



MANAGEMENT'S DISCUSSION AND ANALYSIS

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Vet's Best Friend

Pictured in the previous page: Jessica Conyers and her facility dog, Wicker, at one of the ski lift loading areas during the Winter Sports Clinic.

As Jessica Conyers' boots crunch across the snow toward the ski lift, there is a lot of activity. People bustle about, there's a whirl of ski lifts and the swoosh of skiers flying by at the National Disabled Veterans Winter Sports Clinic in Snowmass, Colorado.

At her side is Wicker, Conyers' facility dog. And, what for many dogs would be a distraction, Wicker is focused and ready to work.

"Wicker is a very good boy," says Conyers, the head coach for the clinic's team from the Rocky Mountain Regional VA Medical Center. "He is loving, fun, playful and sweet."

Wicker is one of the few professional-trained facility service dogs in the VA network. Facility dogs are expertly trained dogs who partner with a facilitator and work in a health care or visitation facility.

Born on National Dog Day, the 2-year-old yellow Labrador retriever was trained by Canine Companions—a nationwide organization that trains service dogs, including facility, hearing and skill companion dogs.

Wicker brought his medicine for the soul to the Veterans at the Winter Sports Clinic.

"He has done amazing," said Conyers. "This is a big environment. There are a lot of other people here and a lot of other dog distractions here—other working dogs. But he has impressed me. He knows when it is time to work." At the 37-bed residential bed rehab facility where he works, Wicker gives comfort and support to Veterans who are primarily diagnosed with homelessness or those escaping domestic violence.

"Veterans come into our program with an average stay of 6 months. So, it is their home," said Conyers, who is also a Recreational Therapist. "We really try to help Veterans work on any underlying issues they might be dealing with like substance abuse, post-traumatic stress disorder or other mental health diagnosis. The goal is to help them get back into independent housing."

This is where Wicker's mission begins. Many Veterans enjoy having a dog's presence. Wicker makes it feel less sterile, less medical and a little more friendly and like home.

Despite only having Wicker for 7 months, Conyers is convinced every VA facility should have a facility dog. It is a commitment, however. It took more than a year to complete the application process, background check and interview to match Wicker with Conyer.

"I hope having him out and about, around Veterans here at the Winter Sports Clinic will inspire more people to get a facility dog," says Conyers. "We have talked to several therapists here and maybe inspired some Veterans who can benefit from a service dog. I hope to spread the word about how awesome these working dogs really are."

MISSION

“To fulfill President Lincoln’s promise to care for those who have served in our nation’s military and for their families, caregivers and survivors.”

VA’s mission statement is adapted from President Lincoln’s immortal words, delivered in his second inaugural address more than 155 years ago. 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.



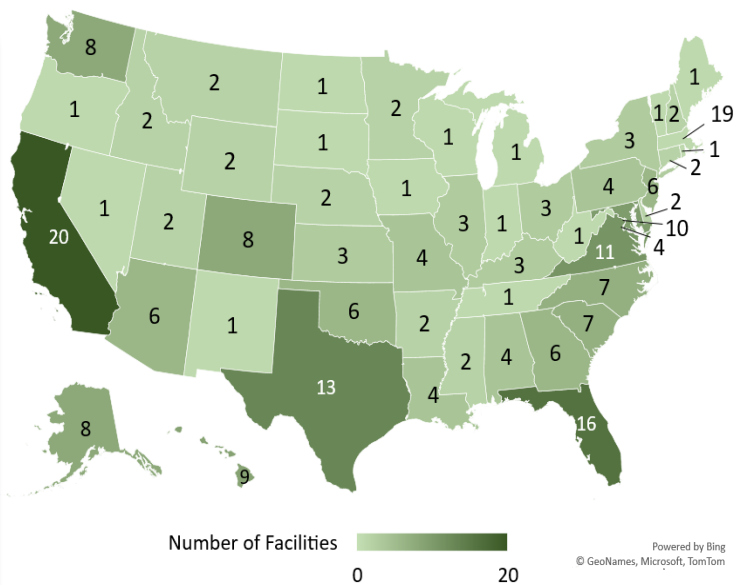
VA carries out four specific missions to make good on that commitment: Veterans benefits, health care, national cemeteries and our fourth mission. VA’s fourth mission, supported by all the Administrations, is to improve the Nation’s [preparedness](#) for response to war, terrorism, national emergencies 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.

ORGANIZATION

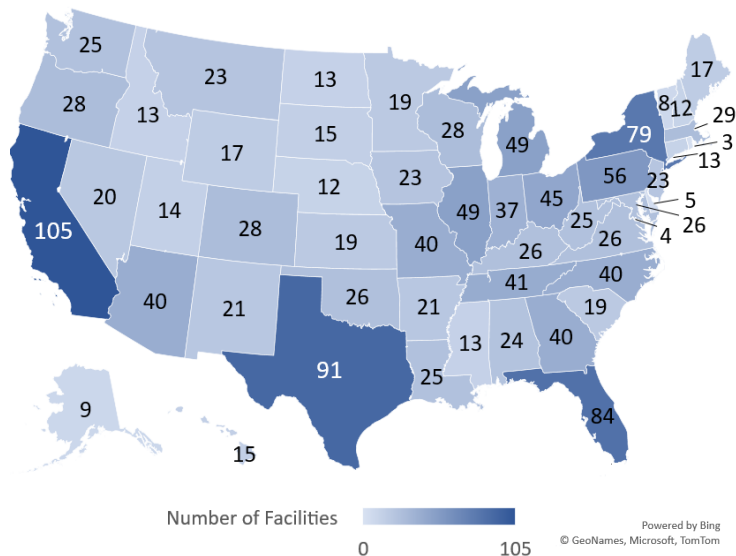
VA is comprised of three Administrations responsible for delivering services to Veterans—[Veterans Benefits Administration](#) (VBA), [Veterans Health Administration](#) (VHA) and the [National Cemetery Administration](#) (NCA)—and Staff Offices that support the Department.

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 guarantee and life insurance. VBA has 216 facilities in the United States, Guam, Puerto Rico and the Philippines.

Social Media Links:



The U.S. heat map shows the number of VBA facilities in each U.S. state. Additional VBA facilities can be found in Guam, Puerto Rico and the Philippines.



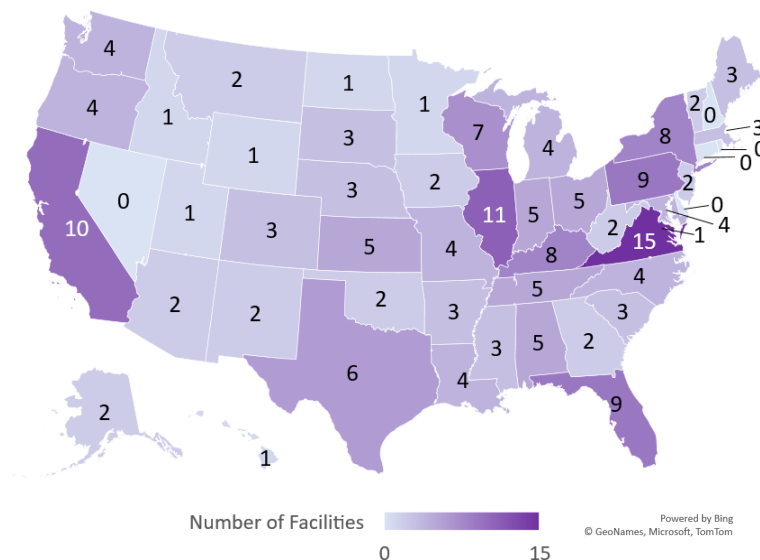
The U.S. heat map shows the number of VHA facilities in each U.S. state. Additional VHA facilities can be found in Puerto Rico, Virgin Islands, American Samoa Islands, the Philippines and Mariana Islands.

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 also 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. VHA has 1,507 health care facilities including VA medical centers (VAMC) and outpatient sites.

Social Media Links: [f](#) [v](#) [p](#) [B](#) [X](#)

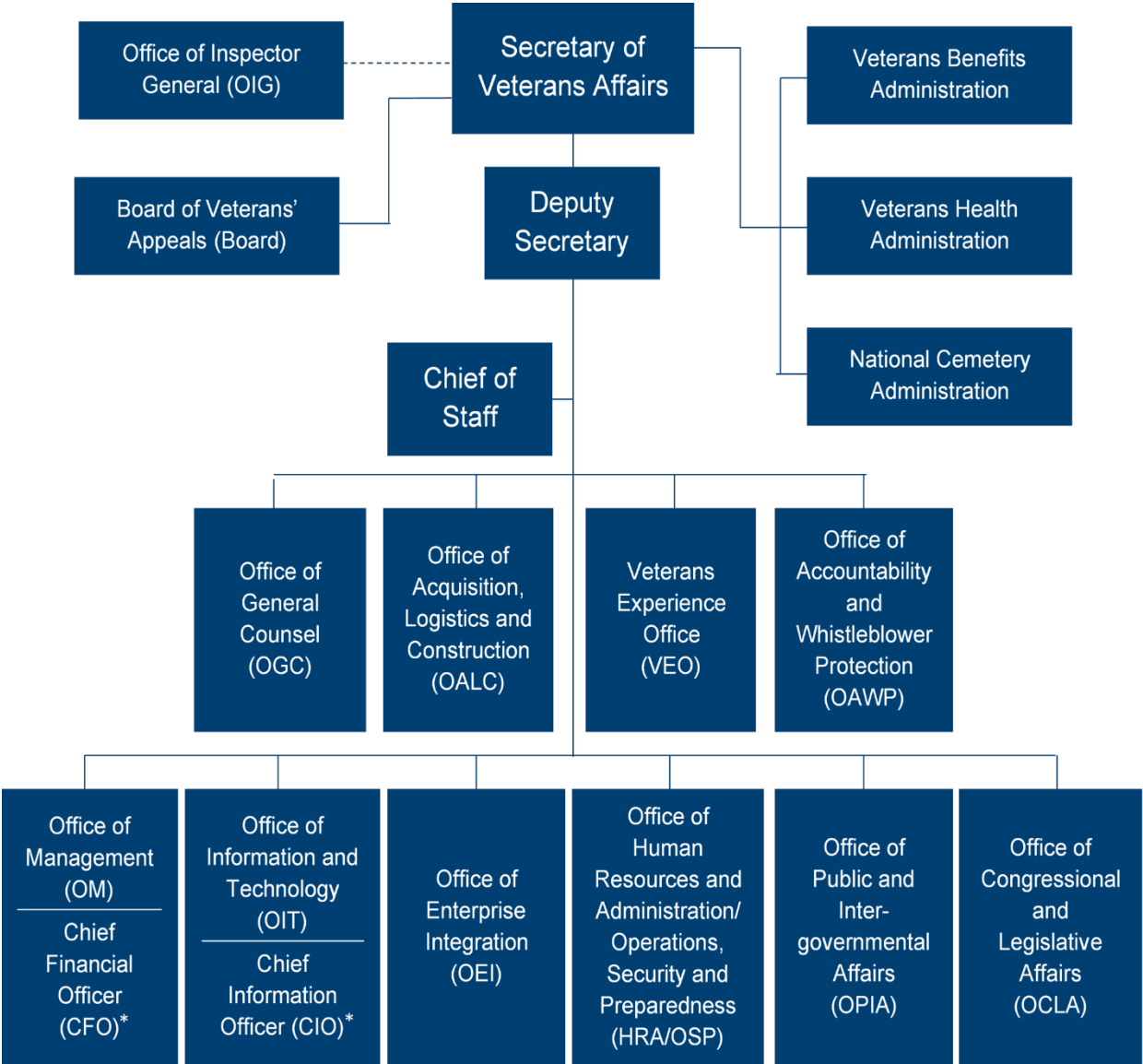
NCA provides burial and memorial benefits to Veterans and their eligible family members. These benefits include burial at national cemeteries, headstones and markers, Presidential Memorial Certificates, outer burial receptacles and medallions. VA runs 155 national cemeteries and 34 soldiers' lots and monument sites in the United States and Puerto Rico. NCA also awards cemetery grants to state and tribal Veterans' cemeteries.

Social Media Links: [f](#) [v](#) [p](#) [B](#) [X](#)



The U.S. heat map shows the number of NCA facilities in each U.S. state and the District of Columbia. Two additional NCA facilities can be found in Puerto Rico.

DEPARTMENT OF VETERANS AFFAIRS ORGANIZATIONAL STRUCTURE



* The CFO and CIO are included in the organization chart, as they are key positions in relation to the content of the AFR.

 **DID YOU KNOW?**

In response to feedback gathered from its AFR Customer Service Experience initiative, the Office of Finance has created an informative video that outlines essential sections of the AFR from the perspective of VA stakeholders. The AFR video can be found [here](#).

[Home](#) / [Administrations and Offices](#) / [Management](#) / [Finance](#)

Agency Financial Report

VA's Agency Financial Report (AFR) provides information enabling Congress, the President, and the public to assess our stewardship over the financial resources entrusted to us and our performance as an organization. The report provides results on VA's progress towards providing America's Veterans with the best in benefits and health care; a high-level summary of our accomplishments during the year; a discussion of the challenges we face going forward; an analysis of our financial position; and the Inspector General's Statement on VA's Major Management Challenges.

Exploring the AFR

The Office of Finance prepared the below informational video to help its readers better understand the contents of the VA AFR.



For additional information about the Office of Inspector General's (OIG) reports and studies (including the Major Management Challenges shown in the AFR), please access the [OIG's website](#).

Fiscal Year 2022 AFR — Published November 15, 2022

The AFR includes our annual audited financial statements and the report on the audit of those financial statements, which have received a clean opinion for the 24th consecutive year.

- [Secretary's Message](#) (PDF, 1 page, 1.2 MB)
- [AFR Cover](#) (PDF, 2 pages, 1.25 MB)
- [About the AFR](#) (PDF, 2 pages, 1.33 MB)
- [Acronyms and Web Links](#) (PDF, 8 pages, 8.61 MB)
- [Table of Contents \(TOC\)](#) (PDF, 1 page, 1.56 MB)
- [Section I – Management's Discussion and Analysis](#) (PDF, 38 pages, 10.2 MB)
- [Section II – Financial Results](#) (PDF, 112 pages, 3.43 MB)
- [Section III – Other Information](#) (PDF, 24 pages, 3.41 MB)
- [Full AFR](#) (PDF, 188 pages, 24.4 MB)

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PERFORMANCE GOALS, OBJECTIVES AND RESULTS

The Government Performance and Results Act Modernization Act (GPRAMA) requires CFO Act agencies to develop long-term strategic plans that detail the agency's goals, strategies and objectives. VA updates the Strategic Plan every 4 years, approximately 1 year after a new Presidential term begins, to accurately reflect the priorities of the new administration. In FY 2022 and FY 2023, VA operated under the [FY 2022-28 Strategic Plan](#).

VA tracks performance metrics against the goals, strategies and objectives and presents results in the [APP&R](#), which shows how VA measures and monitors its activities against the long-range plan. This AFR will cover a high-level summary of VA's performance results as follows:

- **FY 2022:** VA presents final performance results in the three following sections: the Agency Priority Goal (APG) summaries, Strategic Goal results summaries and performance highlights.
- **FY 2023:** VA presents preliminary Quarter 3 or Quarter 4 performance results with latest available data in the two following sections: the APG summaries and performance highlights. VA will publish final results in the FY 2023 APP&R in February 2024.

On the following page, VA presents the strategic goals and objectives from the FY 2022–FY 2028 Strategic Plan. The icons in the *VA Strategic Goals & Objectives* graphic are used throughout this section to map the strategic goals toward achieving the APGs.



DID YOU KNOW?

VA manages Community Living Centers (CLC), VA's version of a nursing home. Whether residents stay for a short time or the rest of their lives, VA wants Veterans to feel welcome and live in an environment of comfort and healing. The Bay Pines CLC created a butterfly garden for that purpose. It provides a peaceful place for residents to experience vibrant flowers, tranquil butterflies and hear water bubbling in the fountain.



But about a year ago, the garden was not where it could be, and resident Norman Barley noticed. "I was out in the garden and I observed a lack of butterflies," says Barley. "That's what got me started. I got a couple books and did some research. I started by planting the milkweed and it continued growing from there." The Marine Veteran got to work with recreational therapists to beautify the space.

"As recreation therapists, we're tasked with inspiring Veterans to do more than they thought they were capable of," says Jenny Campbell. And now, thanks to a donation from the local Disabled American Veterans chapter and Barley's hard work, the butterflies dance in the breeze of the garden.



VA STRATEGIC GOALS & OBJECTIVES

MISSION STATEMENT: To fulfill President Lincoln's promise to care for those who have served in our nation's military and for their families, caregivers and survivors.

FY 2022 - FY 2028 STRATEGIC PLAN



Goal 1: VA consistently communicates with its customers and partners to assess and maximize performance, evaluate needs and build long-term relationships and trust.

Objective 1.1: (Consistent and Easy to Understand Information) VA and partners use multiple channels and methods to ensure information about benefits, care and services is clear and easy to understand and access.

Objective 1.2: (Lifelong Relationships and Trust) VA listens to Veterans, their families, caregivers, survivors, Service members, employees and other stakeholders to project future trends, anticipate needs and deliver effective and agile solutions that improve their outcomes, access and experiences.



Goal 2: VA delivers timely, accessible, high-quality benefits, care and services to meet the unique needs of Veterans and all eligible beneficiaries.

Objective 2.1: (Underserved, Marginalized and At-Risk Veterans) VA emphasizes the delivery of benefits, care and services to underserved, marginalized and at-risk Veterans to prevent suicide and homelessness, improve their economic security, health, resiliency and quality of life and achieve equity.

Objective 2.2: (Tailored Delivery of Benefits, Care and Services Ensure Equity and Access) VA and partners will tailor the delivery of benefits and customize whole health care and services for the recipient at each phase of their life journey.

Objective 2.3: (Inclusion, Diversity, Equity, Accessibility) VA will enhance understanding of Veteran needs and eliminate disparities and barriers to health, improve service delivery and opportunities to enhance Veterans' outcomes, experiences and quality of life.

Objective 2.4: (Innovative Care) VA will improve understanding of Veteran specific illnesses and injuries to develop and adopt innovative new treatments that prevent future illness and enhance Veteran outcomes.

Objective 2.5: (Value and Sustainability) VA, with community partners, will deliver integrated care and services, balancing resources to ensure sustainability while continuing to deliver value and improve health and well-being outcomes of Veterans.



Goal 3: VA builds and maintains trust with stakeholders through proven stewardship, transparency and accountability.

Objective 3.1: (VA is Transparent and Trusted) VA will be the trusted agent for service and advocacy for our Nation's heroes, caregivers, families, survivors and Service members to improve their quality of life and ensure end of life dignity.

Objective 3.2: (Internal and External Accountability) VA will continue to promote and improve organizational and individual accountability and ensure a just culture.



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: (Our Employees Are Our Greatest Asset) VA will transform its human capital management capabilities to empower a collaborative culture that promotes information sharing, diversity, equity and inclusion and a competent, high-performing workforce to best serve Veterans and their families.

Objective 4.2: (Data is a Strategic Asset) VA will securely manage data as a strategic asset to improve VA's understanding of customers and partners, drive evidence-based decision-making and deliver more effective and efficient solutions.

Objective 4.3: (Easy Access and Secure Systems) VA will deliver integrated, interoperable, secure and state-of-the-art systems to ensure convenient and secure access and improve the delivery of benefits, care and services.

Objective 4.4: (Evidence Based Decisions) VA will improve governance, management practices and make evidence-based decisions to ensure quality outcomes and experiences and efficient use of resources.

AGENCY PRIORITY GOALS (APG)

The GPRAMA requires VA to select four to five APGs every 2 years and review performance on a quarterly basis to evaluate progress and update implementation strategies. VA's following APGs are mapped by icons to the strategic goals and objectives that support them. To learn more about VA's APGs, visit [Performance.gov](https://www.performance.gov).

CAREGIVER SUPPORT PROGRAM



VA currently is undertaking a broad programmatic review of the Program of Comprehensive Assistance for Family Caregivers (PCAFC) to ensure it achieves intended outcomes. While this review is underway, VA's Caregiver Support Program will continue to enhance and expand services to caregivers, including increasing access for those not currently served by PCAFC, expanding access to the Program of General Caregiver Support Services and improving the service experience of Veterans and their caregivers. One metric that highlights progress toward this goal is the percentage of PCAFC applications dispositioned in under 90 days, which rose from 73% in FY 2022 to 98% in FY 2023.

SUICIDE PREVENTION



VA is contributing meaningfully to government and community-based efforts through enhancement of programs and training focused on community interventions. VA is targeting an overall 10% reduction in Veteran suicide rate from 2019 to 2024, with decreases in the long term of 3% annually by 2028. To help achieve this outcome, VA will concentrate on non-VA providers who often lack training on specific suicide reduction tools for Veterans. One metric that highlights progress toward this goal is the cumulative distribution of 574,700 gun locks in FY 2023, a figure that has more than doubled since FY 2022. Gun locks are an effective method to put space and time between people and a firearm during times of distress or a suicidal crisis.

EXPANDING CONNECTED CARE



VA will leverage telehealth and digital technologies to enhance the accessibility, capacity, quality, choice and experience of VA health care for Veterans, families and caregivers anywhere in the United States, including its territories and possessions. In FY 2023, VA realized a 17% increase in the use of targeted TeleSpecialty and TeleUrgent care services when compared to FY 2022.

DIVERSITY, EQUITY, INCLUSION, ACCESSIBILITY



VA will continue its efforts to address institutional barriers that may inhibit Veterans of color, women Veterans, lesbian, gay, bisexual, transgender, queer and other identities (LGBTQ+) Veterans, Veterans with disabilities, rural Veterans who face barriers to service access in remote areas, Veterans at-risk for food insecurity and others who face persistent inequities from receiving equitable access to the service and benefits they have earned. To adapt to the changing and increasingly diverse Veterans population VA has implemented a framework for cultural respect and cultural competencies where diversity, equity and inclusion are embedded into the fabric of our operations. Furthermore, VA will measure,

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERFORMANCE GOALS, OBJECTIVES AND RESULTS

report and improve the trust of underserved Veterans. VA established strategic service delivery milestones to work toward the aspirational goal of increasing underserved Veteran trust in VA to 90%. In FY 2023, VA hosted four national symposiums for minority, women, rural, LGBTQ+ and Tribal and Native American Veterans to provide information regarding VA benefits and services, as well as economic development programs for Veterans.

RURAL HEALTH WORKFORCE

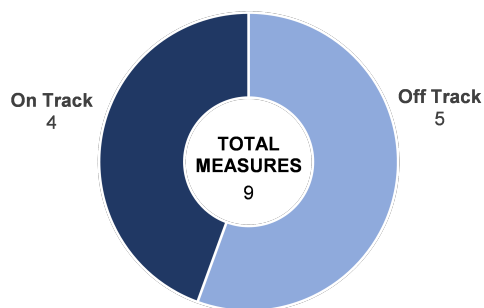


To ensure 90% of rural dwelling Veterans are satisfied with their access to health care, VA is implementing multiple strategies. VA created scholarships for rural-serving medical students, established a VHA office of Tribal Health and performed needs assessments for rural and Native American-facing programs. In FY 2023, 88% of rural dwelling Veterans have indicated that they are satisfied, an improvement over the 85% baseline.

STRATEGIC GOAL RESULTS SUMMARY

The results presented in this section are derived from performance data in the FY 2022 APP&R and are aligned with the new strategic goals in the FY 2022–FY 2028 Strategic Plan. FY 2022 is the first year of performance data for the new strategic goals. 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.

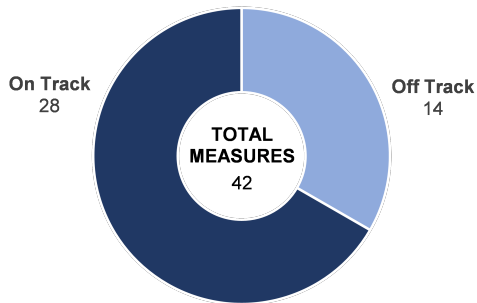
STRATEGIC GOAL 1: *VA consistently communicates with its customers and partners to assess and maximize performance, evaluate needs and build long-term relationships and trust.*



VA's off-track measures under this goal primarily relate to Strategic Objective 1.1—Consistent and Easy to Understand Information. Off-track measures include overall trust in VA among Veterans, their families, caregivers and survivors, ease to receive VA care or services and the average length of time it takes to speak with a customer service representative. To drive improvements in Veteran trust and their experience with care or services, VA created foundational outreach tools for Veterans impacted by the PACT Act, which

represents the largest expansion of Veteran health care and benefits in the last 30 years. VA launched a PACT Act-focused landing page, enhanced call center support and launched an updated [chatbot feature](#) on VA.gov to help users quickly find information on VA benefits and services. Looking forward, VA will continue expanding technology capabilities and will enhance electronic notification capabilities to better meet Veteran and beneficiary correspondence expectations.

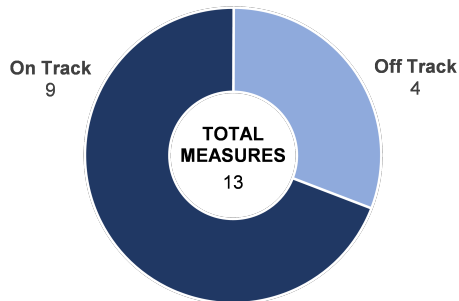
STRATEGIC GOAL 2: VA delivers timely, accessible, high-quality benefits, care and services to meet the unique needs of Veterans and all eligible beneficiaries.



VA's off-track measures under this goal primarily relate to Strategic Objective 2.1—Underserved, Marginalized and At-Risk Veterans. To drive improvements in providing timely and effective Veteran care, VA launched the Veterans Crisis Line, a 24/7 crisis support center accessed by dialing 988, expanded gun lock distribution and created a Supportive Services for Veteran Families Supplemental Award program, which provided \$138 million over a 4-year period to fund housing navigation

services for Veterans and landlord incentives. Over the next several years, VA will continue to build on access initiatives and care coordination to connect Veterans to the best care.

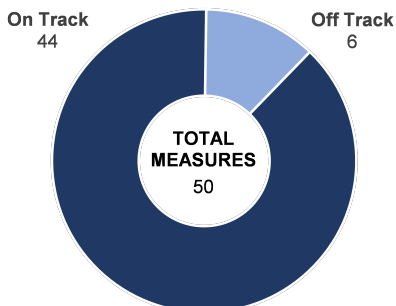
STRATEGIC GOAL 3: VA builds and maintains trust with Stakeholders through proven stewardship, transparency and accountability.



VA's off-track measures under this goal primarily relate to Strategic Objective 3.2—Internal and External Accountability and reflect performance related to the implementation of OIG recommendations and actions taken on criminal behavior or activities. To drive improvements in FY 2022, OIG's hotline received and triaged more than 36,000 interactions to help identify wrongdoing. OIG criminal investigators opened 351 investigations and closed 437, while reducing the average

length of investigations from 249 to 166 days. Looking forward, OIG will expand whistleblower services, decrease the average length of investigations to 120 days or less and fully staff the Compliance and Oversight Directorate, Special Reviews Division with competent resources.

STRATEGIC GOAL 4: VA ensures governance, systems, data and management best practices improve experiences, satisfaction, accountability and security.



VA's off-track measures under this goal primarily relate to Strategic Objective 4.1—Our Employees are Our Greatest Asset and reflect performance related to VA workforce retention and time-to-hire. To drive improvements in FY 2022, VA leveraged multiple recruitment and relocation tools to execute over 52,000 hiring actions, representing a 41% increase over FY 2021. In addition, the FY 2022 employee engagement level and best places to work index scores exceeded prior year results by 2.5% and 5%, respectively. Looking forward, VA is focused on

modernizing its human resources (HR) information technology (IT) system, called HR Smart, with cloud and automation capabilities to improve employee experience and implement workforce authorities in the PACT Act, which includes expanded provisions to offer recruitment, retention and relocation incentives.

PERFORMANCE AND FINANCIAL CONNECTION

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 budgetary resources from the Statement of Budgetary Resources (SBR) and costs from 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

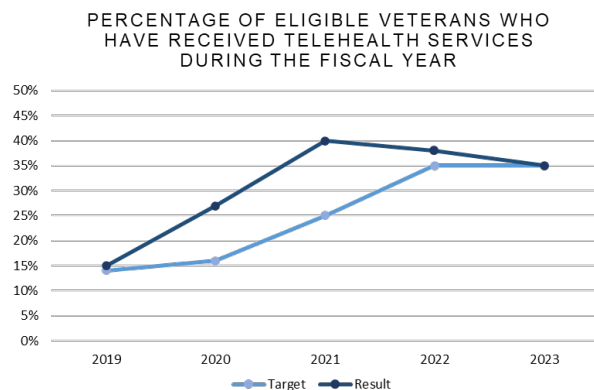
PERFORMANCE HIGHLIGHT



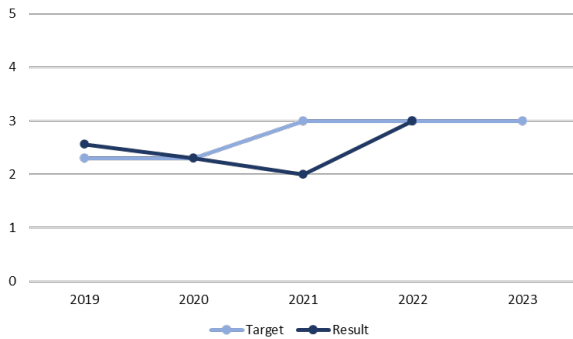
Total VHA budgetary resources were \$163.7 billion and \$145.3 billion and total gross costs were \$136.4 billion and \$117.8 billion for FY 2023 and FY 2022, respectively, for activities related to providing a broad range of primary care, specialized care and related medical and social support services. Activities performed by VHA help VA to achieve objectives for all Strategic Goals 1, 2, 3 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. For FY 2023, VHA received \$5.2 billion, an increase of \$2.6 billion from FY 2022, for the Telehealth/Connected Care Services Program. VHA received \$497 million in budgetary resources, a decrease of \$101 million over FY 2022, to enhance suicide prevention outreach activities. The decrease was largely driven by the completion of requirements for the President's Roadmap to Empower Veterans and End a National Tragedy of Suicide (Executive Order (E.O.) 13861). In FY 2023 and FY 2022, costs related to telehealth and mental health services amounted to \$6.6 billion and \$5.6 billion, respectively, which aided in the following accomplishments.

VA tracks the percentage of eligible Veterans who receive telehealth services during the fiscal year. In FY 2022, VA exceeded its target with 38% of eligible Veterans receiving telehealth services, conducting over 14 million telehealth appointments and leveraging the capability to enhance the accessibility, capacity, choice and experience of VA health care for Veterans. In FY 2023, 35% of eligible Veterans received telehealth services. The percentage of Veterans receiving telehealth services has decreased since 2021 as in-office visits resumed after the height of the Coronavirus Disease 2019 (COVID-19) pandemic; however, from FY 2022 to FY 2023, Tele-Urgent Care and Tele-Specialty Care encounters increased by 16.5% indicating increased availability of these appointments for those Veterans who prefer virtual visits. To expand the organizational focus of the Veteran's telehealth experience, VA conducted more than 364,000 telehealth surveys. In FY 2023, 87% of Veterans surveyed provided a response that they agreed or strongly agreed when asked the question "I trust Telehealth as part of my overall VA health care". The growth in Veteran satisfaction and trust with telehealth services has resulted in continued and sustained use of telehealth visits.



AVERAGE IMPROVEMENT IN MENTAL HEALTH SYMPTOMS IN THE 3-4 MONTHS AFTER START OF MENTAL HEALTH TREATMENT



VA tracks improvement in self-reported mental health symptoms in the 3 to 4 months after the start of mental health treatment with patients scoring improvement on a scale of 1 to 5, one being minimal and five being maximal. This metric is used as one indicator of positive clinical outcomes of mental health treatment in the first 3 months of care. In FY 2022, VA met its target with a mental health symptom improvement rate of 3, an increase of 1 compared to FY 2021.

VA will maintain its focus on suicide prevention through mental health services in the upcoming years. In addition, VA’s Community Care Network (CCN) providers will be trained in suicide risk identification and lethal means safety (for example, gun locks).

PERFORMANCE IN ACTION



Mission Daybreak Demo Day was held on November 4, 2022, in Washington, DC.

In February 2023, VA announced the 10 winners of Mission Daybreak, a \$20 million grand challenge to reduce Veteran suicide. Mission Daybreak is part of VA’s 10-year strategy to end Veteran suicide through a comprehensive public health approach.

“Our Veterans need and deserve suicide prevention solutions that meet them where they are, rather than taking a one-size-fits-all approach,” said VA Under Secretary for Health Shereef Elnahal, M.D.

The two first-place winners each received \$3 million.

Following is the description of each winner.

Stop Soldier Suicide’s “Black Box Project” is a technology solution that identifies and analyzes data from digital devices of Veterans who died by suicide to develop machine learning models that can identify never-before-known risk patterns.

Televeda’s “Project Hózhó” is the first mental health app and comprehensive operational plan for American Indian and Alaska Native (AIAN) populations. Televeda designed the tool in partnership with AIAN and the Navajo Veterans communities to adapt and expand for use with other tribes.

DID YOU KNOW?
 The Veterans Crisis Line is accessible to all Veterans regardless of whether they are enrolled in VA health care or benefits. For more information visit veteranscrisisline.net.

VETERANS BENEFITS ADMINISTRATION

PERFORMANCE HIGHLIGHT

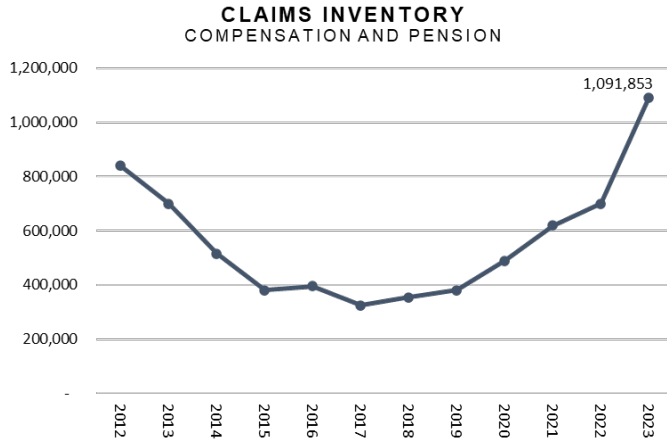


Total VBA budgetary resources were \$220.6 billion and \$197.5 billion and total gross costs were \$165.6 billion and \$143.3 billion for FY 2023 and FY 2022, respectively, for activities related to providing various benefits to Veterans and their families. Activities performed by VBA help VA to achieve objectives for

Strategic Goals 1, 2 and 3.

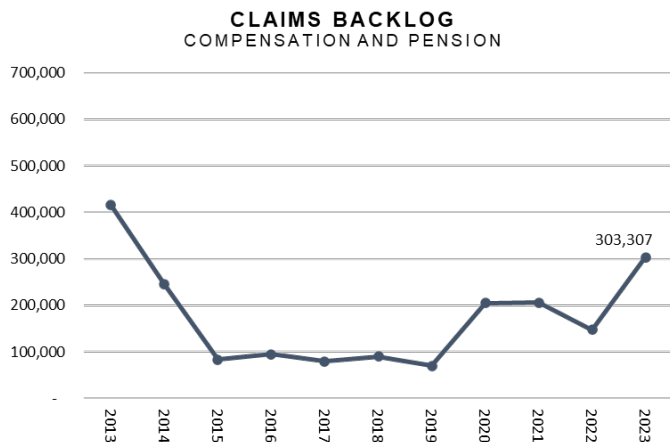
One of VBA's primary functions is to process education, pension, disability compensation and survivor claims and appeals with a focus on timeliness and quality. To specifically address VA's claims inventory and backlog, in FY 2021, Congress appropriated \$262 million in supplemental funding for claims processing, available through FY 2023 under the American Rescue Plan (ARP) Act. In FY 2023 and FY 2022, costs related to these Veterans benefit claim activities were \$2.7 billion and \$2.3 billion, respectively.

The claims inventory includes Disability Compensation and pension claims VA receives that normally require a rating decision. Commonly known as the rating bundle, it 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, then it is 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. In August 2022, the PACT Act was signed into law and ushered in the largest expansion of Veterans benefits and care in more than three decades, resulting in a significant increase in the

claims inventory. On January 1, 2023, VA began to process PACT Act disability compensation benefit claims received from Veterans and their survivors. As of September 2023, Veterans and their survivors have submitted 1,061,270 PACT Act claims and VA has completed 591,089 of these claims. For more information on the PACT Act, refer to page 28.



In FY 2023, the claims backlog also increased as a result of benefits changes enacted by the PACT Act for Veterans and survivors. To respond to the influx of claims and ensure timely service to Veterans, VBA grew its workforce by 20% during FY 2023 to a total workforce of more than 31,000 employees.

To support claims processing staff, VBA also is leveraging automated decision support tools developed under the Office of Automated Benefit Delivery

(ABD). In December 2021, VA developed a program to accelerate claims processing through automation and data sharing using rules-based computer algorithms. ABD created a system-generated tool to scan documents contained in a Veteran’s electronic folder and to provide the claims processor with a clear and concise summary related to the claimed condition. This summary reduced the time claims processors spent sifting through potentially thousands of pages of records to identify relevant evidence. With the passage of the PACT Act, VBA shifted its focus to adding automation to diagnostic codes associated with the new law. Today, claims processing tasks enable automation with ordering exams, data extraction from Veterans’ health records and verification of military service eligibility, thus expediting claims that can be decided based on the evidence of record. Since 2021, over 301,000 claims have used automation.

PERFORMANCE IN ACTION



A drum circle at the PACT Act event for Cheyenne and Arapaho tribal communities.

In July 2023, the Oklahoma City VA Health Care System brought PACT Act resources to the Cheyenne and Arapaho Tribal lands in partnership with the Muskogee VA Regional Office and Indian Health Service. The Oklahoma City VA has been visiting local tribal communities to ensure that Veterans do not miss out on their benefits.

Mary Culley, Specialist with the VA Office of Tribal Government Relations knows how difficult it is for some Veterans to travel to a VA facility to receive

health care. “Having VA’s Mobile Medical Units here to perform compensation and pension exams was a huge advantage. Our goal is to try to get as many Veterans as possible to these events so we can get them through the entire process—from start to finish—in one day.”

At the Cheyenne and Arapaho Tribes PACT Act event, the organizers invited tribal leadership to help encourage participation. “This is in our culture, and it is engrained in our children and grandchildren. It is our warrior spirit. I want to let all Veterans know they have earned this benefit and they deserve to get VA compensation for serving,” said Lieutenant Governor Gib Miles, Cheyenne and Arapaho Tribes. “Come out to these PACT Act events and let VA experts help with your VA claims.”

NATIONAL CEMETERY ADMINISTRATION

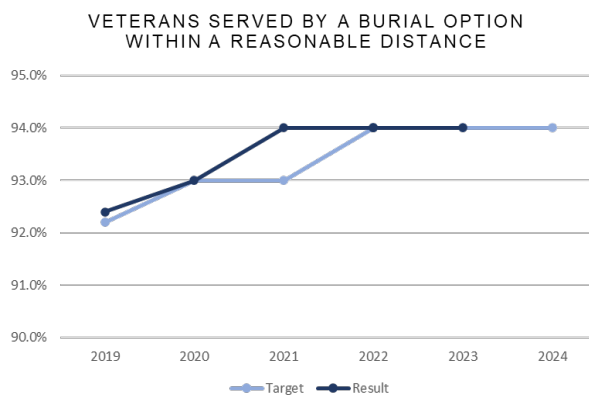
PERFORMANCE HIGHLIGHT



Total NCA budgetary resources were \$546 million and \$479 million and total gross costs were \$552 million and \$508 million for FY 2023 and FY 2022, respectively, for activities related to Veteran burial and interment services, construction projects and operations at VA's 155 national cemeteries and 34 soldiers' lots and monument sites. Total gross costs include depreciation expense that do not require budgetary resources. Activities performed by NCA help VA to achieve objectives for Strategic 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, which helps NCA identify areas of the country that are not appropriately served and plan potential construction projects or expansions. In FY 2022, VA received \$131 million in major construction budgetary resources and \$107 million in minor construction budgetary resources for cemetery expansion and improvement projects, advance planning and design funds and land acquisition. In FY 2023, VA received \$140 million in major construction program budgetary resources and \$157 million in minor construction program budgetary resources for the same purposes, an increase of \$60 million primarily to fund projects in Albuquerque, New Mexico, St. Louis, Missouri and Western New York.

NCA has improved or sustained performance in this metric year over year. In FY 2023, NCA met its target with 94% of all Veterans having access to a burial option within a reasonable distance. The combined results of establishing planned new national cemeteries and working with our state partners in establishing new grant-funded Veterans' cemeteries through the NCA Veterans Cemetery Grants Program has resulted in a significant increase in the percentage of Veterans served with burial access. In FY 2024, NCA plans to open the St. Albans urban cemetery in Queens, New York, and plans to open two rural initiative national cemeteries in Cedar City, Utah, and Elko, Nevada in FY 2025. For more information on NCA locations, refer to the NCA heat map on page 8.



PERFORMANCE IN ACTION



The North Dakota Veterans Cemetery.

In March 2023, NCA awarded its billionth dollar to states, U.S. territories and Tribes for the establishment, expansion, improvement and maintenance of Veteran cemeteries. The milestone was reached with a grant of nearly \$2 million to the state of North Dakota for the expansion of the North Dakota Veterans Cemetery.

These grants are awarded through the Veterans Cemetery Grant Program. Since 1978, the program has provided 475 grants to 122 state, territorial and Tribal Veterans cemeteries—leading to more than 800,000 total interments for Veterans. The grant program helps NCA meet its performance target to serve Veterans with a burial option within a reasonable distance.

INDIRECT ADMINISTRATION

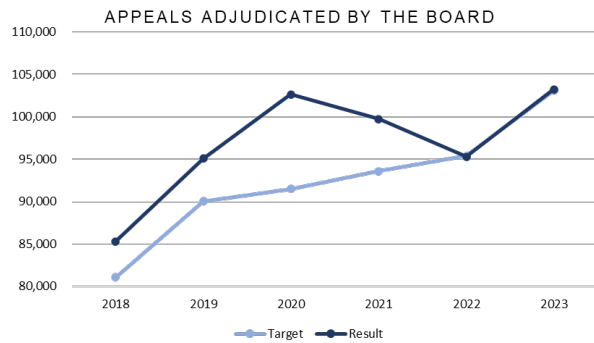
PERFORMANCE HIGHLIGHT



Total indirect administrative budgetary resources were \$6.9 billion and \$6.3 billion and total gross costs were \$3.3 billion and \$3.0 billion for FY 2023 and FY 2022, respectively, for activities to support Department operations not directly attributable to VHA, VBA or NCA, including human resources, CFO and CIO operations, OIG investigations and Board programs. Indirect administrative activities help VA to achieve objectives for Strategic Goals 2, 3 and 4.

One of the most critical functions under indirect administration relates to the Veterans' appeals process managed by the Board, which decides appeals from VHA, VBA, NCA and OGC. In FY 2022, VA received \$228 million to support the Board's mission-critical goals of conducting hearings and adjudicating appeals for Veterans properly in a timely manner. In FY 2023, VA received \$285 million, an increase of \$57 million primarily to position the Board to recruit and train additional judges, attorneys and administrative staff. At the end of FY 2023 and FY 2022, costs related to the Board's activities were \$243 million and \$220 million, respectively.

VA tracks the number of appeals adjudicated, which directly relates to the Board's mission of issuing decisions on behalf of the Secretary. In FY 2023, the Board held 19,434 hearings, while also issuing a record 103,245 decisions to Veterans and their families.



The Board also is prioritizing the resolution of legacy appeals, which are those submitted prior to the Veterans Appeals Improvement and Modernization Act implementation in FY 2017.

Since FY 2017, the Board has contributed to reducing legacy appeals in the Department from a high of 472,066 to 59,364 as of September 30, 2023. In FY 2023, 70,584 legacy appeals were decided by the Board, reducing its number of pending legacy appeals to 24,145, of which approximately 1,000 have a request pending for a hearing with a Veterans Law Judge.

PERFORMANCE IN ACTION

Veterans can now file appeals online with the Board of Veterans' Appeals



The Board recently updated and improved its [website](#) to make sure all the information Veterans need is available and easy to understand. Updates to the website also allow Veterans to file their requests to appeal to the Board online.

The ability to file an appeal online is just one of the many technology modernizations VA has made to ensure Veterans have easy access to the Board. This initiative supports VA's commitment to help Veterans receive faster resolutions to their disagreements with VA claims decisions.

In addition to filing an appeal online, Veterans who selected a hearing can have those hearings online, eliminating the need to report in person to a local VA office.

ANALYSIS OF THE FINANCIAL STATEMENTS

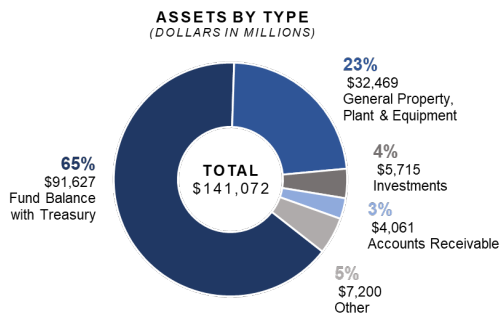
BALANCE SHEET

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

Balance Sheet Key Components

<i>(dollars in millions)</i>	2023	2022	\$ Change	% Change
Assets				
Fund Balance with Treasury	\$ 91,627	\$ 89,718	\$ 1,909	2%
Property, Plant, & Equipment	32,469	30,825	1,644	5%
Accounts Receivable	4,061	4,342	(281)	-6%
Investments	5,715	5,437	278	5%
Other	7,200	3,991	3,209	80%
Total Assets	\$ 141,072	\$ 134,313	\$ 6,759	5%
Liabilities				
Federal Employee and Veterans' Benefits (FEVB)	\$ 7,307,422	\$ 6,149,077	\$ 1,158,345	19%
Non-FEVB Liabilities				
Accounts Payable	4,444	5,196	(752)	-14%
Loan Guarantee Liability, Net	9,175	9,932	(757)	-8%
Other	10,490	7,491	2,999	40%
Total Non-FEVB Liabilities	24,109	22,619	1,490	7%
Total Liabilities	7,331,531	6,171,696	1,159,835	19%
Total Net Position	(7,190,459)	(6,037,383)	(1,153,076)	-19%
Total Liabilities and Net Position	\$ 141,072	\$ 134,313	\$ 6,759	5%

ASSETS



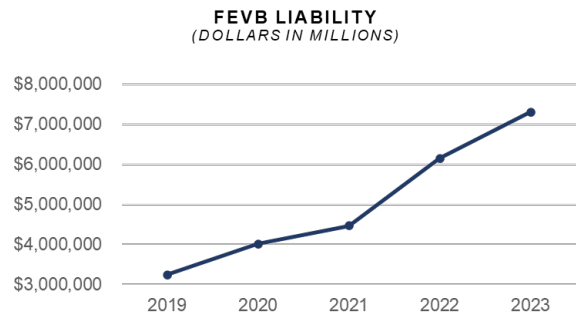
Assets represent items owned by the Department that have probable economic benefits. The graphic at left depicts the composition of VA's total asset balance. As of September 30, 2023, the largest asset was Fund Balance with Treasury (FBWT) at \$91.6 billion. FBWT represents VA's right to draw funds from the U.S. Department of Treasury (Treasury) for allowable expenditures. The FBWT balance did not change significantly from FY 2022.

The second largest asset was property, plant and equipment (PP&E) at \$32.5 billion, which is primarily composed of buildings, structures, equipment and internal use software (IUS). In FY 2023, the PP&E balance increased by \$1.6 billion. Over the past 5 years, the VA has received increased funding for construction to fulfill the Mission Act, which allows VA to modernize its assets and infrastructure. FY 2023 capital expenditures of \$3.7 billion include VHA construction projects in Louisville, Kentucky, Alameda and Livermore, California, and El Paso, Texas. For more information on the components of the change in the PP&E balance, refer to the PP&E roll-forward schedule in [Note 9](#).

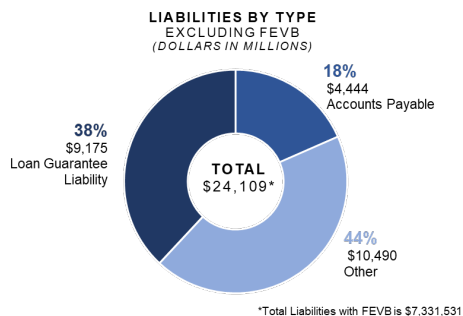
The other category includes Loans Receivable, Advances and Prepayments, Cash and Inventory and Related Property totaling \$7.2 billion, an increase of \$3.2 billion or 80%. Loans receivable increased due to the COVID-19 Veterans Assistance Partial Claim Payment Program (VAPCP) and Waterfall Refund Modification Program. Under the VAPCP or Waterfall Refund, VA purchases Veteran indebtedness to bring their loan current, which creates a new secondary mortgage loan. For more information, refer to [Note 7](#).

LIABILITIES

Liabilities represent probable future outflows or other sacrifices of resources as a result of past transactions or events. As of September 30, 2023, the largest liability was Federal Employee and Veterans' Benefits (FEVB) at \$7.3 trillion or 99% of total liabilities, an increase of \$1.2 trillion or 19% over prior year. The actuarial liability for compensation benefits composes 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 right presents the year-to-year increase in the FEVB liability from FY 2019 – FY 2023. Actuarial cost, including prior service costs resulting from the PACT Act, and the loss on actuarial assumptions drive these increases. Refer to page 25 for discussion of increases in actuarial cost and losses as reflected on the SNC and page 186 in the Appendix for an explanation of VA's complex compensation liability.



VA also provides eligible wartime Veterans and/or their dependents with pension benefits if the Veteran died, is over age 65 or is totally disabled, based on annual eligibility reviews. The Pension Program is not accounted for as a “Federal employee pension plan” under Statement of Federal Financial Accounting Standards (SFFAS) No. 5; therefore, a future liability for pension benefits is not recorded due to differences between its eligibility conditions and those of Federal employee pensions. The present value of the projected amount of future payments for pension benefits (presented for informational purposes only) as of September 30, 2023 and 2022, was \$146.6 billion and \$142.4 billion, respectively.



The composition of the remaining liability balance is illustrated in the graphic at left. The Department's second largest liability was the Loan Guarantee Liability at \$9.2 billion. The liability decreased by \$757 million or 8% primarily due to the periodic revisions of loan subsidy expenses. Subsidy expense represents the estimated long-term cost to the government for loan guarantees, including changes in interest rates or loan prepayments, defaults, delinquencies and recoveries.

MANAGEMENT'S DISCUSSION AND ANALYSIS
ANALYSIS OF THE FINANCIAL STATEMENTS

Accounts payable was \$4.4 billion, a decrease of \$752 million or 14%. Accounts payable decreased due to the timing of compensation and pension payments compared to prior year.

The other category, presented in the Balance Sheet Key Components table on page 22, includes debt, environmental and disposal liabilities and other liabilities totaling \$10.5 billion, an increase of \$3.0 billion or 40%. The increase is primarily related to a \$2.7 billion increase in the liability to Treasury as a result of downward reestimates.

CHANGES IN NET POSITION

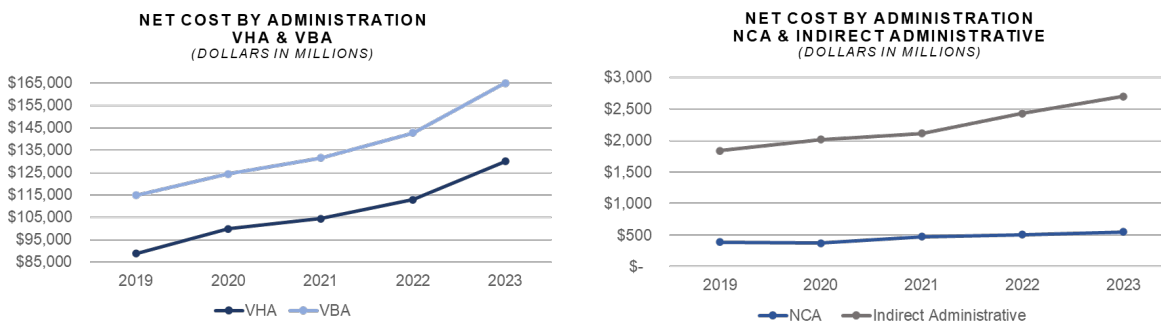
The Statement of Changes in Net Position (SCNP) combines the net cost of operations with nonexchange sources of financing to arrive at a net position. Net position decreased by 19% from a deficit of \$6.0 trillion in FY 2022 to a deficit of \$7.2 trillion in FY 2023. The decrease was attributable to the net cost of operations as 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 human resources, CFO and CIO operations, OIG investigations and Board programs. The total net cost of operations for the Department was \$1.5 trillion and \$1.9 trillion in FY 2023 and FY 2022, respectively. The decrease primarily relates to a decrease in the Loss from Changes in Actuarial Assumptions.

PROGRAM NET COST

The following graphics present program net cost by Administration, excluding actuarial, from FY 2019 to FY 2023. VHA and VBA have experienced significant increases in net cost over the past 5 years, while indirect administrative net cost has increased steadily with a significant increase in the last fiscal year. NCA net costs have remained relatively consistent.



VHA's net cost was \$131.4 billion, an increase of \$18.5 billion or 16%. The costs for medical services and medical community care continued to expand to align with the Secretary's top priority to fully implement the Maintaining Systems and Strengthening Integrated Outside Networks (MISSION) Act by increasing Veteran access to medical care, and by giving Veterans a variety of options to receive quality health care. Electronic health care modernization costs increased to replace VA's legacy appointment system. Costs related to the business system transformation increased to enable employees to enhance quality care and services to

Veterans. In addition, 18,000 full-time employees were hired in FY 2023 to support medical care resulting in an increase in payroll and employee benefit costs.

VBA's net cost (excluding actuarial) was \$165.0 billion, an increase of \$22.2 billion or 16% primarily due to increases in compensation payments to Veterans and their beneficiaries. VBA issued 2.1 million more payments in FY 2023 compared to FY 2022. VBA continued to process claims with improved timeliness and accuracy, which resulted in approximately 213,000 more active beneficiaries at the end of FY 2023 compared to FY 2022.

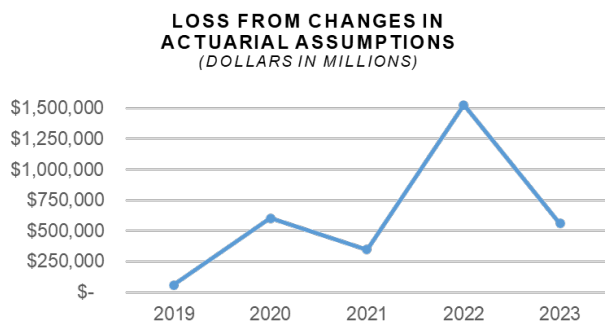
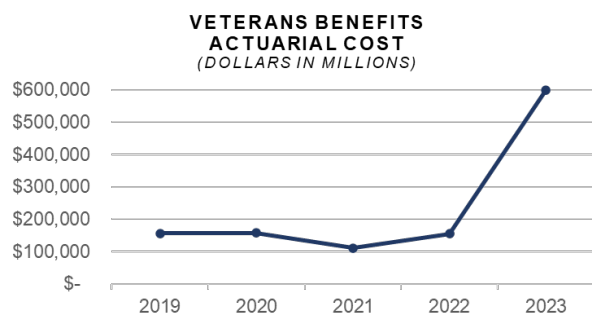
Indirect administrative net cost was \$2.7 billion, an increase of \$266 million or 11% primarily due to an increase in cost for IT services to support VA's Financial Management Business Transformation (FMBT), specifically the Integrated Financial and Acquisition Management System (iFAMS). For more information on iFAMS, refer to the Financial Systems Framework section beginning on page 34.

ACTUARIAL COST & (GAIN)/LOSS

VA provides disability compensation, burial, education and Veteran readiness and employment (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.

Actuarial Cost	(Gain) / Loss
<ul style="list-style-type: none"> • Interest on Liability Expense • Changes in Experience (Veteran counts) • Prior Service Cost • Less Amounts Paid 	<ul style="list-style-type: none"> • Discount Rate • Cost of Living Adjustments (COLA) • Other Assumptions

The Veterans benefits actuarial cost was \$599.6 billion and \$155.1 billion for FY 2023 and FY 2022, respectively. Of the \$599.6 billion, \$468.7 billion was attributed to prior service costs from plan amendments for the PACT Act, which expands and extends eligibility of VA benefits for Veterans with toxic exposures and Veterans of the Vietnam, Gulf War and Post-9/11 eras.



Loss from Changes in Actuarial Assumptions was \$558.8 billion and \$1.5 trillion for FY 2023 and FY 2022, respectively. The decrease was primarily due to a higher loss in FY 2022 related to several assumption updates to compensation plan participation and benefit level distribution rates, Veterans mortality rate and long-term COLA rate assumptions. In FY 2023, the loss was primarily due to an assumption update in disability ratings.

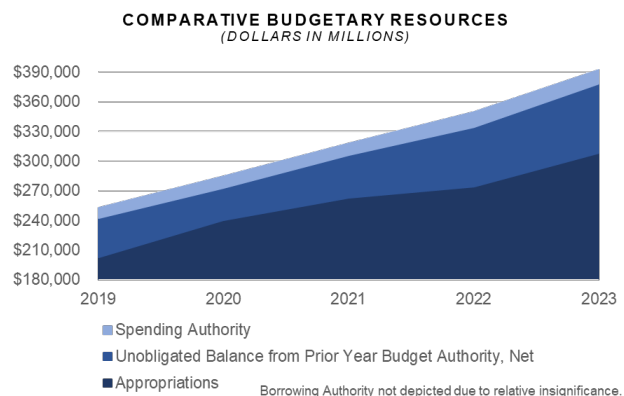
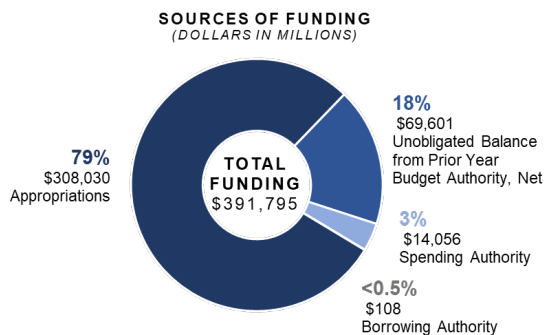
BUDGETARY RESOURCES

The SBR 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.

The graphic at right depicts the composition of VA's sources of funding from the SBR. Appropriations were VA's largest source of funding at \$308.0 billion or 79% in FY 2023.

The increase in Budgetary Resources has been driven primarily by Appropriations. In addition, the rise in Budgetary Resources resulted in an increase in New Obligations totaling \$41.7 billion or 15%. The continuous increases in Appropriations and associated increases in New Obligations are primarily due to:

- 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 services provided to Veterans;
- New funding designated to provide support for the delivery of Veterans' health care associated with the PACT Act;
- Increased funding for compensation benefits to cover increases to Veteran and survivor caseloads and a higher average degree of disability for Veterans;
- Construction projects, including improvements and additions to existing medical facilities and construction of new facilities; and
- Increased staffing for claims processing, program management, the financial management system transition and additional administrative support.



IMPACT OF COVID-19

In FY 2020, VA received supplemental appropriations of \$60 million under the Families First Coronavirus Response Act (Families First Act) and \$19.6 billion under the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the COVID-19 pandemic. Both appropriations have been fully obligated. In FY 2021, the Department received an additional \$17.0 billion (after recissions) from the ARP Act. The funding provided economic assistance for Veterans and their families as a result of the COVID-10 pandemic and supplemented general purpose expenditures related to health care. As of September 30, 2023, VA has obligated nearly 100% of ARP Act funds to support medical care and health needs.

For additional information about VA's response to the COVID-19 pandemic and ways in which the Department used 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/>.

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 31 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 PACT Act:

One of the Largest Health Care and Benefit Expansions in VA History



Vietnam



Gulf War Era



Post-9/11 Afghanistan and Iraq

What is the PACT Act?

The PACT Act was signed into law on August 10, 2022, expanding VA health care and benefits for Veterans exposed to burn pits, Agent Orange and other toxic substances.

The PACT Act adds to the list of health conditions that VA assumes (or “presumes”) are caused by exposure to these substances. This law helps VA provide generations of Veterans and their survivors with the care and benefits they’ve earned and deserve.

What does it mean to have a presumptive condition for toxic exposure?

To get a VA disability rating, a Veteran’s disability must connect to their military service. For many health conditions, Veterans need to prove that their service caused their condition.

For some conditions, VA automatically presumes that the Veteran’s military service caused their condition. These are called “presumptive conditions.”

VA considers a condition presumptive when it is established by law or regulation, such as the PACT Act.

If a Veteran has a presumptive condition, they do not need to prove that their service caused the condition. They only need to meet the service requirements for the presumption.

What are the key components of the PACT Act?



Expand and extend eligibility for VA health care for Veterans with toxic exposures and Veterans of the Vietnam era, Gulf War era and Post-9/11 era.



Add more than **20 new presumptive conditions** for burn pits and other toxic exposures. A list of new presumptive conditions can be found at the link for ‘The PACT Act and your VA Benefits’ in the Resources section below.



Require **research studies** on mortality of Veterans who served in Southwest Asia during the Gulf War, Post-9/11 Veteran health trends and Veteran cancer rates. This research is critical to VA readiness to provide exposure-focused care, increase the likelihood of early diagnoses and ensure the best outcomes.



Require VA to provide a **toxic exposure screening** to every Veteran enrolled in VA health care.



Authorize **31 new medical facilities** across the country, thus providing greater access to VA health care. The new medical facilities include outpatient clinics, research facilities, a member services facility, a residential treatment facility and a community living center.

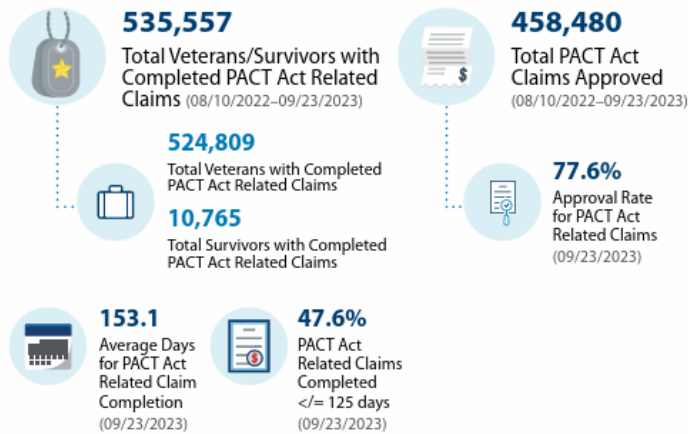
Resources

- [The PACT Act and your VA Benefits](#)
- [PACT Act Performance Dashboard](#)
- [H.R.3967 – Honoring our PACT Act of 2022](#)

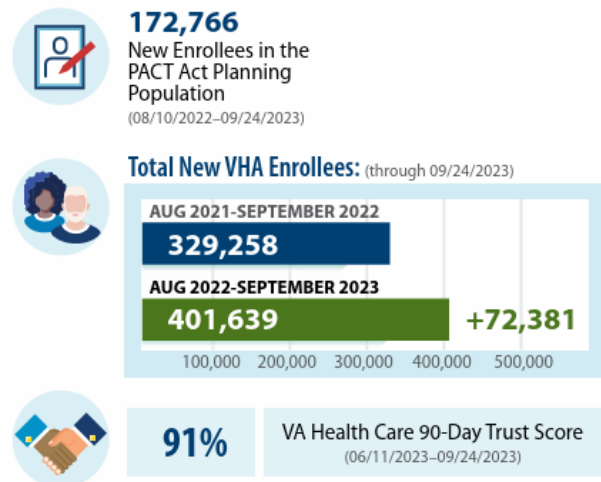
What progress has VA made in PACT Act implementation?

The following performance metrics as of September 2023 measure the overall impact of the PACT Act in terms of its expansion on health care and benefits.

Expanding Benefits



Expanding Care



How did the PACT Act impact VA's FY 2023 budgetary financials?

As part of the PACT Act, Congress authorized the Cost of War Toxic Exposures Fund (TEF) to fund increased costs above 2021 funding levels for health care and benefits for Veterans exposed to a number of environmental hazards. Funds appropriated to the TEF ensure there is sufficient funding available to cover these costs without shortchanging other elements of Veteran medical care, benefit delivery and other related activities. Through FY 2023, VA received \$5.5 billion in TEF funding. The allocation and obligation details as of September 30, 2023 are provided in the table at right.

(dollars in millions)

As of September 30, 2023	Allocated	Obligated
VHA	\$ 3,857	\$ 15
VBA	784	739
Medical & Prosthetic Research	2	2
OIT	779	478
Board	11	-
Staff Offices	67	23
Total TEF Funding	\$ 5,500	\$ 1,257

Of the \$5.5 billion in TEF funding, \$1.3 billion was obligated in FY 2023. The majority of the obligations were attributed to VBA and OIT. VBA's TEF obligations of \$739 million were related to accelerated hiring of additional staff to support the increase in workload and claims processing associated with the timely and accurate implementation of the PACT Act. The obligations also support the extraction, scanning and digitization of Veterans medical records to allow for timely adjudication of claims decisions.

OIT's TEF obligations of \$478 million related primarily to continued operations and modernization of IT systems and infrastructure to support increased PACT Act claims processing and to improve Veterans' access to information. The obligations included IT support services for the Veterans Network (VETSNET) suite of applications and enhancements of the Veterans Benefits Management systems.

In addition to the TEF funding, VA received \$922 million for enhanced-use leases (EUL) and \$1.9 billion to begin entering into the 31 major medical facility leases authorized by the PACT Act to support delivery of health care to impacted Veterans. VA has obligated \$17 million of the EUL funding for capital contributions, infrastructure improvements and contractor support for new EUL projects. One major medical facility lease has been awarded with the remaining 30 leases undergoing procurement.

ANALYSIS OF SYSTEMS, CONTROLS AND LEGAL COMPLIANCE

MANAGEMENT'S STATEMENT OF ASSURANCE



THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

November 15, 2023

Department of Veterans Affairs (VA or the Department) management is responsible for managing risks and maintaining effective internal controls to meet Federal Managers' Financial Integrity Act of 1982 (FMFIA) § 2 and § 4 objectives. 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 assessment results, VA can provide reasonable assurance that internal controls over operations, reporting and compliance were operating effectively as of September 30, 2023, except for the following reported material weaknesses:

- Controls over Significant Accounting Estimates;
- Financial Systems and Reporting; and
- Information Technology (IT) Security Controls.

The Department noted noncompliance with:

- FMFIA § 2 and § 4;
- Payment Integrity Information Act of 2019;
- 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*; 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 its Financial Management System (FMS) to determine conformance with FFMIA. FMS substantially complies with Federal accounting standards. However, it does not comply with Federal financial management system requirements and the USSGL at the transaction level. Therefore, management cannot provide reasonable assurance that VA is in conformance with FFMIA.

Sincerely,

(/s/) Denis McDonough

SUMMARY OF MATERIAL WEAKNESSES

- (1) Controls over Significant Accounting Estimates:** VA identified internal control deficiencies in the control environment related to the Veterans benefits liability estimate. The Veterans Benefits Administration (VBA) Chief Financial Officer's office continues to implement a corrective action plan (CAP) to improve actuarial liability audit readiness, including adding controls to ensure the data used is complete and accurate, strengthening internal controls over governance and supporting documentation, and enhancing procedures and/or process narratives relevant to VBA's accounting and financial reporting of actuarial models. Estimated completion date: Fiscal Year (FY) 2024.
- (2) Financial Systems and Reporting:** VA's outdated legacy FMS continues to require manual processes, reconciliations and journal entries for VA to produce a set of auditable financial statements. VA continues to have various financial reporting issues, though certain areas have improved since the prior year. VA is implementing a multi-year migration plan for 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 perform a quarterly Integrated Funds Distribution, Control Point Activity Accounting and Procurement (IFCAP) to FMS reconciliation. Estimated completion date: FY 2028.
- (3) IT Security Controls:** VA maintains a material weakness in its Agency-wide Access Management, Contingency Planning, Security Management, and Configuration Management Program. VA established both operational and procedural capabilities to evaluate, prioritize, plan and execute actions designed to mitigate or close the material weakness conditions. These new capabilities are focused on emphasizing personal accountability for designated subject matter experts to address each finding until each finding is eliminated. VA is adopting the Objectives and Key Results management framework to manage these activities. 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, such as building effective, practical and compliant cybersecurity capabilities into all new VA IT initiatives, such as the Presumptive Benefits for War Fighters Exposed to Burn Pits and Other Toxins Act of 2021 (PACT Act), Electronic Health Record Modernization, and Supply Chain Modernization. Estimated completion date: FY 2026.

SUMMARY OF MATERIAL NONCOMPLIANCE

- (1) FMFIA § 2 and § 4:** VA developed an internal controls assessment process to implement the requirements to substantially comply with FMFIA § 2 and OMB Circular A-123, to include documentation of transaction-level testing to support the assurance statement. VA is implementing a new accounting system, iFAMS, to replace FMS to comply with FMFIA § 4. Refer to FFMI section for details. VA will test iFAMS system functionality and modified controls as it is incrementally deployed. VA continues to make significant progress integrating internal control functions with enterprise risk management. Estimated completion date: FY 2028.
- (2) Payment Integrity Information Act of 2019:** In FY 2023, VA reported a reduction of \$333.87 million in improper and unknown payments, a reduction of 9.54% from FY 2022. Since FY 2018, VA has reduced improper and unknown payments by \$11.57 billion, or 78.51%. VA continues to enact specific corrective actions and mitigation strategies to remediate the root causes of improper and unknown payments and strategically strengthen payment integrity while ensuring Veteran access to health care and benefits. VA developed detailed CAPs for each program reporting improper and unknown payments to address the findings and deficiencies identified during annual payment integrity testing. Estimated completion date: FY 2027.
- (3) 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 FY 2023, Congress passed legislation within Omnibus Bill § 253, which prohibits VA from charging interest and administrative costs for debts relating to certain benefit programs (a loan, loan guaranty or loan insurance program; a disability compensation program; a pension program; and an education assistance program). This legislation remediates noncompliance with 38 U.S.C. § 5315 and § 3717 for new debts occurring on or after December 29, 2022, for the VBA's benefit programs. However, it does not apply to debts occurring prior to December 29, 2022. Thus, the finding will remain for historic debts. VA is developing a plan to address the historic debts. Estimated completion date: FY 2026.
- (4) FFMIA:** VA assessed FMS to determine conformance with FFMIA and FMFIA § 4, in accordance with OMB Circular A-123, Appendix D. Based on the results, FMS does not substantially comply with Federal financial management system requirements and application of the USSGL at the transaction level. FMS substantially complies with Federal accounting standards. 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 CONTROLS ASSESSMENT

VA's Office of Business Oversight (OBO) oversees the internal control program and assists VA's major organizations (reporting entities) in completing an internal controls assessment to support their annual statements of assurance. OBO developed an Internal Controls Assessment Tool for evaluating each of the 17 principles in the Government Accountability Office's (GAO) Standards for Internal Control in the Federal Government (Green Book). The 17 principles fall into the following five components of internal control: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. In FY 2023, VA assessed the following three distinct but overlapping objectives of internal control: operations, compliance and reporting.

In FY 2023, the Department required all Administrations and major Staff Offices to complete an internal controls assessment, identifying how the reporting entity met the control objectives for 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 internal controls assessment. The statement of assurance provides an informed judgment of the overall adequacy and effectiveness of the reporting entity's internal controls. OBO analyzed internal controls assessment submissions and statements of assurance to ensure the statements appropriately captured material weaknesses identified during the assessments.

In FY 2023, OBO conducted OMB Circular A-123, Appendix A, tests of design and limited tests 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

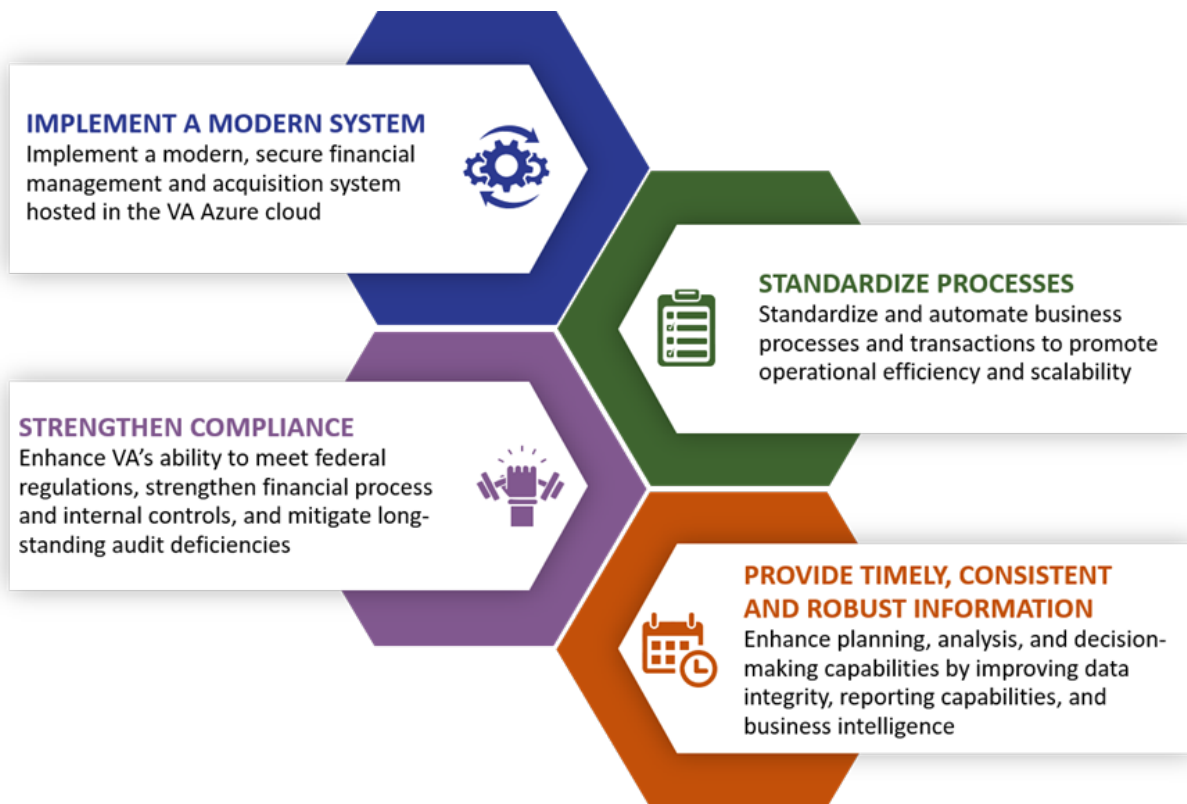
ANALYSIS OF SYSTEMS, CONTROLS AND LEGAL COMPLIANCE

FINANCIAL SYSTEMS FRAMEWORK

VA'S FINANCIAL AND ACQUISITION MANAGEMENT SYSTEMS STRATEGY AND GOALS

VA's FMBT program is increasing the transparency, accuracy, timeliness and reliability of financial and acquisition 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 Program Goals are structured to enable VA to continue to meet its financial, acquisition and mission-related delivery requirements, alleviate the risks caused by the current system environment, and provide value to VA's business and the employee experience. The FMBT Program Goals are as follows:



CURRENT FINANCIAL MANAGEMENT SYSTEM FRAMEWORK

VA's existing financial and acquisition management systems consist of the core 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 (IFCAP); Veterans Information Systems and Technology Architecture (Vista); Management Information Exchange (MinX); and Centralized Automated Accounting Transaction System (CAATS).

FUTURE FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK

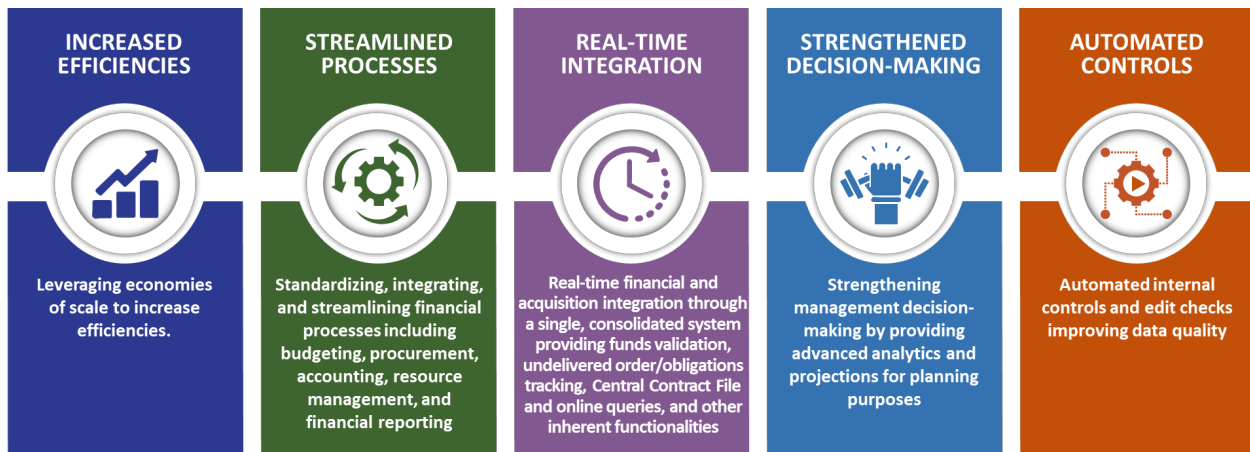
The scope of the FMBT program is focused on migrating VA from its legacy FMS and eCMS to a commercial off-the-shelf cloud solution, configured for VA as iFAMS and hosted in the VA Azure cloud. This involves:

- 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.

VA has never had integration between its finance and acquisition environments. The seamless integration of those systems is not only an industry best practice but also will provide enormous benefit to the finance and acquisition communities.

IFAMS BENEFITS

With iFAMS, VA is gaining increased operational efficiency, productivity, agility and flexibility from a modern Enterprise Resource Planning (ERP) solution, as well as additional security, storage and scalability. The new system also provides:



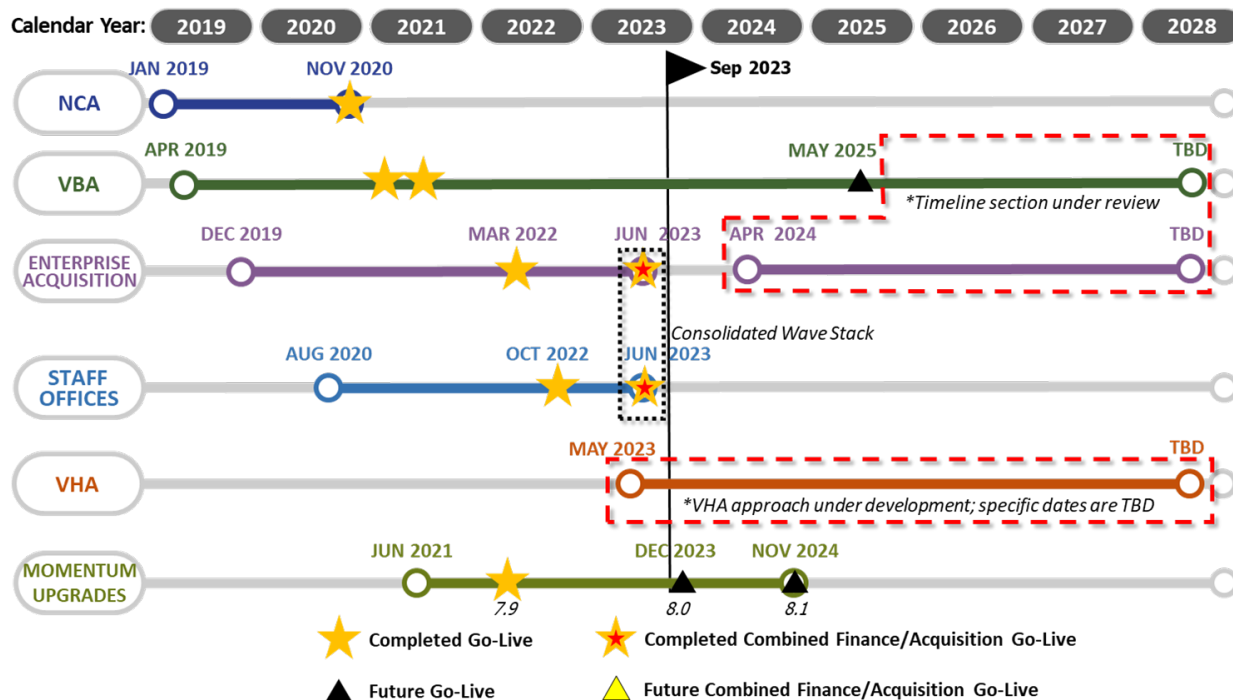
IFAMS DEPLOYMENT APPROACH, STATUS AND TIMELINE

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. FMBT deliberately structured the overall iFAMS implementation timeline to deliver the new system to the smaller and less complicated administrations and staff offices first, thus allowing program personnel to gain experience and identify key lessons learned that will ease future implementations.

As of September 2023, FMBT has completed six successful deployments of iFAMS, encompassing numerous offices and sub-offices and 4,400 users across the enterprise. The deployments include NCA, a portion of VBA and several major staff offices, including the Office of Management; Office of Information and Technology; Office of Inspector General; and the Office of Acquisition, Logistics and Construction.

Looking ahead, FMBT will deliver highly anticipated upgrades to iFAMS in December 2023 and November 2024, which will provide substantial enhancements to system performance, functionality and ease of use. In addition, the VBA Loan Guaranty wave is scheduled to go live in May 2025. Implementation efforts also are underway for VHA, VA's largest Administration; the timeline is still under development, but the VHA Central Office is expected to be the first location to go live in the new system.

FMBT will continue deploying iFAMS in a phased approach across VA until enterprise-wide implementation is achieved. The following graphic shows the FMBT high-level implementation timeline as of September 2023. Each star and triangle represent a discrete delivery of the iFAMS solution to one or more VA organizations.



LESSONS LEARNED

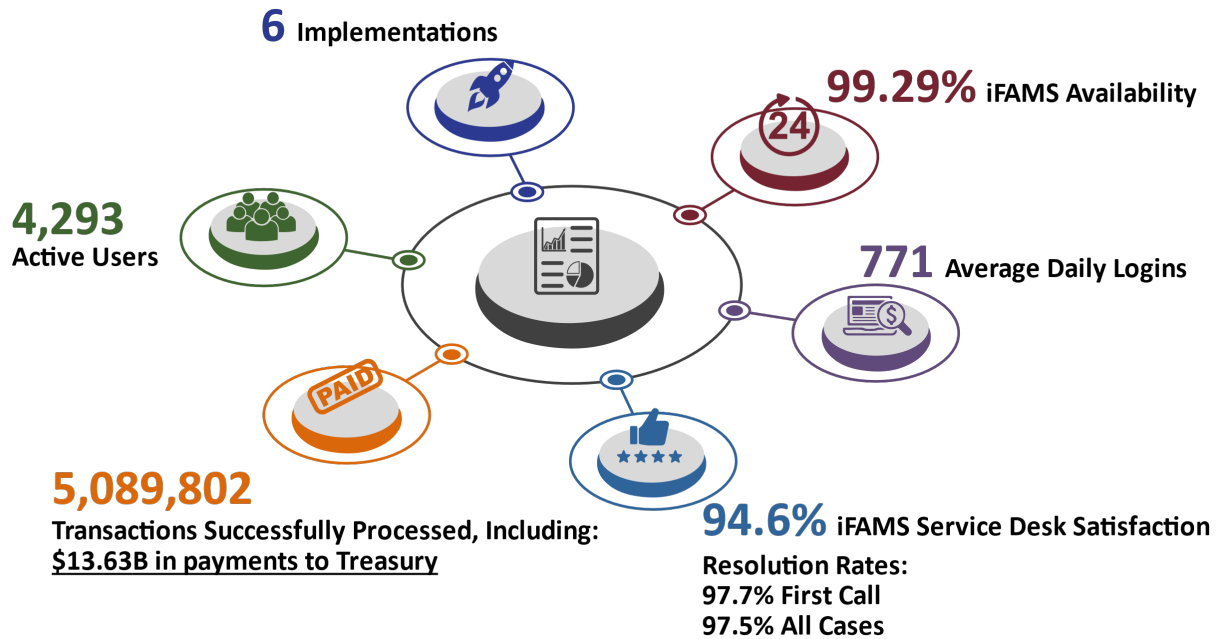
The FMBT program's change management practices emphasize continuous improvement. Using customer feedback, personnel observations, audit findings and industry best practices, FMBT establishes a list of lessons learned during each wave and then incorporates those lessons into subsequent wave operations, thus turning prior missteps into positive future impacts. High-level lessons learned since program inception include:



By identifying and internalizing these lessons—as well as many others—FMBT has progressively improved its operations over time. This empowered FMBT to succeed in its most recent implementation, which was the largest system rollout to date and the first to simultaneously deliver the financial and acquisition components of iFAMS.

IFAMS BY THE NUMBERS

The following information presents key statistics on iFAMS as of September 29, 2023.



Information as of September 29, 2023

CONNECTION TO VA PRIORITIES

With so much at stake, in terms of taxpayer dollars and the Department's ability to help Veterans build civilian lives of opportunity, it is more important than ever to ensure VA is able to accurately track and report how funds are used. FMBT also promotes the Secretary's strategic objectives within Stewardship Goal 4 in the VA FY 2022-28 Strategic Plan. In particular, FMBT is a critical component for achieving Objective 4.3 and Strategy 4.3.6.



Goal 4: VA will transform business operations by modernizing systems and focusing resources more efficiently to be competitive and provide world-class customer service to Veterans and its employees.

Objective 4.3: (Easy Access and Secure Systems) VA will deliver integrated, interoperable, secure and state-of-the-art systems to ensure convenient and secure access and improve the delivery of benefits, care and services.

Strategy 4.3.6: (Integrated Finance and Acquisition Management System) VA's financial and acquisition management system is migrating to a commercial off-the-shelf cloud solution, configured for VA to increase efficiencies, streamline processes, automate controls, strengthen decision-making and integrate financial and acquisition activities in real-time.

PROGRAM RISKS

As would be expected in any modernization initiative with the size and complexity of FMBT, the program faces many risks and challenges. Foremost among them is the overall resistance to change at VA. Approximately 125,000 VA employees are expected to use iFAMS in some capacity once it is fully implemented, so promoting stakeholder engagement and gaining user buy-in is critical for ensuring the successful adoption of the system. To that end, FMBT carries out robust engagement activities at multiple levels across VA's Administrations and Staff Offices. Funding and personnel needs are also an ongoing concern, as any shortfalls could jeopardize the iFAMS deployment schedule. Accordingly, the program works to determine and communicate resource requirements to the appropriate entities as soon as possible.

In addition, FMBT has a dedicated Risk Management Team that proactively identifies, logs and monitors risks for the program. All risks are assigned probability and impact ratings that allow for logical prioritization. By fostering a culture of risk awareness, encouraging proactive mitigation strategies and applying an effective risk governance process, the team ensures FMBT is not caught off guard by risk impacts.

FORWARD-LOOKING INFORMATION

RISKS

Like every organization, VA faces risks that impact its ability to function and deliver on its mission, and Veterans are our mission. Enterprise Risk Management (ERM) is a tool for identifying existing and emerging risks, understanding the impact to operations or Veterans and managing risks to reduce, remove, moderate and, in some cases, exploit risk opportunities to ensure effective and efficient operations and best outcomes for Veterans. ERM also is recognized as a best practice and mandated in [OMB Circular A-123](#) (dated July 15, 2016) and [OMB Circular A-136](#) (dated May 19, 2023).

As VA matures its enterprise risk management processes and formally and systematically surveys the environment, it identifies the most significant risks to VA or Veterans. The following risks are aggregates of multiple risk statements and examples of VA enterprise level risks:

- **Hiring and Retention:** If VA is unable to recruit and retain qualified staff to support mission-critical activities across the Department, then it may be challenged to provide exceptional benefits, services and care to Veterans.
- **Aging Infrastructure:** If VA does not effectively modernize and realign its evolving footprint to improve access and outcomes for Veterans, then it may be unable to provide innovative services and care to Veterans.
- **Veteran Experience:** If VA is unable to provide a unified, high quality and customer-centric experience across all programs and services, then Veterans may not receive appropriate services and lose trust in VA.
- **IT Modernization:** If VA fails to appropriately resource and align modernization efforts to support Veteran needs, then it may be unable to effectively deliver Veteran services and benefits in a fully integrated, seamless and customer-centric environment.

CLIMATE-RELATED FINANCIAL RISK

Extreme weather events and natural disasters driven by climate change have become more common, driving widespread changes to both natural and human systems. With a broad mission and geographical distribution of facilities, VA recognizes that agency services, operations, programs and assets have been and will continue to be impacted. In FY 2021, VA published a Climate Action Plan, which 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. The Climate Action Plan draws on VA's ongoing efforts and establishes a pathway for expanding climate adaptation and resilience opportunities across all agency missions and roles. In FY 2022, VA published the Climate Action Plan Progress Report, which provides information on the activities underway to achieve VA's climate priority actions. In FY 2023, VA presented priority action progress to the Council on Environmental Quality, and VA expects to publish an updated Climate Action Plan in FY 2024. VA's primary climate vulnerabilities are those of its built infrastructure, burdens placed on its health care 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 Health Care 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 and updating sustainable building certification requirements. VA also is preparing for surges in demand for medical supplies and pharmaceuticals, which includes review of the All-Hazards Emergency Cache that provides short-term coverage for supplies during emergencies to assess its readiness for climate change impacts. To track new and emerging infections, VA has expanded biosurveillance to proactively surveil for high consequence infections in Veterans receiving care from VA.

VA uses the Strategic Capital Investment Planning (SCIP) process to provide annually updated comprehensive plans to improve the quality, access and cost efficiency of the delivery of VA benefits and services through modern facilities that match the location and demands—current and future—where Veterans live. VA is nearing completion of a facility-level climate vulnerability study, expected by the end of 2023, that will identify which facilities are at the highest risk due to extreme weather from climate change. Information from these studies will be used to begin to evaluate updates to future-year SCIP processes, including incorporation of specific climate adaptation goals, gaps, targets and decision processes that will support prioritization of projects that address at-risk facilities.

VA is incorporating climate change into emergency response planning with the development of a capabilities-based framework that supports an enterprise-wide strategy.



DID YOU KNOW?

Twenty-three VAMCs were recognized by the sustainable health care non-profit Practice Greenhealth in their 2022 Environmental Excellence Awards. Erie VAMC, Iowa City VAMC, Minneapolis VA Health Care System and St. Cloud VA Health Care System were recognized with the organization's top award, the "Top 25 Environmental Excellence Award."



The Erie VAMC in Erie, Pennsylvania.

VA BY THE NUMBERS

The following information presents key statistics on Veteran population and VA programs as of September 30, 2023. 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](#).

