilities and Infrastructure**: Damage to buildings and built infrastructure from water, extreme temperatures, wind, hail, fire or sea level rise.
2. **Negative Public Health Impact**: Increased demand for emergency care and supplies during dangerous natural disasters.
3. **Adverse Financial Impacts**: Interruption of mission critical supply chains to include any network of systems such as transportation, communications, the supply of raw materials or other resources that might impact the agency’s mission.
4. **Emergency Response and Continuity of Healthcare Operations**: Damage to or interruption of the critical resource delivery systems on which VA facilities rely, such as electrical, power line failure or water.
5. **Adverse Medical Impact to Veterans and Employees**: Human health impacts by altering exposures to heat waves, floods, droughts and other extreme events like food-, water- and vector-borne diseases, changes in the quality and safety of air, food, water and stresses to mental health.

VA has identified specific adaptation actions to decrease its vulnerability to the impacts of climate change. Actions include implementing changes to building design and resilience standards, developing a facility climate risk list and updating sustainable building certification requirements. VA is also preparing for surges in demand for medical supplies and pharmaceuticals, which will include regular review and inspection of the All-Hazards Emergency Cache that provides short-term coverage for supplies during emergencies. To track new and emerging infections, VA will create a biosurveillance system and epidemiologic investigation program to proactively surveil for high consequence infections in Veterans receiving care from VA. Climate change risks will also be incorporated into VA’s Strategic Capital Investment Planning process, which determines the optimal path for prioritizing capital program appropriations among multiple VA goals. Lastly, VA will further incorporate climate change into emergency response planning with the development of a capabilities-based framework that supports an enterprise-side strategy.