



Armed Forces Retirement Home

Common Bond



Exceptional Care



Performance and Accountability Report FY 2016

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About This Report

The Armed Forces Retirement Home (AFRH) Performance and Accountability Report (PAR) provides programmatic and financial performance data for Fiscal Year (FY) 2016 and includes all information to meet the Annual Performance Plan requirements. Each year, federal agencies are required to report performance to Congress and the public. Such legislation includes:

- ★ Accountability of Tax Dollars Act of 2002
- ★ Chief Financial Officers Act of 1990
- ★ Federal Financial Management Improvement Act of 1996
- ★ Federal Managers' Financial Integrity Act of 1982
- ★ Government Management Reform Act of 1994
- ★ Government Performance and Results Act of 1993
- ★ Government Performance and Results Modernization Act of 2010
- ★ Improper Payments Information Act of 2002 (as amended)
- ★ Improper Payments Elimination and Recovery Act of 2010
- ★ Improper Payments Elimination and Recovery Improvement Act of 2012
- ★ Office of Management and Budget Circulars A-11, A-123 and A-136
- ★ Reports Consolidation Act of 2000

Through this report, AFRH shares insight into the Home's rich heritage as well as day-to-day activities while explaining the relationship between objectives, costs and results. Further, to promote transparency and accountability, AFRH illustrates how the AFRH Trust Fund, the source of agency funding, is protected and managed.

The FY 2016 PAR is published by the AFRH Office of the Chief Financial Officer (OCFO) and is compliant with Section 508 of the Rehabilitation Act of 1973.

An electronic version of this report is available at: <https://www.afrh.gov/PAR/2016PAR>.





Introduction

This PAR has four parts to meet federal reporting requirements and covers events from October 1, 2015 through September 30, 2016.

Part 1 – Management’s Discussion and Analysis (MD&A): a summary of AFRH performance and financial status, as well as accomplishments and challenges.

Part 2 – Performance: a detailed outline of AFRH Goals and Objectives highlighting achievements and areas for improvement.

Part 3 – Financial: the audit opinion, financial statements, disclosures and notes regarding AFRH fiduciary activities over the past FY.

Part 4 – Other Information: miscellaneous reporting requirements.



One of the original carved wooden eagles from the former Naval Home in Philadelphia is proudly displayed at AFRH-G.



CHIEF OPERATING OFFICER MESSAGE



**Armed Forces Retirement Home
Office of the Chief Operating Officer
3700 North Capitol Street, Box 550
Washington, DC 20011-8400**



November 10, 2016

I am honored to serve as the Armed Forces Retirement Home (AFRH) Chief Operating Officer (COO) and have the opportunity to serve our Nation's veterans. The men and women who call AFRH home have placed their country, the Constitution and its citizens before themselves at personal risk—serving in every campaign since World War II. The institution, which I now proudly lead, has provided affordable services to eligible aging veterans regardless of their ability to pay for over 180 years.

This report is an in-depth examination of AFRH performance and financial results for the past fiscal year (FY) in accordance with requirements set forth in the Government Performance and Results Act of 1993, as amended in the Government Performance and Results Modernization Act of 2010 and with guidance from Office of Management and Budget (OMB) Circular A-136.

This Performance and Accountability Report (PAR) presents AFRH's goals, mission and accomplishments holistically. The PAR addresses the agency's long-term focus areas, resource allocations and progress achieved to date in a unified document to provide a balanced and transparent status update on AFRH's ability to accomplish our mission. Of note for FY 2016 are these accomplishments:

- **Accreditation** – Two nationally recognized accreditation surveyors, The Joint Commission (TJC) and the Commission on Accreditation of Rehabilitation Facilities (CARF), have examined all aspects of AFRH care. AFRH is currently accredited in five of six operational (Independent Living, Assisted Living, Long Term Care, Memory Support and Wellness Clinic) areas and is awaiting the results of the final accreditation area (Independent Living Plus). AFRH expects positive results when the results of our FY 2016 TJC operational survey is received.
- **Operating Efficiency** – The AFRH has implemented several initiatives to increase revenue and reduce operational costs. AFRH revenue initiatives included a fair and equitable Resident fee increase and expansion of our DC charter school lease. Both of



these initiatives resulted in an immediate increase in our revenue. AFRH operating efficiencies included workload studies for our dining and custodial contracts. Initial cost efficiencies were implemented in FY 2016 with additional efficiencies planned for FY 2017.

- **High Resident Satisfaction** – The 2016 Resident satisfaction survey shows AFRH is not only meeting, but exceeding, our goal in key areas. Over 90% of Residents rated AFRH excellent or above average which is well above the average for other federal agencies.

In addition to the information described above, this document contains the agency's FY 2016 financial statements and corresponding statement notes as well as our independent financial auditor's report. AFRH is proud of our continued success in maintaining an unmodified audit opinion for 12 consecutive years. These results are a testament to the emphasis the Chief Financial Officer and AFRH managers place on strong internal controls.

This year's report reflects the agency's continued emphasis on balanced performance planning, accurate data for measuring performance and evaluating programs with a view toward increasing effectiveness. While AFRH performance is largely at or greater than goals in all areas, the one area of deficiency is in our decreased annual revenue receipts. Over the last several years, structural issues with the AFRH revenue model have resulted in a rapidly depleting Trust Fund. AFRH has pursued all revenue options under the current legislation and is grateful for Congressional support for a General Fund transfer in FY 2016.

Per OMB and Congressional guidance, AFRH is working closely with our Department of Defense (DoD) leadership to develop a Trust Fund solvency plan to ensure long term solvency and replenish the diminished Trust Fund balance. This plan will ensure core services meet our Resident's needs.

Through the diligent work of AFRH and our DoD leadership, I am confident AFRH can meet the challenges to support our current and future veterans who call AFRH home.

Sincerely,



TIMOTHY JON KANGAS, Ph.D. MPA
Chief Operating Officer



OUR LEGACY

Originally conceived in 1811 and later established in 1834 in Philadelphia, Pennsylvania, the U.S. Naval Asylum (later named the Naval Home) was the first shelter of its kind for former enlisted men of the Navy and Marine Corps; many of whom served admirably for decades or suffered injury in combat. In 1851, the Military Asylum (later named the U.S. Soldiers' Home and then the U.S. Soldiers and Airmen's Home) was founded in the District of Columbia for Army veterans (and later Air Force veterans). Both Homes have cared for thousands of eligible aging veterans in Washington, DC. The Naval Home and the Old Soldiers' Home were self-sufficient throughout the 19th century, producing much of their own food and other essentials.

During the 20th century the Naval Home moved to Gulfport, Mississippi, and both Homes modernized evolving into the retirement communities of today. AFRH features quality, modern amenities while accomplishing the AFRH founding principle of providing these services in an affordable manner irrespective of a Resident's income. In FY 2012, U.S. Coast Guard veterans became eligible for admissions to the Homes.

Although the Homes have changed significantly from their early days as asylums, one constant remains—all Residents have served in the United States Armed Services and share the common experiences of camaraderie, military heritage and defense of the Nation. Each Campus has a Hall of Honors celebrating this legacy by preserving military history and honoring those who served.

AFRH delivers Person-centered Care (PCC) to Residents. PCC is a principle of thoughtful, tailored care to meet individual Resident needs. These needs are considered when developing proactive plans of care and delivering meaningful services in a home-like environment. AFRH Residents are active participants in guiding and charting their own lives within AFRH.



Old Soldiers' Home cattle graze in the field located south of the AFRH-W power plant in 1920.



OUR LOCATIONS

ARFH - G



ARFH - W



AFRH has two locations—Gulfport, MS (AFRH-G) and Washington, DC (AFRH-W). Both AFRH facilities have evolved from institutions to comfortable and accessible facilities for today’s eligible veterans. Each community has its own character – reflecting the input of its Residents. Both facilities are modern, offer full services and have a small house concept in upper levels of care. The upper level of care small house concept contributes to AFRH’s person-centered vision by meeting individual Resident needs in a home-like setting.

★ GULFPORT, MS

AFRH-G is located on approximately 40 acres of waterfront land on the Mississippi Sound. The resort towns of Gulfport and Biloxi as well as Keesler Air Force Base and other government facilities are in close proximity. The Gulfport community has been home to former enlisted, limited duty and warrant officer eligible veterans since 1976 when the Naval Home relocated to Gulfport from Philadelphia, Pennsylvania.

AFRH-G is an energy-efficient, modern facility opened in late 2010 after the original facility was severely damaged by Hurricane Katrina in 2005. The facility is designed to withstand a similar category 5 storm with winds over 157 miles per hour. The multi-tower complex houses all five levels of care under one roof, with facilities for dining, social, recreational and therapeutic activities. The AFRH-G facility includes hobby shops, a swimming pool, a wellness center (general medical,



optometry and dental care), banking facilities, a barber / beauty shop, bowling alley, computer room, library, multi-purpose community room / movie theater and a private, beachfront walking path.

AFRH-G Residents enjoy their proximity to the Gulf Coast beaches, ability to participate in outdoor activities almost year-round and their close relationships with local military, government, civilian and business associates.

See more about AFRH-G online at: <https://www.afrh.gov/gulfport-residents>

✦ WASHINGTON, DC

The AFRH-W facility is located atop a hill on 272 acres in the heart of the Nation's capital and has been home to thousands of former enlisted, warrant officer and limited duty officer service members since 1851. AFRH-W features many historic buildings, including President Lincoln's Cottage, the Sherman Building (which served as one of the original dormitories), former military leaders' quarters and the stately Grant Building.

In the 19th century, Residents walked through cow pastures; today, those same fields are now one of the capital's largest remaining green spaces featuring two ponds, community garden and walking trails. Residents have a breathtaking view of the U.S. Capitol and the Washington Monument.

AFRH-W has two resident buildings connected by an underground tunnel. Full amenities include an indoor swimming pool, hobby shops, a wellness center (general medical, optometry and dental care), a credit union, barber / beauty shop, a bowling center, a community room / movie theater, computer rooms and a library.

The AFRH-W Residents enjoy their proximity to the Nation's Capital and the many cultural activities, museums and galleries in their backyard.

See more about AFRH-W online at: <https://www.afrh.gov/washington-residents>



AFRH SNAPSHOT

Federal Authorities:	AFRH Act of 1991, Public Law 101-510 (as amended)
Funding Sources:	Congressional appropriations from a government held trust fund supported by Resident fees, active duty enlisted military withheld pay, fines and forfeitures, investment income and Gifts / Estates. In FY 2016, the AFRH received \$20 M (million) from a General Fund transfer to support operations and
Trust Fund Balance:	\$55.1M
Our Goal:	Keeping Residents healthy and independent as long as possible in order to defer the need for higher care levels and remain physically, mentally and socially independent
Headquarters:	AFRH Corporate Headquarters, Sherman Building, Washington, DC
Resident Campus Locations:	Beach Drive, Gulfport, MS (~40 acres) N. Capitol Street NW, Washington, DC (~272 acres)
Basic Services:	<ul style="list-style-type: none"> ★ Private room with bathroom ★ Medical, dental and vision care ★ Dining Facilities ★ Recreation, education and enrichment programs
Campus Amenities:	<ul style="list-style-type: none"> ★ 6-lane bowling centers ★ Community activity rooms and media room ★ Computer centers ★ Fish pond (AFRH-W) ★ Full-service libraries ★ Beach access (AFRH-G) ★ Hobby shops ★ Walking trails, swimming pools, fitness centers and golf course (AFRH-W)



**Resident Care
Levels:**

★ **Independent Living (IL)**

Residents live independently and perform all activities of daily living without assistance. Rooms are private and equipped with full bathrooms. Residents have meals in the community dining facility. AFRH provides general healthcare and dental services in the Wellness Clinic and a shuttle service to the local Department of Veterans Affairs, military and community hospitals for outside medical appointments and pharmacy services. There is a full range of amenities and recreational activities. If required, Residents no longer able to live independently are assessed and transitioned to a higher level of care to meet their needs.

★ **Independent Living Plus (ILP)**

Residents continue to live in their independent living rooms while receiving some assistance with activities of daily living (e.g., medication administration, personal hygiene and housekeeping). These Residents continue to dine in the community dining facility and independently use available amenities.

★ **Assisted Living (AL)**

Residents receive regular assistance with activities of daily living and are supported by 24 / 7 nursing coverage. Dining is provided in the Assisted Living units and Residents may join recreational activities in the common areas or participate in recreational activities offered in the Assisted Living units. Most of the Resident healthcare needs are met at the AFRH Wellness Center, and Residents who need specialty care are provided an escort to outside medical appointments.

★ **Long Term Care (LTC)**

Residents receive total support care for their activities of daily living due to chronic illnesses or disability. They are supported by 24 / 7 nursing coverage. Dining and recreational activities are provided in the LTC units. The majority of the Resident healthcare needs are met on their unit, and Residents who need specialty care are provided an escort to outside medical appointments.

★ **Memory Support (MS)**

Residents with a cognitive deficiency who are unable to perform activities of daily living and need a supervised environment to keep them safe. They receive 24 / 7 nursing coverage. Dining and recreational activities are provided in the MS units. The majority of the Resident healthcare needs are met on their unit, and Residents who need specialty care are provided an escort to their outside medical appointments.



	LOC	AFRH-G	AFRH-W	TOTAL
Resident Capacity:	IL / ILP	516	448	964
	AL	24	60	84
	LTC	24	36	60
	MS	24	24	48
	TOTAL	588	568	1156

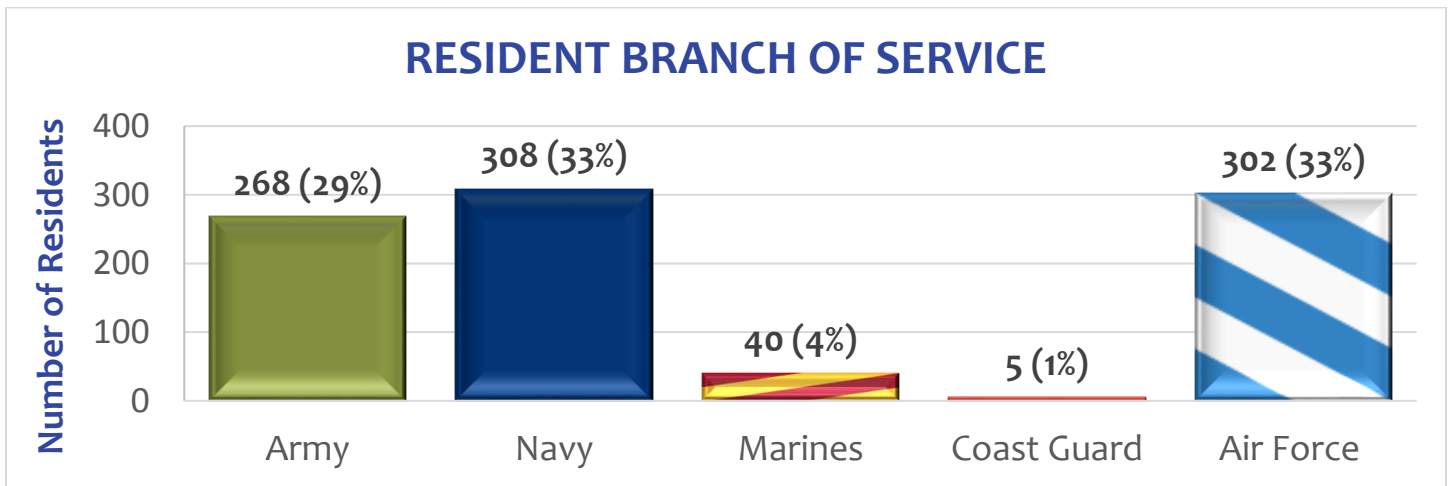


RESIDENT PROFILE

AFRH Residents hail from across the U.S., share common military experiences and are returning to a military community for the first time since leaving service. Each campus has an Ombudsman and a Resident Advisory Committee (RAC) that advocate for Residents providing ideas and feedback from the Residents to the Campus Administrator.

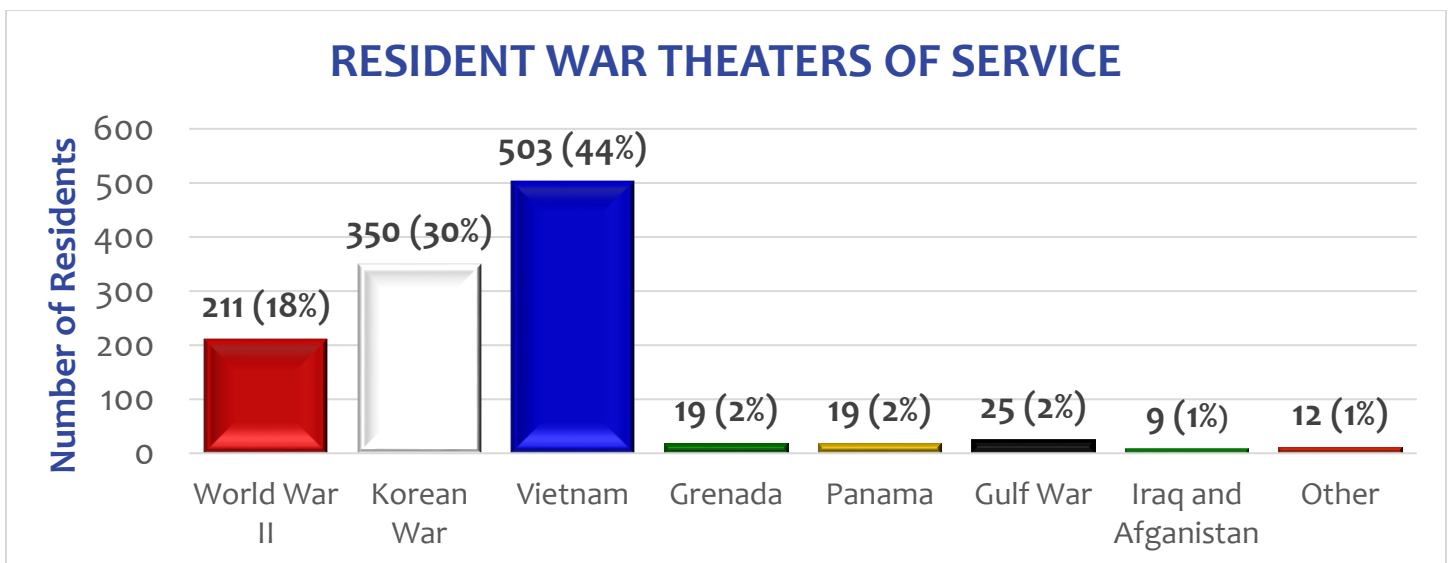
✦ BRANCH OF SERVICE

AFRH is home to service members from all branches of the military and all services are represented at both locations. Some Residents have served in more than one branch of service, where applicable, their final branch of service is included.



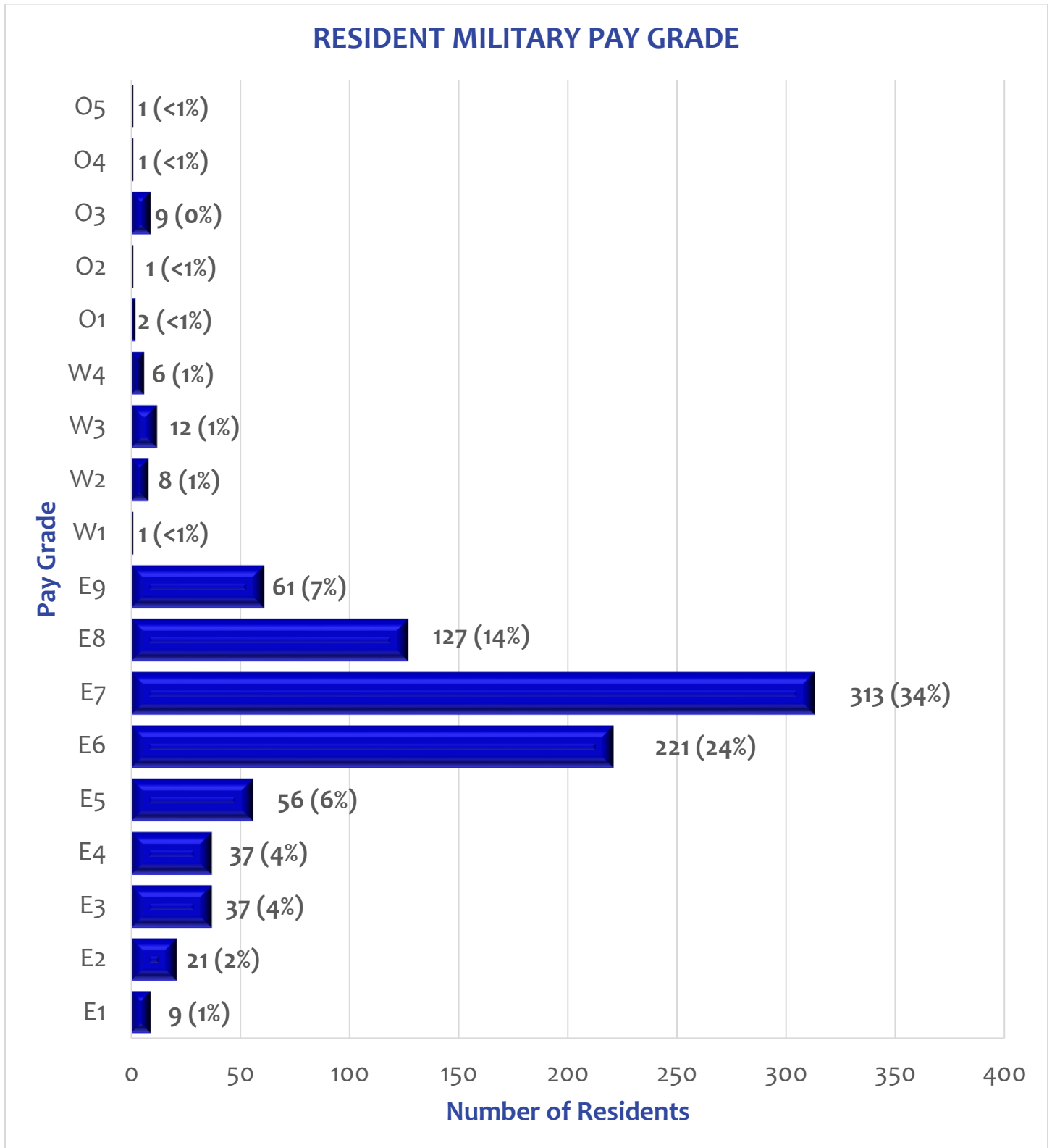
✦ RESIDENT WAR THEATER OF SERVICE

AFRH Residents have served in every U.S. military campaigns since World War II. Since many Residents served in more than one conflict, where applicable, the chart shows Residents in multiple campaigns.



★ RESIDENT MILITARY PAY GRADE

To live at AFRH, Residents must have served at least one half of their military service as either enlisted, warrant officer or limited duty officer.

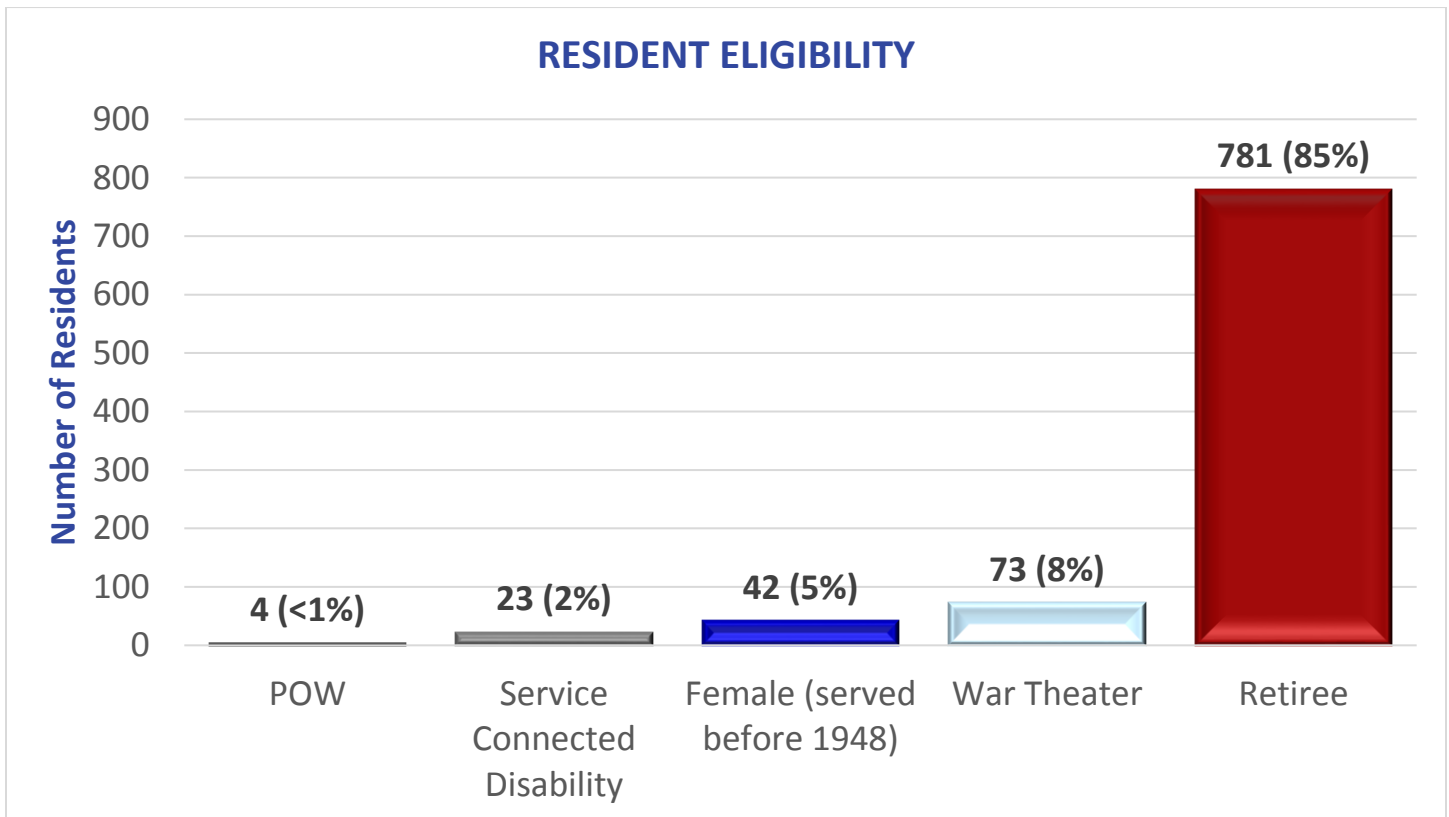


★ RESIDENT ELIGIBILITY

Persons are eligible to become AFRH Residents who served as members of the Armed Forces, at least one-half of whose service was not active commissioned service (other than as a warrant officer or limited-duty officer) and:

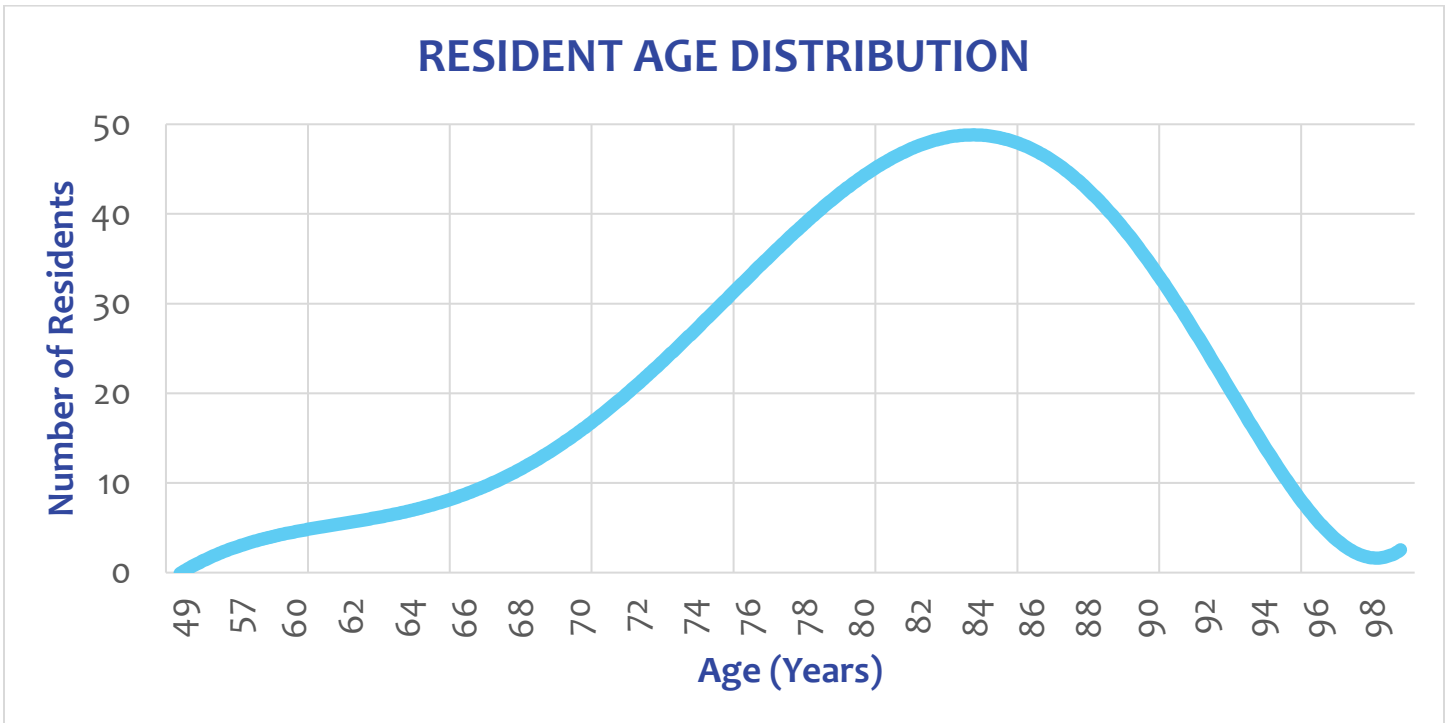
- ★ Are 60 years of age or over; and were discharged or released from service in the Armed Forces under honorable conditions after 20 or more years of active service.
- ★ Persons who are determined under rules prescribed by the COO to be incapable of earning a livelihood because of a service-connected disability incurred in the line of duty in the Armed Forces.
- ★ Served in a war theater during a time of war declared by Congress or were eligible for hostile fire special pay and were discharged or released from service in the Armed Forces under honorable conditions; and are determined under rules prescribed by the COO to be incapable of earning a livelihood because of injuries, disease, or disability.
- ★ Served in a women’s component of the Armed Forces before June 12, 1948; and are determined under rules prescribed by the Chief Operating Officer to be eligible for admission because of compelling personal circumstances.

Persons ineligible to be Residents: A person who has been convicted of a felony or is not free of drug, alcohol, or psychiatric problems shall be ineligible to become an AFRH Resident.



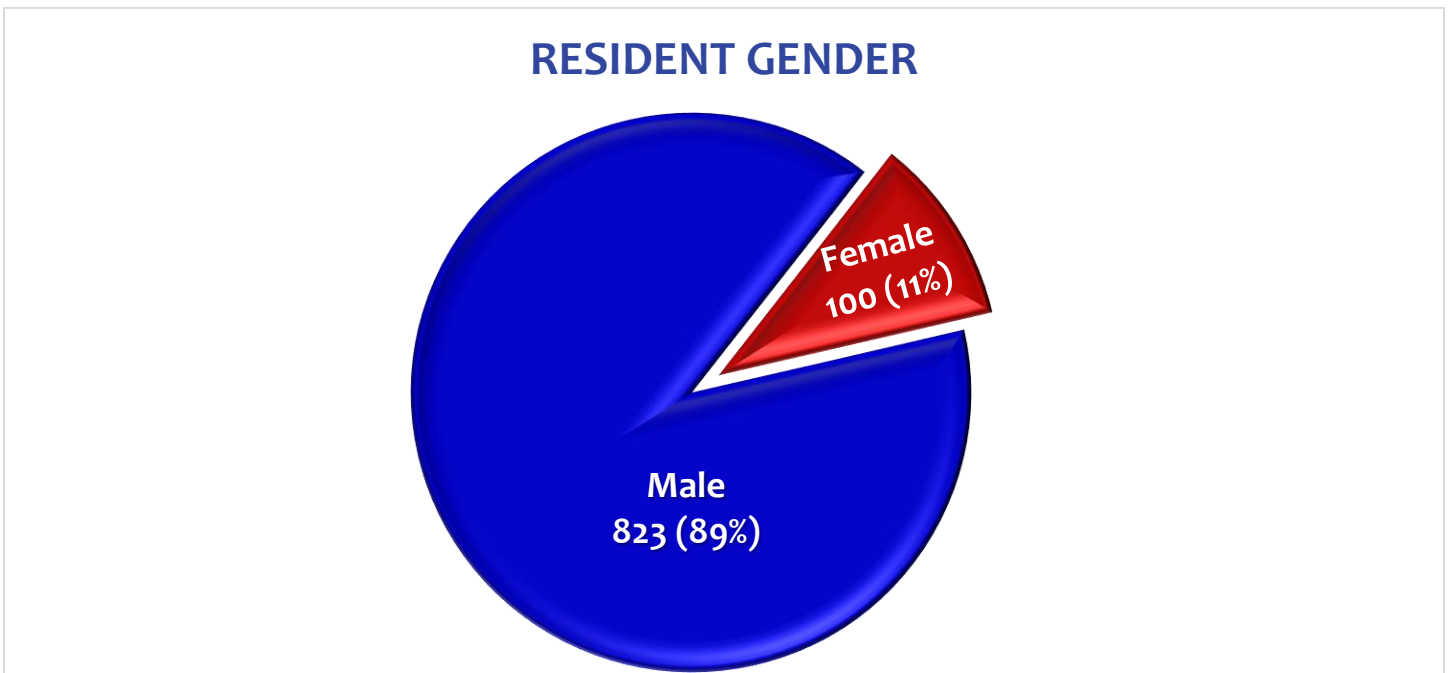
★ RESIDENT AGE DISTRIBUTION

Although most Residents must be at least 60 years old to be eligible to enter AFRH, Residents range in age from 50 to 101 with an average age of 82.8.



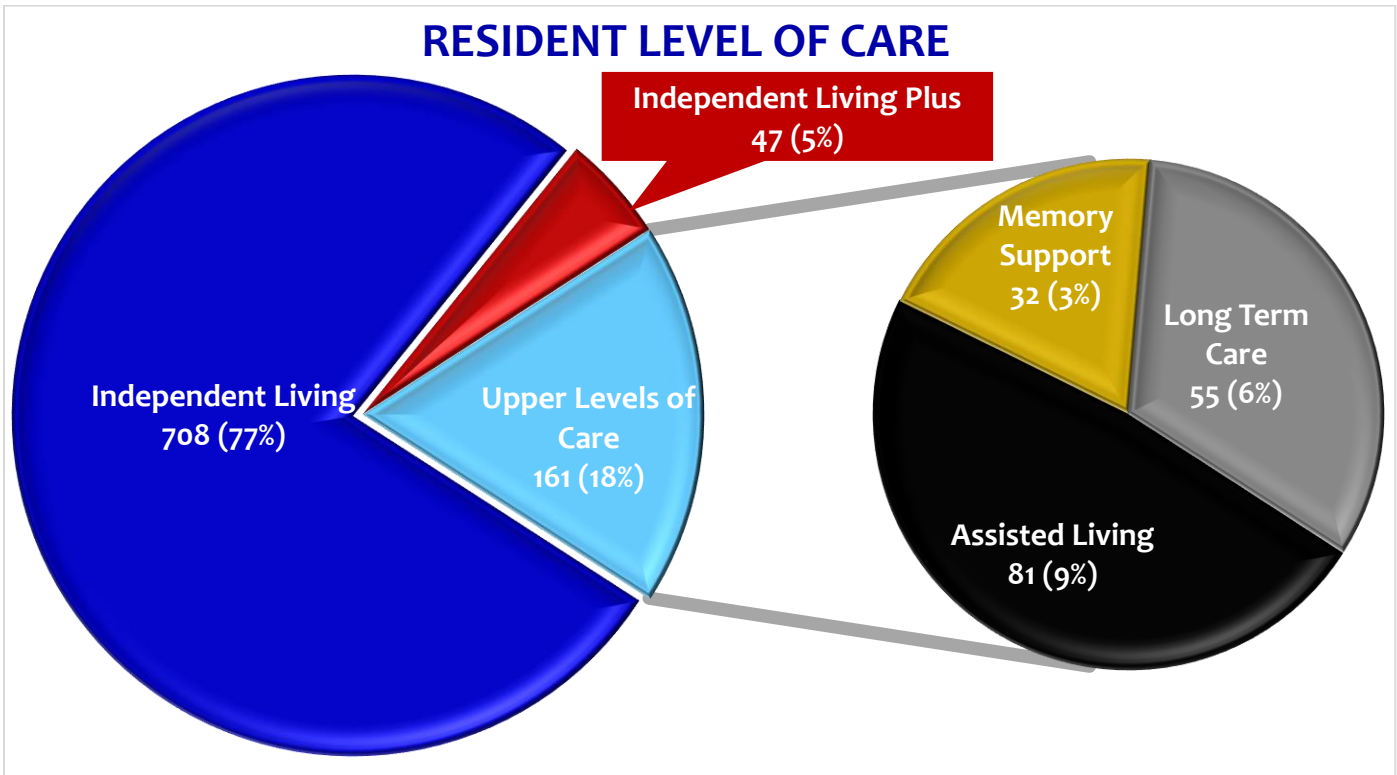
★ RESIDENT GENDER

Since the establishment of both facilities, the majority of Residents have been male; however, the percentage of female Residents is slowly increasing.



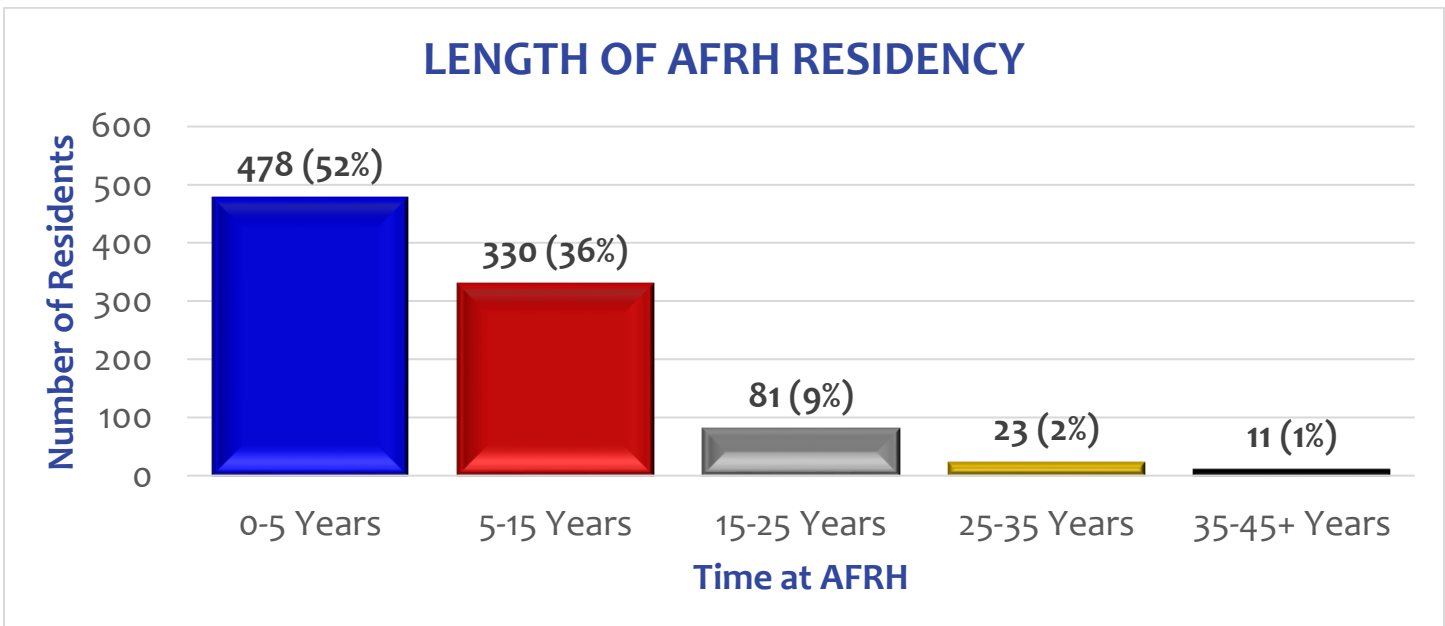
★ RESIDENT LEVELS OF CARE

The majority of AFRH Residents live in independent living rooms with upper levels of care reserved for current Residents when they need additional services.



★ LENGTH OF AFRH RESIDENCY

The average length of residency at AFRH is 7.1 years; the longest residing member of the AFRH community has lived at the AFRH-W for 47 years.



2016 HIGHLIGHTS



The AFRH COO addresses a group of AFRH-W Residents at a Town Hall gathering.

★ CORPORATE HIGHLIGHTS

FY 2016 Agency initiatives focused on greater efficiency and effectiveness including:

★ New Chief Operating Officer (COO)

AFRH welcomed Dr. Timothy Jon Kangas in April 2016 as the AFRH COO. Dr. Kangas brings a wealth of experience and vision to AFRH. His previous experience, successfully leading other organizations of similar size and scope, will provide valuable assistance to AFRH in achieving its mission.

★ The Joint Commission Accreditation (TJC)

TJC performed Home Care accreditation surveys at both Homes in late FY 2016 for AFRH's newest level of care, ILP. AFRH expects favorable results when TJC delivers their Home Care assessment survey findings in early FY 2017. This final accreditation fulfills the legislative requirement for AFRH to be accredited by a nationally recognized credentialing body for all AFRH programs.



★ Commission on Accreditation of Rehabilitation Facilities (CARF)

In August 2016, CARF performed reaccreditation surveys at both Homes for AFRH's largest Resident population—IL. AFRH has been CARF accredited since 2008. Both Homes received reaccreditation in September 2016 which is valid through 2021.

★ AFRH-W Historic Sherman Building Expanded Lease

The DC charter school lease further expanded in FY 2016 when the school grew faster than originally anticipated increasing their leased space by >20%. The charter school lease not only provides Trust Fund revenue, but also reduces AFRH operating costs, serves the surrounding community, provides a much-needed refurbishment and restoration of the historic Sherman building, offers an additional volunteer opportunity for AFRH-W Residents and provides intergenerational activities for Residents.

★ Dining and Custodial Efficiency Studies

In a continuing effort to seek cost efficiencies, AFRH conducted an independent assessment of dining and custodial contracts. The study identified a number of efficiencies, both realized and potential, which could be implemented with minimal impact on Resident services. AFRH implemented some efficiencies in FY 2016 and will implement additional efficiencies in FY 2017.

★ Key Positions Filled

AFRH filled a number of key positions in Corporate leadership and Campus staffing in FY 2016. Notable vacancies filled included: COO, Public Affairs Officer, AFRH-G Dental Officer, AFRH-G Wellness Center Manager, AFRH-W Wellness Center Manager, Corporate Nurse Consultant, Corporate Credentialing Administrator, AFRH-G Medical Officer, AFRH-G Resident Services Chief, AFRH-W Healthcare Services Chief and AFRH-W Chief Medical Officer.

★ Office of Personnel and Management (OPM) Assessment and Evaluation

AFRH underwent an OPM Evaluation and Assessment in FY 2016 with positive results. The evaluation is designed to help agencies empirically demonstrate the effectiveness of their human resource programs. The evaluation assessment is customized to meet AFRH specific needs and focus on competitive hiring practices.

★ Information Technology (IT) Security

In April 2015, working with the AFRH Information Technology (IT) service provider, the Department of the Interior (DOI) Business Center, AFRH completed IT infrastructure security assessment. A new Certification and Accreditation (C&A) and Authority to Operate (ATO) were issued in May 2016 and are valid through December 2019.



★ CAMPUS HIGHLIGHTS

Throughout FY 2016, AFRH accomplished many goals and held numerous Resident and community events—many of which were supported and attended by AFRH partners and volunteers. Some of the FY 2016 noteworthy highlights are:

★ AFRH-G

★ People's Choice Award

The Sun Herald awarded AFRH-G first place in its “People’s Choice Awards” for best retirement community on the Gulf Coast. A representative from the paper presented a commemorative plaque to AFRH-G.



Sun Herald Representative presents the award to AFRH-G Administrator Jeff Eads.



★ Veterans Day Open House

To honor veterans who have served, and who are now serving, AFRH-G hosted a wreath-laying ceremony and Open House. Enhancing this event were many external partners from the armed forces, local government and community partners including the Gulfport Police & Fire Departments, the Harrison County Sheriff's Department and the Biloxi Police Department.

★ Spring Garden Open House

Each year, AFRH-G hosts a May Open House to celebrate spring and showcase the Resident-inspired landscaping and environmentally conscious design of the Campus. With the Campus open to the public, visitors took self-guided garden tours, enjoyed refreshments and browsed the displays of Resident artists' creations on sale.

★ Ride to Recovery (R2R)

AFRH-G Residents welcomed bikers participating in the Atlanta to New Orleans 470 mile challenge. The R2R bikers took a break from their 60.1-mile ride to visit with Residents and enjoy refreshments. R2R is a non-profit event held to raise funds for veteran mental and physical rehabilitation programs to assist in healing our Nation's wounded heroes.

★ Cruisin' the Coast

Car enthusiasts from 41 states, plus Canada and Sweden, drive to the Mississippi Gulf Coast each year to showcase over 8,000 classic cars. These classics cruise the beautiful 30-mile stretch of beachside highway. The AFRH-G facility was one of the scheduled stops with many Residents watching the cars or even catching a ride.

★ Sounds by the Sea

Residents were treated to several concerts throughout the year at both the Gulf Coast Symphony Orchestra and the Mississippi Coast Coliseum Crawfish Music Festival. Residents experienced great music, good food and the sights and sounds of the Gulf Coast.

★ The Victory Belles

The National WWII Museum's vocal trio, the Victory Belles came to AFRH-G from New Orleans, Louisiana to perform patriotic songs including the Armed Forces Medley sung in three-part harmony. The entertaining show of 1940's classics helps preserve America's rich musical history and is always a treat for the Residents.

★ Mardi Gras

A distinctly AFRH-G event was held as Residents, members from all five branches of service, community organizations and businesses, celebrated Mardi Gras together. This year's parade proved the largest to date, including floats decorated by volunteers, traditional "throwing of the beads", decorations, masks and even costumed dogs on loan from volunteers.



★ [AFRH-W](#)

★ **White House Tour**

AFRH-W Residents were honored to receive an invitation to tour the White House. The Residents enjoyed the tour, the opportunity to take pictures and the warm welcome they received.

★ **Veterans Day Open House**

Residents of AFRH-W were honored to have an incredible outpouring of support from guests on Veterans Day. The highlight of the day was live Resident interviews on WGTS Radio, a local metro area radio station. WGTS also provided gift bags to Residents and sponsored a brass band that played patriotic tunes.

★ **Independence Day Community Event**

AFRH-W opened its grounds to neighbors, employees, families and friends who gathered to celebrate Independence Day. This annual celebration included food, music, activities, dancing and, most importantly, a perfect view to watch the National fireworks. The event was co-hosted by our community partner, The Friends of the Soldiers Home (FOSH), to encourage Resident and neighbor interaction.

★ **Memorial Day Open House**

AFRH-W in conjunction with numerous external partners held a remembrance service including a wreath laying ceremony at Civil War General and former Senator John Alexander Logan's tomb in the United States Soldiers' and Airmen's Home National Cemetery. General Logan is best remembered as the driving force behind the movement to establish Memorial Day as a Federal holiday. His tomb is inscribed with: "Let us, then, at the time appointed gather around their sacred remains and garland the passionless mounds above them the dear old flag they saved from dishonor, let us in solemn presence renew our pledges to aid and assist those whom they left among as sacred charges upon the nations gratitude – the soldier's and sailor's widow and orphan."

★ **National Family Volunteer Day**

Distinguished military leaders, service members and their families from the Washington metro area came to AFRH-W for National Family Volunteer Day. Volunteers included a large group from Naval District Washington's Community Service Office who completed grounds maintenance and decorated for the holidays; the youngest volunteers made holiday cards and crafts for Residents.

★ **Hall of Honors Donation**

Thanks to the help of some diligent Residents, the National Museum of the Marine Corps donated a number of artifacts for display in the AFRH-W Hall of Honors. The donation included an antique snare drum, a number of uniform pieces from World War II and the Vietnam era and assorted other relics from American military history.



★ U.S. Naval Academy (USNA) Midshipmen Visit

As part of their appearance in the 2015 Military Bowl, USNA football players visited AFRH-W to share their love of the game with Residents and spend an afternoon visiting and bowling. Northrop Grumman sponsors this annual visit as part of the Military Bowl activities and provided signed footballs and tickets for Residents to attend the game, where the Midshipman were victorious.

★ Commemoration of the 50th Anniversary of the Vietnam War

Residents, staff and volunteers participated in activities to commemorate the 50th anniversary of the Vietnam War. The event was a partnership between Quantico National Cemetery and AFRH, as well as Daughters of the American Revolution, Rolling Thunder, VA Chapter 3 and Veterans of Foreign Wars Post 609. Many Residents served during the conflict and sacrificed much, as did their comrades. It was a day of both sober remembrance and respectful thanks.

★ Coast Guard Pond Project

For the 12th straight year, U.S. Coast Guard volunteers revitalized the pond located at the AFRH-W facility. This large scale project included mowing, planting, removing debris inside and around the ponds, painting, staining and refurbishing the rope fence around the water's edge. Thanks to their continued efforts, Residents can continue safely enjoying this beautiful AFRH-W amenity.



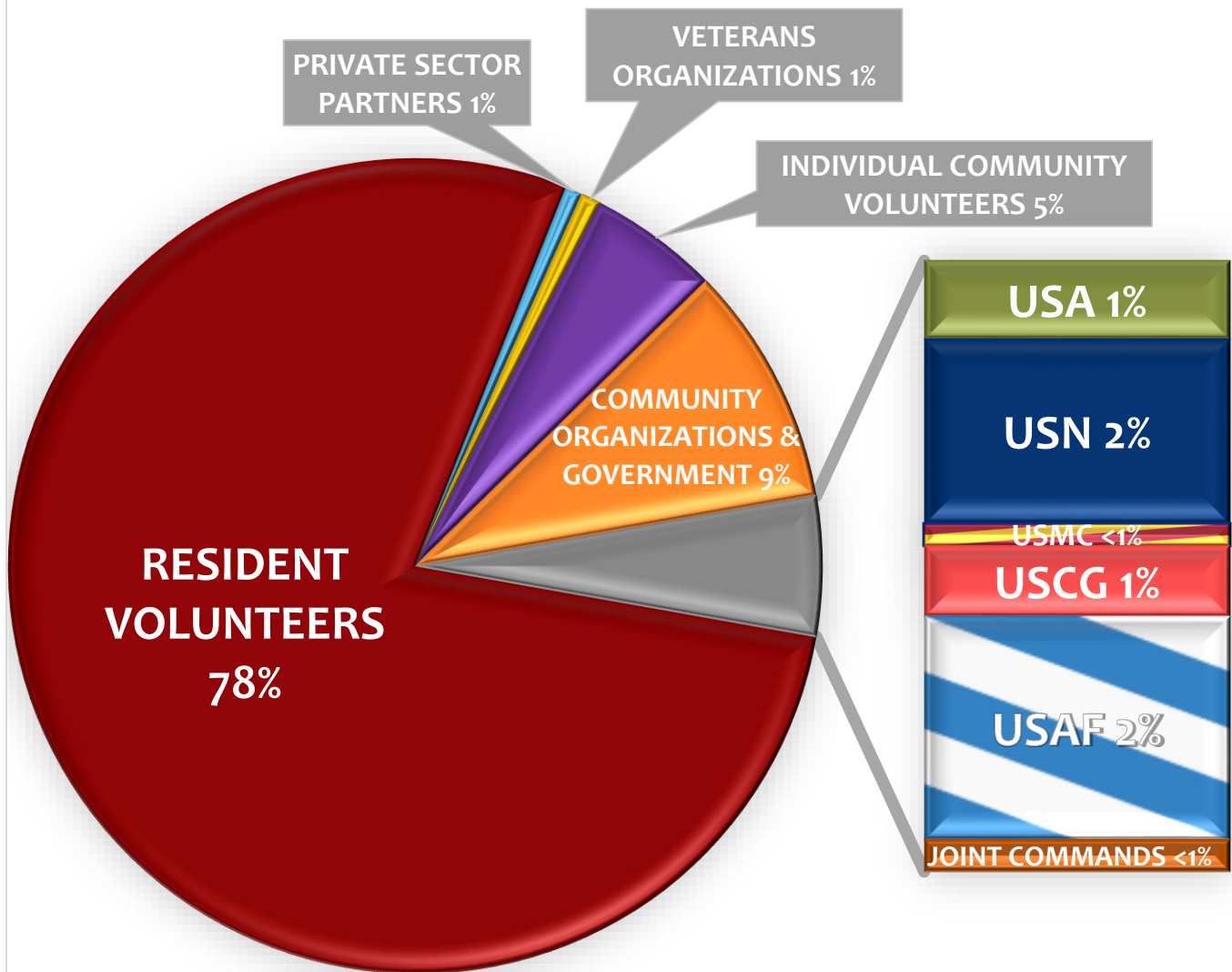
Farris Dozier (AFRH-W, USA) proudly displays the 3½ pound catch at the annual "Fishing Rodeo".



AFRH PARTNERS

To enhance and diversify services for Residents, AFRH partners with military, government and community organizations. These liaisons strengthen and enhance the entire AFRH community by providing healthcare, socialization and recreational activities. Volunteers provided more than 41,102 hours in FY 2016 assisting, enlivening, entertaining and supporting Residents as well as completing special projects. Active duty military members contribute significantly to the vast number of AFRH volunteer hours and bring an extensive array of talents and skills.

VOLUNTEER HOURS



★ U.S. ARMED SERVICES

Active duty service members, both individually and with their units, volunteer regularly and AFRH benefits from their participation and vast talents. Service members enhance Resident programs, provide individual Resident assistance, tackle special projects and support operations. Both Homes are grateful for their continued partnership with local military bases.



Army

Volunteers from the U.S. Army actively participate at both facilities providing assistance to Residents. Of note are performances by members of the U.S. Army Band “Pershing’s Own” and the U.S. Army Blues Ensemble. Their music at the annual AFRH-W holiday party never fails to entertain Residents.



Navy

U.S. Navy sailors are exemplary supporters of AFRH and its Residents, dating back to the Naval Asylum in Philadelphia. Of note is the continuous service of Naval Mobile Construction Battalion 11. These “Seabees” routinely make important facility improvements to AFRH-G and assist with special events as well as helping individual Residents in numerous ways.



Marine Corps

AFRH values the contributions the U.S. Marine Corps makes each year. This year the U.S. Marine Corps Brass Quintet of "The President's Own" Marine Band performed at AFRH-W, and the Marines from 8th and I Marine Barracks helped celebrate the U.S. Marine Corps birthday with AFRH-W Residents.



Air Force

The U.S. Air Force provides support at both Homes and is one of the largest single sources of military volunteers. Of note is the continuous contributions of the 81st Communications Squadron, whose members have volunteered at numerous AFRH-G events, along with Airmen from the 81st Training Wing.



Coast Guard

While representing only a small portion of AFRH Residents, the U.S. Coast Guard continues to provide outstanding support to AFRH-W. Guardsmen annually make grounds improvements to restore the fishing pond. This water feature is an important part of the AFRH grounds, not only providing Residents with a place to walk and fish but also adding to the diversity and ecology of the AFRH-W grounds, benefiting both Residents and the environment.



★ COMMUNITY PARTNERS

★ AFRH-G



Gulfport High School

AFRH-G Residents and Gulfport High School students have a long, productive relationship. Gulfport High School seniors regularly volunteer at AFRH-G events, and the school band performed at this year's Veterans Day commemoration. Residents maintain a scholarship fund for selected Gulfport High School seniors.



Harley Owners Groups

Members of Harley Owners Groups are regular volunteers at AFRH-G Recreation services events like bingo and annual events like Veterans and Memorial Day activities. Of note is their contribution with the Nation of Patriots Flag Ride which made AFRH-G a stop along the nationwide tour in honor of veterans. Riders with Harley Owner's Groups rode in the event and took special care to include AFRH-G Residents in the transfer ceremony.



The Girls Scouts of America

Girl Scouts have a long history of serving Residents at AFRH-G. Each year they volunteer at many recreation therapy events and memorial / commemoration services. This year AFRH-G received large donations of their famous Girl Scout cookies which were much appreciated by Residents.



Lynn Meadows Discovery Center

The Lynn Meadows Discovery Center WINGS Performing Arts Program, whose purpose is to engage and nurture pre-K to high school students in art programs, regularly performs for AFRH-G Residents. WINGS students performed at the AFRH-G Veterans Day celebration, the annual Christmas Tree lighting and during ice cream socials with both vocal and theatrical productions.



St. James Elementary School

Gulfport St. James Elementary School has a special intergenerational relationship with AFRH-G Residents. Students not only perform at various AFRH-G celebrations and activities but also host Residents at the school for various programs. The relationship grows each year as the staff, students and parents look for new ways to offer additional programs and expand the relationship.



Casey Trees



Casey Trees organizes a large group of volunteers each year to restore AFRH-W's tree canopy. In FY 2016, the volunteers planted cherry blossom trees as well as over fifty other trees, removed hazardous trees and reduced the grass footprint at the AFRH golf course.

People Animals Love



People Animals Love is the primary provider of pet therapy animals at AFRH-W each month. This program provides therapeutic visits with dogs and cats that would otherwise not be possible.

Discovery Communications



As part of their "World-Wide Impact Day", Discovery Communications has been working with AFRH-W Residents for the past five years. During their annual visit they bring over 50 employees to assist in various programs such as weeding, cleaning, assisting with cookouts and visiting Resident in all levels of care.

Friends of the Soldiers Home (FOSH)



FOSH is a 501 (c)(3) organization established to strengthen the bond between AFRH-W and the surrounding community. Each year FOSH volunteers coordinate with individuals and groups to bring a vibrant and dedicated group of volunteers to AFRH-W.

Catholic University of America



Catholic University students are regular visitors to AFRH-W recreation therapy activities. Each year students from the university's band, sports teams, clubs and individual students come to share their talents with AFRH-W Residents.

Daughters of the American Revolution (DAR)



DAR volunteers took part in this year's AFRH Vietnam War 50th Anniversary commemoration. During the official ceremony, the women of DAR recognized AFRH-W Resident Vietnam veterans, awarding them with commemorative lapel pins. Throughout the year, DAR volunteers sponsor holiday events for Residents providing refreshments and entertainment.





✦ **Susan Meckley, USA, USN - AFRH-W**

Susan Meckley is a woman with the courage to explore new frontiers. Joining the U.S. Navy in 1952, Meckley worked in Public Affairs serving at different duty stations including Aberdeen Proving Grounds, Key West, Guantanamo Bay, the Pentagon and Kansas. On one memorable occasion, Susan participated in a simulated salvage of a submarine laying on the sea floor. During the operation, Susan was elected to ride the bell to the surface. Following her service in the Navy she took a twenty-year hiatus, during which she obtained a Captain's License with the U.S. Coast Guard before joining the U.S. Army just 4 months before the age limit. One of her fondest memories in the Army was of being harnessed to the skids of a Huey helicopter to film the National Air Races.

Retiring from the Army in 1999 as a Master Sergeant, Susan once again turned her sight towards the sea. She purchased a 32-foot sailboat to live her dream of sailing the globe. By then a great-grandmother, her five children were less than thrilled. Their concerns were not entirely unjustified some 400 miles into a solo trip from Mexico to Hawaii when Susan was confronted by two potential boarders in the middle of the night. Thankfully with the help of her 12-gauge shotgun, the men departed peacefully.

Susan is a ham and proud of it. As a "ham" or amateur radio operator, a skill she picked up in the Navy, Susan continues to reach out across the globe from AFRH-W. On February 12, 2016 (Lincoln's Birthday), Susan operated an amateur radio station from Mary Todd Lincoln's bedroom in the Lincoln Cottage contacting over 16 countries on four continents using Morse code. Susan is also active with the National Park Service contacting fellow ham radio operators around the world. On June 18th Susan participated in a "Kids Day" at the White House using a ham radio to allow the kids to talk with other children around the world. When not reaching out over the airwaves, Susan volunteers with the AFRH Senior TV program televising Resident meetings and the meditation room services for other Residents to enjoy.





Part 1: Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) includes the mission and organizational structure; performance goals, objectives and results; and financial highlights, systems, controls and legal compliance. It includes a summary of AFRH's history and presents a concise view of AFRH's performance. In addition, as required, this part provides the AFRH COO management's assurance letter and information on other compliance activities. The MD&A supplements the detail data found in the Performance and Financial sections.



AFRH-G Hall of Honor houses historical items and information about the U.S. Armed Services. Many of the items have been donated by Residents.



AFRH ORGANIZATION

AFRH is an independent establishment in the Federal Executive Branch (established under 24 U.S.C. Chapter 10). The agency encompasses two facilities classified as Continuing Care Retirement Communities (CCRC), offering increased levels of care as Residents' needs increase. AFRH facilities have many residential amenities and provide resident medical care services (medical, dental, optometry, psychiatry and podiatry).

The AFRH mission is to fulfill the Nation's commitment to its veterans by providing a retirement community with exceptional residential care and extensive support services. Since its inception, AFRH's hallmark has been to provide supportive care and shared camaraderie as well as an affordable, comfortable and secure retirement.

AFRH provides a retirement home for eligible veterans who have honorably served regardless of their financial means. AFRH's unique fee structure is established by legislation and based on a sliding fee schedule to ensure eligible veterans can afford to live at the facility.

As a CCRC, AFRH provides multi-level services and various living arrangements to meet Residents' changing needs. AFRH offers five levels of care to allow Residents to "age in place". Eligible veterans must be capable of entering as an IL Resident; upper levels of care are reserved for current Residents when they need additional services.

AFRH delivers services to Residents using PCC philosophy. PCC philosophy comes from the cultural change movement in senior living promoted by CARF, one of the agency's accrediting organizations. The basis of the concept is that everybody deserves decision-making, choice and participation in their lives. AFRH fosters a culture that supports autonomy, diversity and individual choices within budget constraints. AFRH PCC is not about giving people everything they ask but delivering services while including Residents and staff in the decision-making process. The change in service delivery began in 2008 and is an ongoing conversation between Residents, staff and leadership.

✦ CORPORATE

AFRH Corporate, headed by the COO, who oversees operations and the two facilities managed by Administrators. The COO and his experienced corporate staff develop overarching policies / procedures and provide oversight of AFRH programs.

The Corporate staff implements strategic decisions that advance the organization as well as provide effective communications that keep Congress and constituents informed. The Administrators, following direction from the Agency, manage the operations of their facilities. The COO is subject to the authority, direction and control of the Secretary of Defense, delegated to the Assistant Secretary of Defense, Manpower and Reserve Affairs.



◆ CAMPUSES

Each Administrator operates a full-service retirement community, making tactical operational decisions, managing the facility and satisfying local Resident requirements. Administrators report directly to the COO. Campus staff members provide programs, activities, services, healthcare and support for residential living.

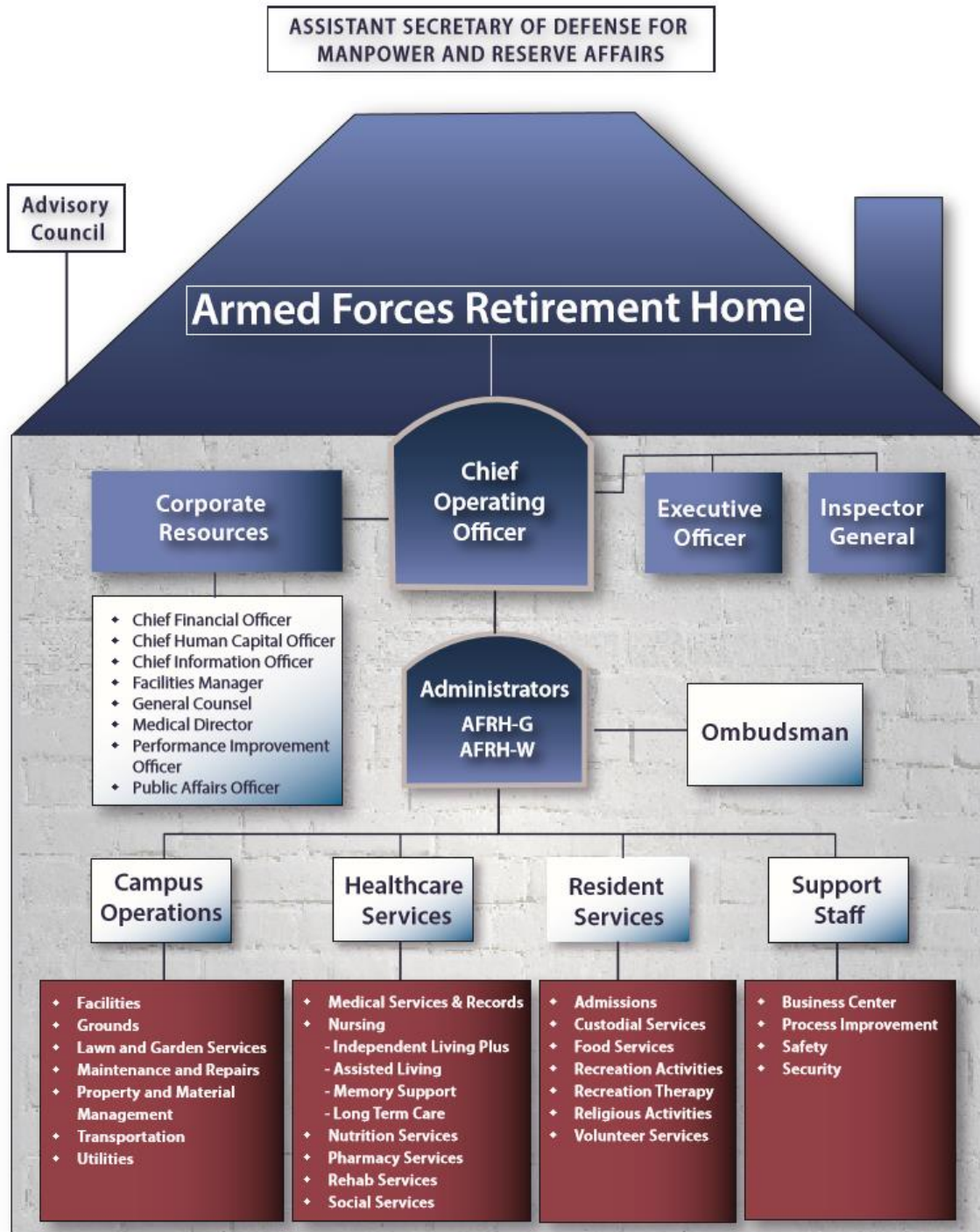


Gerry Gorsky (USN, AFRH-G) paints a beautiful landscape of the Gulfport docks and coastline in the art workshop.



★ ORGANIZATIONAL CHART

The AFRH Corporate level guides the Agency under a “One Model” structure. The “One Model” translates to having the same staffing, policies, procedures and standards of care at each Home. Both Homes provide comparable state-of-the-art amenities and similar staff configuration. Each Home delivers the same high levels of care in two comparable environments while recognizing the unique needs of its Resident population.



✦ EXTERNAL SUPPORT

★ [AFRH Advisory Council](#)

The AFRH Advisory Council provides guidance and recommendations to AFRH on the administration of the Home and the quality of care provided to Residents. Membership on the Advisory Council is stipulated per Federal legislation and includes AFRH staff, Department of Defense (DoD) leadership, local Veterans' Affairs representatives and former military. Advisory Council members attend two annual meetings and the Council prepares an annual report.

★ [Defense Health Agency \(DHA\) AFRH Senior Medical Advisor \(SMA\)](#)

The Deputy Director of DHA is the SMA for AFRH medical matters as required by 24 U.S.C. 10 and by DoD Instruction 1000.28. The DHA SMA supports AFRH in many healthcare areas by ensuring timely availability of healthcare for Residents at local DoD medical treatment facilities, recommending best practices in compliance with accreditation standards, meeting applicable healthcare requirements, assisting with interviews in key healthcare vacancies and visiting both facilities to review the medical facilities, medical operations and records. The SMA reports findings and recommendations to the COO, the Advisory Council and the Under Secretary of Defense.



AFRH-W Wellness Center nursing staff assist Resident David Nokes (AFRH-W, USN).



★ MISSION

To fulfill our Nation's commitment to its veterans by providing a retirement community with exceptional residential care and extensive support services.

★ VISION

A retirement community committed to excellence, fostering independence, vitality and wellness for veterans, making it a vibrant place in which to live, work and thrive. The Armed Forces Retirement Home (AFRH) is an independent agency in the Executive branch. AFRH provides residences and related services for certain retired and former members of the Armed Forces (24 U.S. Code 10, Subchapter 411).

The Chief Operating Officer (COO) is the head of the Home and is subject to the authority, direction and control of the Secretary of Defense. Established in the 19th century separately by the Navy and then the Army as "asylums" for aging former military, AFRH has evolved to a retirement community offering the latest in retirement living services and amenities for our current generation of military veterans. Today, AFRH has two locations in Gulfport, MS (AFRH-G) and Washington, DC (AFRH-W).

★ GUIDING PRINCIPLES

Person-centered - Person-centered Care is defined as the manner in which Resident needs are considered while developing responsive plans of care and delivering meaningful services.

Integrity - We will strongly uphold the mission of AFRH. We are honest and ethical and deliver on our commitments. We recognize that good ethical decisions require individual responsibility enriched by collaborative efforts.

Workforce Growth - We strive to hire and retain the most qualified people. We maximize their success through training and development as well as maintaining and promoting open communication.

Inspire Excellence - We continuously work to improve each process, service and its delivery, while striving for excellence in all we do. We expect excellence and reward it.

Accountability - We expect our workforce to achieve what we promise to Residents, staff and service partners. To ensure success, we measure progress and provide feedback to customers.

One vision / one mission / one organization - Success depends on our devotion to an unwavering vision and mission. Working together in different locations, under various managers and leaders, we maintain a distinct focus to serve our Residents. We collaborate and respond in a unified and single voice.

Honor heritage - We honor the rich history of the U.S. Armed Forces —from our veterans to our victories. As such, our Campus reflects that military heritage with memorabilia and tributes.



STRATEGIC GOALS AND OBJECTIVES

The AFRH Strategic Plan for FY 2013-2016 is aligned with the performance objectives of this Administration. Objectives have been set for all goals. These objectives promote serving and supporting an aging population, putting the needs of Residents first, exceptional stewardship of agency resources, promoting staff-centered environments and open dialogue with external stakeholders.

See the AFRH Strategic Plan: https://www.afrh.gov/strategic_goals

STRATEGIC GOALS	OBJECTIVES
<p>EMBRACE RESIDENT-CENTERED CARE: Each person will understand each Resident’s individual needs and take realistic action to fulfill them within AFRH resources and capabilities.</p>	<p>Enhance and increase communication with direct input from Residents and staff.</p> <hr/> <p>Develop and offer comprehensive training for staff and require parallel training for contractors and volunteers related to Resident-centered care; which is in turn tied to performance, competencies and accountability.</p> <hr/> <p>Encourage activities for Residents’ Health and Wellness.</p>
<p>MAINTAIN EXCEPTIONAL STEWARDSHIP: Pursue and implement innovative ways to deflect, reduce and manage costs by maximizing assets, resources and programs to fulfill needs and wishes of current / future Residents.</p>	<p>Utilize outside resources to lower costs (Medicare, Tricare, Historic Preservation Society, grants and fundraising).</p> <hr/> <p>Establish annual net revenue by 2013 and maintain “in the black” status.</p> <hr/> <p>Establish metrics as a high priority to enhance financial objectives.</p> <hr/> <p>Explore new revenue streams.</p> <hr/> <p>Develop and deliver a Resident-centered vision for AFRH property and services.</p> <hr/> <p>Optimize use of technology solutions.</p> <hr/> <p>Maintain and improve operations.</p>
<p>PROMOTE STAFF-CENTERED ENVIRONMENTS: Expand staff knowledge that directly impacts the accountability and efficiency of the Agency, which will in turn empower all employees to be proactive.</p>	<p>Educate staff on accreditation, inspection and regulatory standards (annually).</p> <hr/> <p>Encourage responsible displays of individual initiative to achieve organizational Goals and staff accountability (daily).</p> <hr/> <p>Link performance to results (semi-annually).</p> <hr/> <p>Encourage activities that promote workforce growth beyond training.</p> <hr/> <p>Demonstrate leadership in complying with Federally-mandated initiatives.</p>
<p>LEVERAGE EXTERNAL STAKEHOLDERS: Harness, cultivate and focus external stakeholders to become increasingly active participants who are engaged in AFRH operations in each of the next five years.</p>	<p>Explore and recommend Advisory Council membership to ensure diversity, local Campus representation and functional guidance based on membership’s expertise.</p> <hr/> <p>Partner with High Profile Drivers (HPDs) to successfully effect recommended changes in law, policy, finance, healthcare and Resident initiatives that impact AFRH.</p> <hr/> <p>Plus up opportunities to cross-flow information from known and suspected silos.</p>



PERFORMANCE HIGHLIGHTS

AFRH is committed to creating an environment that fulfills the mission of the health and wellness philosophy of aging. Resident services and healthcare services are designed to promote aging in place. AFRH’s day to day operations and physical plant have been carefully designed according to PCC philosophy.

The AFRH mission, vision and strategic plan ensure the organization is a high performing, efficient and caring residential community to serve the Nation’s veterans who call AFRH home. Part 2 of this report provides a detailed analysis of each goal and the performance results.

★ PERFORMANCE PROCESS

AFRH has established performance metrics for assessing program performance to achieve strategic goals and objectives. These performance metrics assist in identifying areas where additional management effort is needed in the coming year and recognizes agency successes. AFRH has 14 key performance metrics to assess four strategic goals.

AFRH Strategic Goal	Strategic Objectives	Performance Metrics (PM)
Resident-Centered Care	3	3
Stewardship	7	5
Staff-Centered Environment	5	4
External Stakeholders	3	2
Total	18	14

★ PERFORMANCE METRICS

For each performance metric, AFRH established annual performance target to measure the agency’s success. In FY 2016, AFRH met 93% of its performance metrics. Strategic Goal Leaders are responsible for the collection of data, measuring success and, where necessary, implementing corrective actions to address performance metrics not met.

AFRH Strategic Goal	Targets Met	Targets Unmet
Resident-Centered Care	3	0
Stewardship	5	0
Staff-Centered Environment	4	0
External Stakeholders	1	1
Total	13	1



PERFORMANCE RESULTS

FY 2015 – 2016 Performance Metrics	FY 2015 – 2016 Performance Targets	FY 2015 Results	FY 2016 Results
EMBRACE RESIDENT-CENTERED CARE			
Accreditation achieved	In good standing	CARF / TJC Accreditations in good standing	CARF / TJC Accreditations in good standing
Percentage of Resident satisfaction	Average 70%	90% or better in all areas	90% or better in all areas
Percentage of IL Resident Assessment Plans Offered	95%	99%	100%
MAINTAIN EXCEPTIONAL STEWARDSHIP			
Trust Fund solvency	Even balance of resources versus obligations	Resources available to meet obligations	Resources available to meet obligations
Accuracy of Financial reporting	Unmodified audit opinion	Unmodified audit opinion; No material weaknesses	Unmodified audit opinion; No material weaknesses
Environmental Initiatives (New in 2014)	Annual Goals met	Met annual goals and on track to meet long-range goals	Met annual goals and on track to meet long-range goals
Trust Fund Growth	Positive result of Washington Master Plan	No growth	Slight growth
Cost avoidance	1 per year	AFRH-W grounds and maintenance contract restructured	Implemented Efficiencies in Nurse Staffing and Dining / Custodial Contracts
PROMOTE STAFF-CENTERED ENVIRONMENTS			
Evidence of measurable training goals	80% participation in 4 mandatory training classes for all staff	97%	98%
“Excellent” or “Very Good” Employee Climate Survey responses	70%	70%	81%
Measurable evidence of growth beyond work activities	Development Plan	Numerous initiatives implemented	Numerous initiatives implemented
Achievable Person-centered Care	2 initiatives per year	2 initiatives	2 initiatives
LEVERAGE EXTERNAL STAKEHOLDERS			
Contributions Increase (New in 2014)	Positive Growth	Contributions increased slightly over previous year	Contributions decreased slightly
Annual community events	2 per community per year	> 2 community events at each Campus	> 2 community events at each Campus



MANAGEMENT'S STATEMENT OF ASSURANCE



**Armed Forces Retirement Home
Office of the Chief Operating Officer
3700 North Capitol Street, Box 550
Washington, DC 20011-8400**

November 10, 2016

The Armed Forces Retirement Home (AFRH) has continued to strengthen internal controls over its programs and operations during FY 2016. We are continuing a culture of responsibility and accountability to eliminate and prevent potential waste, fraud and abuse while maintaining and improving quality of care. I am pleased to report that AFRH continues to achieve its internal control objectives.

The AFRH management team is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA) of 1982. AFRH fulfills its responsibility through its partnership with our shared service providers, the Department of Interior Business Center (information technology), the U.S. Treasury Bureau of Fiscal Service (finance, human resources, procurement and travel) and Department of Agriculture National Finance Center (timekeeping). An assessment of AFRH internal control effectiveness and efficiency of operations, compliance with applicable laws and regulations in accordance with OMB Circular No. A-123, Management's Responsibility for Internal Controls has been completed. Based on the results of the assessment, AFRH can provide reasonable assurance that its internal controls are effective and efficient and compliant with applicable laws and regulations as of September 30, 2015, meeting the objective of the FMFIA. Some areas of improvement were identified that are being addressed internally and are not material in nature.

Based on these reports, I can provide reasonable assurance that internal controls over operations and compliance with applicable laws and regulations, as of September 30, 2016, were operating effectively and no material weaknesses were identified in the design or operation of those internal controls. Further, AFRH financial management systems conform to the principles, standards and related requirements prescribed by FMFIA; no material weaknesses or non-conformances were found in the design or operation of the internal controls.

Sincerely,

**TIMOTHY JON KANGAS, Ph.D. MPA
Chief Operating Officer**



MANAGEMENT ASSURANCES AND COMPLIANCES

★ Analysis of AFRH Systems, Controls and Legal Compliance

AFRH is committed to integrity and accountability in all its programs and operations through its Strategic Goal: Maintain Exceptional Stewardship. This goal drives AFRH to pursue and implement innovative ways to deflect, reduce and manage costs by maximizing assets, resources and programs to fulfill the needs of current and future Residents. AFRH fulfills all requirements in Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements.

★ Federal Managers' Financial Integrity Act (FMFIA)

OMB Circular A-123, Management's Responsibility for Internal Control, implements The FMFIA and defines management's responsibility for internal control in federal agencies. FMFIA requires agencies to establish internal control over their programs, financial reporting and financial management systems. It establishes three objectives of internal control: 1) provide reasonable assurance of effective and efficient operations, 2) comply with applicable laws and regulations and 3) provide reliable financial reporting. Effective, efficient, economical and responsible use of resources is not only good stewardship but also contributes to progress in reaching performance goals. Integrity and ethical values are emphasized throughout AFRH and communicated through training. AFRH managers and employees are accountable for performing their duties in compliance with applicable laws and regulations as well as implementing controls, assessing risks, conducting reviews and taking corrective actions as necessary.

AFRH is committed to a comprehensive internal control program which implements OMB Circular A-123 through AFRH Directive 1-11A, AFRH Internal Controls.

The AFRH Internal Control Board members provide oversight for their individual areas of responsibility and report issues and concerns through quarterly meetings. Key processes in the program include performing risk assessments, addressing any material weaknesses or significant deficiencies and implementing corrective actions. The Internal Control Board focuses on identifying and mitigating risks across the facilities, and in FY 2016, the emphasis was on healthcare risks.

To gain input on the effectiveness of the internal control process, the AFRH staff participates annually in an Internal Control Assessment Survey. The results of the self-assessment identify areas for potential improvements. In FY 2016, the surveys were offered online through a survey tool. To improve communications with employees so that they would have a better understanding of internal controls, AFRH provided training and question / answer sessions for employees.

AFRH also partners with other federal agencies for systems and services through shared service agreements for IT, finance, human resources, procurement, travel and timekeeping. These shared service systems and services provide additional internal controls to support AFRH financial reporting integrity.



AFRH sets a high standard for reliability of financial reporting. With internal controls firmly established, managers are held accountable for efficiently and effectively performing their duties in compliance with applicable laws and regulations and for maintaining the integrity of their activities through the use of internal controls. Throughout FY 2016, AFRH strengthened its financial management through watchful oversight, continual accountability and adherence to timelines.

★ **Federal Financial Management Improvement Act (FFMIA)**

The FFMIA of 1996 requires federal agency financial management systems to provide financial data that complies with federal accounting standards, federal system requirements and the U.S. Standard General Ledger (USSGL) at the transaction level. OMB Circular A-123 Appendix D, Compliance with the FFMIA of 1996, prescribes policies and standards to follow in developing, operating, evaluating and reporting on financial management systems. Substantial compliance is achieved when an agency's financial management systems routinely provide reliable and timely financial information for managing day-to-day operations as well as produce reliable financial statements.

Reliable financial reporting also includes maintaining internal control over financial reporting and financial system security. Effective and efficient operation objectives include maintaining cost-effective financial operations and ensuring resources are safeguarded against waste, loss and misuse. For FY 2016, AFRH and U.S. Treasury BFS, the agency's financial shared service provider, are in compliance. AFRH's compliance has been validated by an independent auditor opinion.

The AFRH is FFMIA compliant at the Agency and auditor levels via:

- ★ Overall substantial compliance
- ★ System requirements
- ★ Accounting standards
- ★ USSGL at transaction level

★ **Summary of Material Weaknesses and Nonconformance**

Material Weaknesses Summary – A material weakness is defined as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. As noted in the COO's FFMIA Statement of Assurance, AFRH has no material weaknesses or nonconformance to report for FY 2016 nor were there any prior year weaknesses requiring corrective action.

Deficiencies Summary – A significant deficiency is defined as a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. AFRH has no significant deficiencies to report for FY 2016 nor were there any prior year deficiencies requiring corrective actions.



★ Federal Information Security Management Act

The Federal Information Security Management Act of 2002 requires C&A of all systems and applications that reside on U.S. government networks, systems and applications. Networks, systems and applications must go through a formal C&A before being placed into production and must implement a robust continuous monitoring program. Security Assessment is the comprehensive evaluation of the technical and non-technical security features of an information system and other safeguards, made in support of the accreditation process, to establish the extent to which a particular design and implementation meets a set of specified security requirements. Authorization is a formal declaration by the Authorizing Official that an information system is approved to operate in a particular security mode using a prescribed set of safeguards at an acceptable level of risk to the agency.

The Department of Interior's (DOI) Office of the Chief Information Officer (OCIO) and the AFRH Inspector General (IG), in conjunction with the AFRH OCIO worked tirelessly throughout FY 2016 to implement updated security controls and processes that meet or exceed the requirements outlined in National Institute and Standards Technology (NIST) 800-37. Various new protocols, practices and procedures were implemented to ensure greater safeguards against cyber and insider threats. The AFRH also enhanced its Contingency Management Plan to ensure the Continuity of Operations at the agency would not suffer in the event of a cyber-attack.

AFRH received a new ATO in May 2016, which is valid through December 2019. As a part of this process, AFRH underwent a comprehensive Security Assessment that reviewed the entire AFRH enterprise infrastructure. The result of the assessment revealed several low risk items that have no risk to the AFRH IT operating environment. Plan of Actions and Milestones were developed for these low risk items, and the OCIO will track milestones and monitor until all risks have been remediated.

★ Debt Collection Improvement Act

The Debt Collection Improvement Act of 1996 prescribes standards for the administrative collection, compromise, suspension and termination of federal agency collection actions and referrals to the proper agency for litigation. AFRH monitors, administers and collects on debts. AFRH ensures current Residents with debts are making payments to satisfy their outstanding debts and refers prior Resident debts that are more than 120 days delinquent to the U.S. Treasury for collection action as required by the Federal Debt Collection Improvement Act. AFRH had **(0)** eligible, nonexempt debts delinquent more than 120 days old not referred to the U.S. Treasury for collection. In addition, recurring Resident Fees are collected by electronic funds transfer (EFT) in accordance with the EFT provisions of the Debt Collection Act.



★ Prompt Payment Act

The Prompt Payment Act requires federal agencies to make timely payments to vendors, including any interest penalties for late invoice payment and to process payments using EFT.

In FY 2016, AFRH approved 2,005 invoices subject to the Prompt Payment Act totaling \$28.7 million. Of these invoices, 99.8% were paid on time. During FY 2016, AFRH paid a total of \$7 in interest, <0.00002% of the total dollar amount invoiced. In addition, AFRH paid 97.3% of their invoice payments and travel payments via EFT. The payments not processed by EFT were payments to expired Resident estates for the refund of their final monthly Resident fee.

★ Financial Management Systems Strategy

Through the partnership with BFS, AFRH utilizes Oracle Federal Financials. Oracle Federal Financials interfaces with other systems providing e-payroll, purchase card, travel, federal investment, Intragovernmental Payment and Collection and procurement. BFS is responsible for the financial integrity and security of Oracle Federal Financials.

The U.S. Department of Agriculture National Finance Center (NFC) operates AFRH's personnel time keeping system, WEB Time and Attendance. AFRH supervisory personnel certify and submit payroll records via the WEB Time and Attendance system.

The OCFO, and BFS on behalf of the AFRH OCFO, conducts random systematic transaction sampling to check operational compliance. The CFO requires the Campus Business Centers, Contract Officer Representatives, purchase card holders and time and attendance administrators to validate that all billing, collections and payments are reported per guidance set by federal regulations.

VERIFICATION

The financial highlights presented in this part are an analysis of the information that appears in AFRH's FY 2016 financial statements as audited by an independent accounting firm. AFRH management is responsible for the fair presentation of information contained in these principal financial statements. In addition to the annual Trust Fund financial audit, AFRH undergoes a biennial review of its Non-Appropriated Funds Instrumentality and financial operations are also reviewed during the triennial DoD IG surveys.

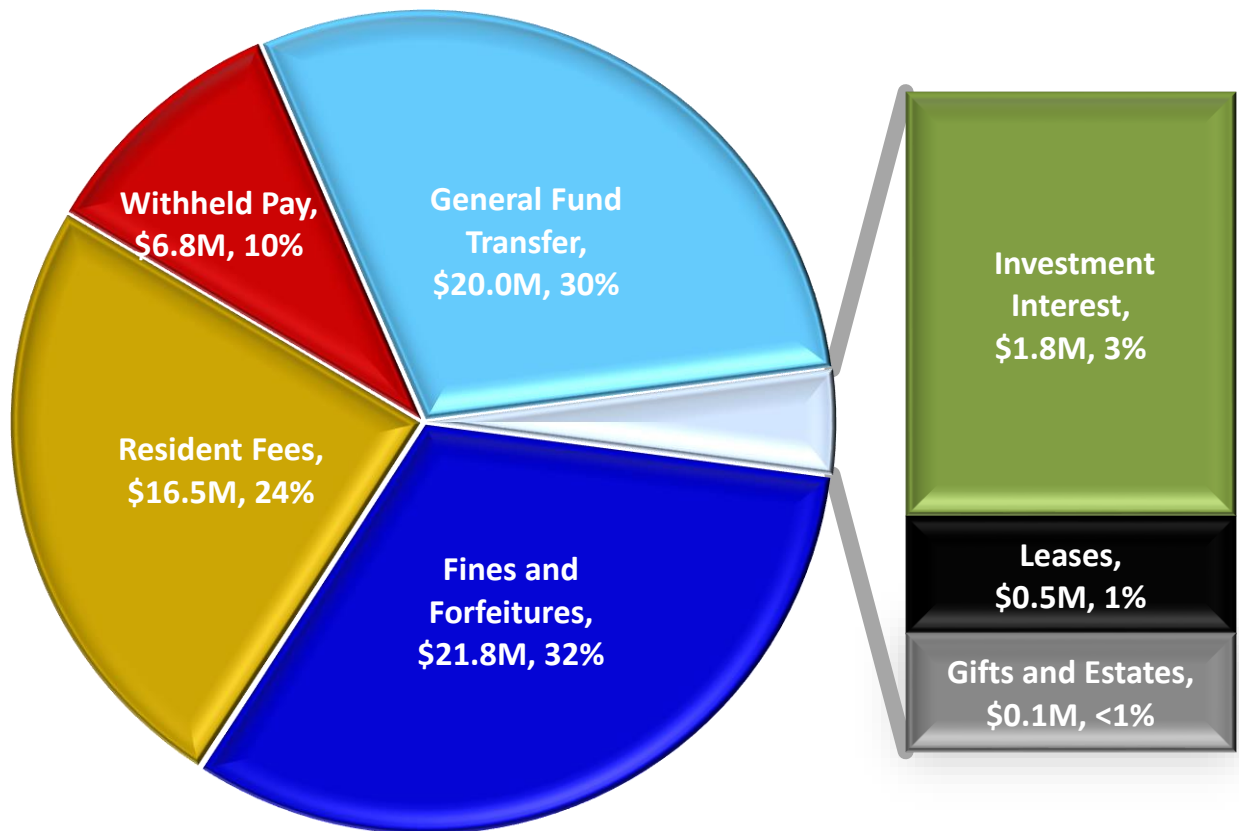


TRUST FUND

The AFRH Trust Fund is held by the U.S. Treasury and is supported by several revenue sources:

- ★ Fines and Forfeitures charged to military personnel for misconduct (\$21.8M, 32%)
- ★ General Fund Transfer (\$20.0, 30%)
- ★ Resident Fees (\$16.5M, 24%)
- ★ Withheld Pay from active duty military (\$6.8M, 10%)
- ★ Investment Interest on the AFRH Trust Fund (\$1.8M, 3%)
- ★ Leases of property (\$0.5M, 1%)
- ★ Gifts and Estates (\$0.1M, <1%)

FY 2016 REVENUE



FY 2016 Total Income - \$67.5M



Prior to FY 2016, the AFRH Trust Fund was self-sustaining, operating without U.S. General Funds to support operations and maintenance; however, due to the steady decline in fines and forfeitures which began in FY 2009, AFRH was unable to support annual operations and maintenance outlays.

In FY 2016, Congress authorized \$20M in U.S. General Funds to support the AFRH Trust Fund to ensure AFRH could meet its mission to the Nation’s veterans. AFRH continues working diligently with Congress, OMB and its DoD Leadership to develop the best strategy to ensure long-term Trust Fund solvency. Several actions including cost containment, new revenue sources and changes in current legislation will be required to rebuild the Trust Fund balance, meet annual outlays and replace revenue lost from reduced fines and forfeitures.

FINANCIAL STATEMENTS

The independent accounting firm, Brown & Company CPAs, PLLC, audited AFRH statements for FY 2016. Brown completed a comparative assessment of FY 2016 and FY 2015 Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position and Statement of Budgetary Resources.

For the 12th straight year, the auditors have issued an unmodified (clean) audit opinion for AFRH.

★ Limitations of the Principal Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with generally accepted accounting principles for federal entities and the formats prescribed by OMB, the statements 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, a sovereign entity.

★ BALANCE SHEET

The Balance Sheet reflects the AFRH’s assets and liabilities. AFRH’s assets include Trust Fund balance with Treasury, accounts receivable, property, equipment, software and investments. AFRH liabilities include accounts payable, federal employee benefits and payroll taxes.

ASSETS:			
FY 2016	FY 2015	Net changes:	% Change
\$393,877,748	\$395,864,312	(\$1,986,564)	-0.50%
LIABILITIES:			
FY 2016	FY 2015	Net changes:	% Change
\$14,663,135	\$16,103,245	(\$1,440,110)	-8.94%



★ STATEMENT OF NET COST

The net cost of operations at AFRH held steady in FY 2016 despite cost increases in federal employee salary / benefits and contract costs. AFRH absorbed these increases by implementing cost saving efficiencies. Total costs for FY 2016 and FY 2015 respectively were \$52,173,631 and \$52,073,664.

AFRH captures expenditures by Strategic Goals and consistently expends the majority of its funding on Strategic Goal 1—Resident-centered Care.

★ STATEMENT OF CHANGES IN NET POSITION

The cumulative results of operations for FY 2016 was \$379,214,613 and for FY 2015 was \$379,761,067 resulting in a net change of \$(546,454).

★ STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources provides information on budgetary resources made available to the agency and the status of these resources at the end of the FY. New budgetary authority (total budgetary authority excluding \$20M General Fund transfer, unobligated balances brought forward and prior year recoveries) was \$64.3M in FY 2016, an increase of \$0.9 (+1.4%) above the FY 2015 budget authorization of \$63.4M.

ACCREDITATIONS

The National Defense Authorization Act of FY 2009 prescribed mandatory accreditation by a nationally recognized civilian entity for each AFRH program. To fulfill its legislative requirements and commitment to provide a quality retirement community, AFRH sought and attained national accreditation through two highly respected accrediting groups which provide accreditation for the various AFRH programs offered. AFRH utilizes two accreditation organizations because of the diverse programs, independent living as well as nursing, and the lack of a nationally recognized accreditation organization which accredits both areas.

The CARF accreditation is specific to the IL program and does not provide accreditation for healthcare related programs, ambulatory care (Wellness Center), Home Care (ILP) or the upper levels of care (AL, MS and LTC).

CARF accreditation covers the largest Resident population, IL, and the programs provided to assist IL Residents in remaining independent. TJC provides accreditation for AFRH nursing areas and Wellness Clinic Programs.



★ COMMISSION ON ACCREDITATION OF REHABILITATION FACILITIES (CARF) / CONTINUING CARE ACCREDITATION COMMISSION

CARF is one of the national accrediting bodies for CCRC facilities. CARF reviews and evaluates the quality of residential care to seniors. AFRH has been CARF accredited since 2008. In FY 2016, both locations received reaccreditation which is valid through 2021.

In the five years between operational surveys, CARF and AFRH maintain Quality Improvement Plans and implement recommendations that emphasize PCC, improve safety, break down silos and streamline guidelines for Resident transitions. Recommendation milestones are updated and reviewed annually by CARF. AFRH's success in maintaining CARF standards since the previous survey in 2011 was evident during the 2016 re-survey exit conference.

★ THE JOINT COMMISSION (TJC) ACCREDITATION

In FY 2016, AFRH sought and received the Gold Seal of Approval for its ambulatory and nursing care areas through TJC. The TJC Gold Seal of Approval communicates that an organization continually improves the safety and quality of care rendered in healthcare settings and provides good risk management in delivery of services.

Receiving nursing and ambulatory care accreditations in 2015 was a major milestone in elevating Resident-centered care, one of AFRH's four strategic goals. During FY 2016 AFRH expanded its TJC accreditation to include Home Care accreditation for AFRH's ILP program. AFRH consulted with the Joint Commission Resource, Inc. (JCRINC) consultants on Home Care standards, and a JCRINC operational assessment was completed to establish a baseline for the FY 2016 Home Care accreditation survey. The JCRINC consultants' advice and guidance assisted AFRH in identifying areas where improvements were needed and developing training plans for the staff. In September 2016, Home Care accreditation surveys were completed at both Homes. AFRH is awaiting results and expects positive results for both Homes.

HUMAN CAPITAL MANAGEMENT

The AFRH Strategic Human Capital Plan (SHCP) addresses key human capital challenges. Those strategies are linked to the AFRH Strategic Goals and reflect the spirit of the AFRH Guiding Principles. Goals of the AFRH SHCP:

- ★ Maintaining a strategic human capital framework;
- ★ Cultivating a leadership culture that fosters organizational excellence and mission accomplishment;
- ★ Ensuring a culture of Person-centered Care excellence that also emphasizes employee accountability; and
- ★ Recruiting, developing and retaining a capable workforce.



★ HUMAN CAPITAL HIGHLIGHTS

The Chief Human Capital Officer (CHCO) has the responsibility to maintain a strategic focus on all matters pertaining to AFRH employees. Based on the 2010 SHCP goals, the CHCO identifies and implements tactics to focus on current employee challenges. More importantly, the AFRH Strategic Plan encompasses a high priority goal for a Staff-centered Environment. The CHCO integrates the SHCP and the AFRH Strategic Plan goals and objectives to ensure a high level of employee engagement leading to employee satisfaction.

In the 4th quarter of each FY, AFRH offers all employees the opportunity to provide their opinions and express their concerns through the Federal Employee Viewpoint Survey (FEVS). AFRH leadership joins program and support offices in focusing on areas identified for improvement while building on best practices in areas of strength. Every year, AFRH employees score highest in their belief that the AFRH mission has value. The lowest scored areas have changed as AFRH addresses previous improvement areas. In FY 2016, the top employee concerns were communication and training; AFRH leadership worked on appropriate initiatives to address these areas.

In FY 2015, OMB mandated federal agencies create and implement action plans based on their FEVS results. The 2016 FEVS action plan included additional focus groups, targeted training and continued efforts to mitigate the 2015 recommendations which included additional training opportunities, morale boosters and staff interactions.

The initiative to link AFRH strategic goals more closely with individual employee performance standards in the Individual Performance Plan (IPP) critical elements has been a great success. Close to 100% of all IPPs clearly link an employee's performance to AFRH meeting its strategic goals. One example of direct linkage is the inclusion of a critical element for AFRH employee participating in preparing for accreditations surveys which is one of AFRH's Resident-centered Care strategic goal.

Human Capital Initiatives that continue to serve all employees include:

- ★ Quarterly employee awards breakfast
- ★ Employee town halls with Administrators and the COO
- ★ Employee of the Quarter and Year awards
- ★ Quarterly newsletter
- ★ Federal service, retirement and new employee recognition
- ★ Expanded training opportunities
- ★ Additional dining options
- ★ Combined Resident / staff activities





✦ **Sam Ray Davis, USCG - AFRH-G**

Resident Sam Davis' passion is the sea, and he pursues that interest at AFRH-G through model boating. Raised in a Marine Corps family, the ocean is in his blood. His father, a Marine Corps illustrator, worked as a commercial fisherman before he served. Sam and his father enjoyed speckled trout fishing together near their Harkers Island home.

At age 17, Sam joined the U.S. Coast Guard and took to the Sea; serving over 20 years. During his time in the USCG, he served at numerous duty stations in the Atlantic, the Gulf Coast, the Mississippi River and its tributaries and the Great Lakes; performing roles such as radio beacon operator, radio watch stander, boat coxswain, officer of the deck and eventually instructor.

In keeping with his experience as an educator and a lover of the sea, Sam teaches other Residents about model boating. He enjoys sharing his love of racing radio controlled sailboats with other AFRH Residents in the AFRH-G swimming pool. The hobby not only requires an understanding of sailing but a knowledge of electronics and mechanics that are excellent for keeping an active mind. AFRH makes reasonable accommodations for Sam's hobby and the lessons he provides for Residents by making the AFRH-G pool available for his remote control sailboat races—just one example of the AFRH PCC philosophy.

Sam enjoys living at AFRH-G because he doesn't have to cook and best of all he can do his own thing. He also enjoys the clean facility and the friendly staff but above all he loves sailing in the Gulf Coast breeze.





Part 2: Performance

The Performance section presents, in detail, AFRH progress in meeting its goals and objectives. This information includes a discussion of strategies and factors affecting performance, a summary of methods used to verify and validate performance data, performance metrics and resource utilization. AFRH is committed, through its strategic vision, to create and maintain an environment that fulfills its mission through a health and wellness philosophy of aging in place.



AFRH-W Administrator, Shaun Servais, congratulates Carolyn Haug, AFRH Employee of the Year.



GOAL LEADERS

Key Agency personnel serve as Goal Leaders for each AFRH Strategic Goal developing employee performance plan standards, reporting requirements and tracking progress:

STRATEGIC GOALS	
Goal 1: Resident-centered Care	Lead--Performance Improvement Officer <i>Corporate Medical Director</i>
Goal 2: Stewardship	Lead--Chief Financial Officer <i>Chief Information Officer, Corporate Facilities Manager, Inspector General</i>
Goal 3: Staff-centered Environment	Lead--Chief Human Capital Officer
Goal 4: External Stakeholders	Lead--Public Affairs Officer <i>Executive Support Services Officer</i>

PERFORMANCE METRICS

AFRH annually reviews its performance framework and focuses on tracking and reporting the most appropriate and meaningful metrics to show effectiveness, efficiency and results. AFRH has developed performance metrics for the agency's Strategic Goals.

VERIFICATION AND VALIDATION

AFRH performance indicators are a measure of annual progress to meet the AFRH strategic goals successfully. To achieve maximum objectivity, performance targets are established at the beginning of each year and success in meeting each target is measured throughout the year. AFRH manages its performance through key annual metrics. The key metrics yield objective data as required by The Government Performance and Results Act Modernization Act of 2010 and OMB Circular A-136. AFRH performance verification and validation includes these processes:

- ★ Monitor progress against established long-term targets based on the AFRH Vision and current five-year Strategic Plan;
- ★ Maintain stewardship for the AFRH Trust Fund as well as for the facilities and grounds of the Homes as outlined in the current Strategic Plan;
- ★ Work with all managers to collaborate and develop agreed-upon annual performance targets at the Agency and facility level;
- ★ Use standard techniques to identify and validate data to generate meaningful information;
- ★ Review and discuss performance results at both Campus and Corporate meetings;



- ★ Link individual performance to strategic initiatives to track progress and to meet challenges; and
- ★ Gather feedback on performance effectiveness from agency measures, Residents, employees and surveys.

Validation of performance data is the responsibility of each program manager and is verified by Goal Leaders. To assess Agency progress, AFRH also gathers feedback from oversight organizations including the AFRH Advisory Council, DoD, OPM and the AFRH IG. An external organization performs an annual financial audit and provides an audit letter verifying the accuracy of reporting. Data and reports are presented to DoD, DHA and the Advisory Council via meetings, presentations and special information sessions.

In addition to both measuring performance indicators annually and ensuring exceptional healthcare standards, AFRH continually strives to monitor and update processes and data collection in accordance with healthcare accrediting organizations (CARF and TJC) standards. Currently, AFRH is accredited in all healthcare areas with the exception of the newly established ILP level of care.



AFRH-W Residents and staff gather for a ceremony commemorating the U.S. Army 241st birthday.



FY 2016 PERFORMANCE RESULTS

★ STRATEGIC GOAL 1: EMBRACE RESIDENT-CENTERED CARE

GOAL 1: EMBRACE RESIDENT-CENTERED CARE		
Each person will understand each Resident’s individual needs and take realistic action to fulfill them within AFRH resources and capabilities.		
Net Cost (in millions):	\$41.5M	Percentage of Total Cost: 80%
Objective 1	Enhance and increase communication with direct input from Residents and staff	
Objective 2	Develop and offer comprehensive training for staff and require parallel training for contractors and volunteers related to Resident-centered care – which is in turn tied to performance, competencies and accountability	
Objective 3	Encourage activities for Residents’ Health and Wellness	
Performance Metric (PM)	Target	Met / Unmet
PM1 – Accreditation	Accreditation in Good Standing	✓
PM2 – Resident Satisfaction	70% of Residents rate AFRH programs and services as “Excellent” or “Very Good” during the annual Resident survey	✓
PM3 – Resident Health Assessments	95% of IL Residents offered Resident Assessments annually	✓

AFRH’s mission is to provide exemplary care to its Residents by following the PCC philosophy. The concept of PCC reflects a shift from “care and protection of the body” to “support of people in obtaining lives of personal satisfaction.” In a PCC setting, the individual is empowered to become an active participant in planning, selecting and evaluating services provided by the organization and staff members are encouraged to become Resident advocates. This culture change results in individual choices that enable the person to feel as if he or she were at “home” no matter whether one lives independently or receives nursing support. In adopting the philosophy of PCC, AFRH honors Residents’ dignity, rights, self-respect and independence, within budget constraints, by giving them choices, respecting their wishes, meeting their needs, involving them in the decision-making process and keeping them as active and healthy as possible.



Goal 1 – Performance Metric 1	
Annual Performance Metric:	Accreditation
Performance Target:	Accreditation in Good Standing
Results:	<p>CARF accreditation maintained since 2008 / re-awarded in FY 2016 and valid through 2021</p> <p>TJC accreditation in Ambulatory and Nursing Care awarded to both Campuses in FY 2015 / and valid through FY 2017</p> <p>TJC Home Care accreditation operational surveys were completed in FY 2016 / positive results expected in FY 2017</p>

In accordance with 24 U.S.C. § 411, the AFRH COO is required to “secure and maintain accreditation by a nationally recognized civilian accrediting organization for each aspect of the Retirement Home, including wellness programs (medical, dental and pharmacy), IL, ILP, AL and nursing care (LTC and MS).” Since there is no single accrediting organization that covers AFRH’s multiple levels of care and services, AFRH utilizes two accreditation organizations to meet this requirement.

AFRH has maintained CARF accreditation since 2008 which accredits AFRH as a Continuous Care Retirement Community. It focuses on the services that are provided to AFRH IL Residents and the transitions of care into the other levels of care when needed. Both Homes received reaccreditation which is valid through 2021.

In FY 2016, AFRH TJC Ambulatory and Nursing Care accreditations for both facilities. These accreditations apply to the Wellness Center and three upper levels of care (AL, LTC and MS) and is valid through FY 2017. In September 2016, TJC completed a Home Care accreditation survey at both homes to accredit AFRH’s newest level of care, ILP, which was moved from a pilot to permanent level of care in FY 2015. AFRH expects favorable results when the results are received in FY 2017.

Strengthening PCC measurements to ensure evidence-based quality assessment and standardized reporting of results, AFRH explored nationally recognized and validated quality assessment tools available to access and collect data. AFRH selected the Center for Medicare Services Artifacts of Cultural Change Tool (ACCT). The ACCT is a data collection instrument that measures a set of pre-defined concrete criteria in service delivery and workplace practices, policies and schedules against results in other similar facilities. This tool works in collaboration with other means of support AFRH has in place such as Interdisciplinary Team, Needs Assessment Team and staff huddles.

The ACC tool allows AFRH to compare data with other Medicare-Medicaid certified nursing facilities in the PCC philosophy, medical, environment, community and leadership areas. This analysis provides insight on where AFRH needs to focus on additional staff- and resident- centered initiatives. AFRH continues to improve the data collected and use of the ACCT.



Goal 1 – Performance Metric 2	
Annual Performance Metric:	Resident Satisfaction
Performance Target:	70% of Residents rate AFRH programs and services as “Excellent” or “Very Good” during the annual Resident survey
Results:	>90% of Residents rated AFRH services as “Excellent” / “Very Good” in the FY 2015 survey

AFRH administers a comprehensive Resident Satisfaction Survey covering facilities, programs and customer satisfaction in key service areas, including recreation, housekeeping, healthcare, dining, facility maintenance, grounds, transportation, security, safety, community events and local military and Department of Veterans Affairs (VA) medical facilities. Residents had the opportunity to complete the survey either electronically or on paper with the assistance of dedicated volunteers who entered paper surveys into the electronic system for timely, accurate results.

More than 60% of AFRH Residents completed the survey, and the average satisfaction rate in all six customer-service areas exceeded our goal of 70%; all customer-service areas either met or approached 90% rating of excellent or good. In 2016, the most highly rated areas included the community center, library, movie theater, fitness center, bike / walking trail and thrift shop. Top-rated recreational activities included social parties, bus trips / outings, fitness classes, movies and picnics. In addition to the annual survey, Residents actively provide feedback via focus groups, town halls, the AFRH RAC, suggestion boxes and Resident interest groups.

Goal 1 – Performance Metric 3	
Annual Performance Metric:	Resident Health Assessments
Performance Target:	95% of IL Residents offered Resident Assessments annually
Results:	IL Resident Assessments were offered to 100% of IL Residents

AFRH’s Healthcare Assessment is a comprehensive assessment which includes, but is not limited to, medical history, physical examination, psychosocial assessment, medication reconciliation, risk assessment in association with existing comorbid conditions and lifestyle such as obesity, smoking, alcohol and drug abuse. In FY 2016, 100% of nursing care (AL, LTC & MS) Resident assessments were completed.

For IL Residents, AFRH completes an initial healthcare assessment upon admission to the Home and offers an annual healthcare assessment to Residents who have chosen the AFRH Wellness Center as their Primary Care Provider (PCP). AFRH encourages Residents who choose other PCPs to have an annual assessment with their PCP. CARF, our IL accreditation organization, recommends that organizations determine what is appropriate for each facility. In following CARF guidelines, AFRH’s metric is to track the percentage of assessments offered.



GOAL 2: MAINTAIN EXCEPTIONAL STEWARDSHIP		
Pursue and implement innovative ways to deflect, reduce and manage costs by maximizing assets, resources and programs to fulfill needs and wishes of current / future Residents.		
Net Cost (in millions):	\$7.3M	Percentage of Total Cost: 14%
Objective 4	Utilize outside resources to lower costs (Medicare, Tricare, Historic Preservation Society, grants and fundraising)	
Objective 5	Establish annual net revenue by 2013 and maintain “in the black” status	
Objective 6	Establish metrics as a high priority to enhance financial objectives	
Objective 7	Explore new revenue streams	
Objective 8	Develop and deliver a Resident-centered vision for AFRH property and services	
Objective 9	Optimize use of technology solutions	
Objective 10	Maintain and improve operations	
Performance Metric (PM)	Target	Met / Unmet
PM4 – Trust Fund Solvency	Even balance of resources versus obligations	✓
PM5 – Accuracy of Financial Reporting	Unmodified Audit Opinion	✓
PM6 – Environmental Initiatives	Annual goals met	✓
PM7 – Fund Growth	Positive result of Washington, DC Master Plan	✓
PM8 – Cost Avoidance	One (1) cost avoidance project implemented per year	✓

Since AFRH operates from its Trust Fund to meet operational and capital expenditures, strong stewardship is necessary to ensure the solvency of the Trust Fund. Stewardship key performance measures address monitoring revenue streams and developing alternative revenue strategies, continuing emphasis on internal controls, accurately tracking costs, expanded use of the Electronic Health Record System (EHRS) and meeting federal environmental initiatives.

A key means by which AFRH maintains exceptional stewardship is through leveraging the agency’s partnership with the U.S. Treasury BFS (financial, human resources, procurement and travel services), Department of Agriculture NFC (timekeeping), DOI Business Center (IT services) and General Services Administration / U.S. Army Corps of Engineers (real estate and property management services).



Goal 2 – Performance Metric 4	
Annual Performance Metric:	Trust Fund Solvency
Performance Target:	Even balance of resources versus obligations
Results:	Revenues and Trust Fund balance adequate to support FY 2016 obligations / expenditures

In FY 2016, AFRH operations and maintenance as well as capital improvement were supported from annual revenues and a \$20M U.S. General Fund payment to the Trust Fund. The General Fund payment was necessary to support annual outlays and replace a dramatic drop in AFRH’s largest revenue stream—fines and forfeitures.

Since expenditures have outpaced annual revenue for several years requiring withdrawals from available Trust Fund balance, the Trust Fund was unable to support additional withdrawals without the General Fund transfer. Reducing additional withdrawals from the available Trust Fund balance remains AFRH’s greatest challenge.

Goal 2 – Performance Metric 5	
Annual Performance Metric:	Accuracy of Financial Reporting
Performance Target:	Unmodified Audit Opinion
Results:	FY 2016 Clean (Unmodified) Audit Opinion

AFRH received its 12th consecutive unmodified audit opinion under the watchful direction of the CFO. Financial reporting is timely and accurate. A full discussion of the Financial Management strategy is found in the MD&A.

Goal 2 – Performance Metric 6	
Annual Performance Metric:	Environmental Initiatives
Performance Target:	Annual goals met
Results:	100% completed milestones toward meeting FY 2016, FY 2017 and FY 2020 Energy and Water Requirements

In compliance with multiple environmental Executive Orders (EO) along with various Presidential Memoranda, AFRH initiated its environmental reporting in 2012 and created performance goals to emphasize the importance of environmental factors in efficient operations. In addition to the EO requirements, maintaining proper environmental conditions for seniors has become critical for retaining CARF and TJC accreditations. In FY 2015, EO 13693 was issued which increased sustainability requirements and guidance was issued by the Council on Environmental Quality in FY 2015 and 2016. During this transition to new standards and requirements, AFRH maintained and increased sustainability efforts to support requirements.



FY 2016 Key focus areas included:

- ★ improving and streamlining data collection;
- ★ improving waste data tracking (generation and diversion);
- ★ conducting an employee commuting survey;
- ★ collecting sustainable contracts and procurement data;
- ★ sub-metering and analyzing individual buildings data;
- ★ promoting recycling and reducing waste; and,
- ★ evaluating annual progress and revisiting goals.

FY 2016 environmental and sustainability results:

- ★ accurate and timely annual reporting of Greenhouse Gas inventory, reduction targets and Strategic Sustainability Performance Plan;
- ★ continuing to reduce the agency fleet below the 2008 baseline even though the AFRH fleet is exempt from the federal petroleum reduction and alternative fuel requirements;
- ★ exploring exchanging fossil fuel fleet vehicles with hybrid vehicles.
- ★ achieving a 15% reduction below the 2008 baseline in greenhouse gas emissions even after adding a new facility in 2010;
- ★ remaining compliant with the Guiding Principles for Leadership in High Performance and Sustainable Buildings established by EO 13514 and updated by Executive Order 13693; and,
- ★ continuing to reduce waste at both facilities to meet the 50% target.

Goal 2 – Performance Metric 7	
Annual Performance Metric:	Fund Growth
Performance Target:	Positive result of Washington, DC Master Plan
Results:	Minimal Positive Growth in FY 2016

Despite AFRH not leasing the AFRH-W underutilized land which is part of the Master Plan, the Trust Fund balance grew slightly in FY 2016 due to a \$20M transfer from the U.S. General Fund to the AFRH Trust Fund. Without the General Fund payment, the Trust Fund balance would have continued its decline. AFRH is working with DoD Leadership to identify additional revenue sources for out years.



Goal 2 – Performance Metric 8	
Annual Performance Metric:	Cost Avoidance
Performance Target:	One (1) cost avoidance project implemented per year
Results:	One (1) cost avoidance project implemented

Each year AFRH identifies and implements at least one cost avoidance initiative. For FY 2016, AFRH successfully identified and implemented two initiatives to contain costs while maintaining quality Resident services:

- ★ **Dining and Custodial Services** - Completed an independent dining and custodial service workload assessments to identify areas for efficiency. AFRH implemented several efficiencies to contain costs resulting in a savings of \$200K in FY 2016 and for out years. AFRH anticipates implementing additional cost efficiencies in FY 2017.
- ★ **Nurse Staff Scheduling** - Continued to improve internal controls on nurse scheduling practices at both Campuses enabling AFRH to reduce federal overtime and reliance on contract employees. The nurse scheduling software provided greater internal controls on daily staffing which resulted in a 20% reduction in federal overtime and a 15% reduction in contract costs.



AFRH-W staff prepare for the annual fire drill.



GOAL 3: PROMOTE STAFF-CENTERED ENVIRONMENTS

Expand staff knowledge that directly impacts the accountability and efficiency of the Agency, which will in turn empower all employees to be proactive.

Net Cost (in millions): \$3.1M Percentage of Total Cost: 6%

Objective 11	Educate staff on accreditation, inspection and regulatory standards (annually)
Objective 12	Encourage responsible displays of individual initiative to achieve organizational Goals and staff accountability (daily)
Objective 13	Link performance to results (semi-annually)
Objective 14	Encourage activities that promote workforce growth beyond training
Objective 15	Demonstrate leadership in complying with Federally-mandated initiatives

Performance Metric (PM)	Target	Met / Unmet
PM9 – Evidence of Measurable Training Goals	80% staff participation in four mandatory training classes	✓
PM10 – Employee Viewpoint Survey	70% Employee Climate Survey responses of “Excellent” or “Very Good”	✓
PM11 – Growth Beyond Work Activities	Seek and implement employee recommendations	✓
PM12 – Person-centered Care Initiatives	Two (2) successful initiatives completed	✓

AFRH’s vision is a workplace where employees can thrive. Being accredited by CARF whose mission, vision, core values and purposes center on the persons served, AFRH has created an environment which ensures a working partnership satisfying to both persons served and the staff. In that way, AFRH is staff-centered in the delivery of its services.

The FY 2016 staff-centered key performance indicators address employee training, employee feedback about their working environment and policies / procedures to help the workforce expand their skills. The 2016 employee survey showed improvement from the prior year, proving that initiatives had been effective. AFRH employees yet again overwhelmingly indicated they feel the AFRH mission is important. Receiving high dedication to the agency mission is a major achievement in the Federal government workforce.



Goal 3 – Performance Metric 9	
Annual Performance Metric:	Evidence of Measurable Training Goals
Performance Target:	80% staff participation in four mandatory training classes
Results:	90% staff participation in at least four mandatory training classes

The overall result for FY 2016 was well over the target due to increased awareness of requirements and more frequent training opportunities.

Updates to the individual performance assessment form were the focus of the 2016 mandatory class on Performance Management for raters. IPP is used for the performance cycle (July 2015 to June 2016). Performance Management training not only emphasized the linkage to AFRH strategic goals but also offered examples from the successful rollout of this improved methodology to assess AFRH employee performance. These examples illustrated the process and correct language used in different job categories, and the learning tool was helpful for greater understanding for both raters and non-raters.

To support the preparations for TJC Home Care accreditation, training classes were developed to expand staff’s knowledge of TJC requirements. Supervisory training was a priority throughout the year. Supervisors were presented information and tools they need to conduct performance reviews, discipline employees, handle challenging employees, conduct effective meetings and motivate employees. Mandatory classes (depending on responsibilities) included: Ethics, healthcare privacy, safety, IT security awareness, Equal Employment Opportunity Act, No Fear Act, worker's compensation, performance management, PCC, Resident rights, suicide prevention, appropriations law and Contract Officer Representative.

Continuing the initiative started in FY 2015, AFRH increased the number of web-based training opportunities including diversity, supervisory basics, training methods for adult learners and communication techniques to reach the intended audience.

Goal 3 – Performance Metric 10	
Annual Performance Metric:	Employee Viewpoint Survey
Performance Target:	70% Employee Climate Survey responses of “Excellent” or “Very Good”
Results:	81% responses of “Excellent” or “Very Good”

Each year OPM releases the FEVS across the federal government. The FEVS survey provides federal employees the opportunity to confidentially provide supervisors and managers’ feedback on areas working well and areas recommended for improvement, specific job feedback and overall work environment assessment. This survey is a key tool to ensure employee engagement. Since the survey is voluntary, online and confidential; it is the best way for employees to express opinions. The survey provides federal agency to compare their results with the results from other agencies for standard



questions while including agency specific questions. AFRH uses the feedback to identify areas requiring improvement and has implemented several initiatives based on survey results.

In 2016, favorable scores showed improvement in employees’ satisfaction in the organization with the highest scores ranging between 93% - 98% favorable employee feedback that the work performed is important. Overall job satisfaction rose to 81%, an increase from the previous year. These scores demonstrate the AFRH employee climate has stabilized and employees are recognizing efforts to improve in needed areas.

Consistently, AFRH receives outstanding survey results in employee support of the AFRH mission. FY 2016 results for employees rating the agency mission and their work as important was the same as previous years at 98%. Such a high percentage in mission value is unique in the Federal government and is a common theme with AFRH employees. However, individual question results show lower satisfaction numbers in areas such as Employee Assistance Program. Efforts to expand communications about AFRH’s Employee Assistance Program are underway. Other areas of low satisfaction include Alternate Work Schedules and the opportunity for promotion. As a small agency, AFRH is at a disadvantage in its ability to provide full support of Alternate Work Schedules as well as to have wide promotion potential.

Goal 3 – Performance Metric 11	
Annual Performance Metric:	Growth Beyond Work Activities
Performance Target:	Seek and implement employee recommendations
Results:	Multiple Employee recommendations implemented

From the FEVS results and ongoing dialogue when results are presented in employee forums, AFRH actively uses employee recommendations to provide workforce improvements. During FY 2016, AFRH implemented these initiatives to address areas for improvement based on the FY 2015 FEVS results:

- ★ more opportunities to meet with managers to facilitate team communication and cohesiveness;
- ★ training on how to achieve an outstanding performance evaluation;
- ★ increasing engagement between employees and AFRH leadership;
- ★ expanding on-site training opportunities to include key healthcare topics; and,
- ★ offering support for employees pursuing college degrees.

AFRH explored various requests to determine the feasibility of implementing recommendations considering federal regulations and budget constraints. The following initiatives are under consideration:

- ★ exploration of and expanded online training opportunities; and,
- ★ tuition assistance as an AFRH policy funded open to employees meeting certain criteria.



Goal 3 – Performance Metric 12	
Annual Performance Metric:	Person-centered Care Initiatives
Performance Target:	Two (2) successful initiatives completed
Results:	Two (2) successful initiatives completed

PCC philosophy is not only Resident-centered Care but also staff-centered. AFRH implemented two staff-centered PCC initiatives in FY 2016 in addition to the Resident-centered care initiatives discussed in Goal 1:

- ★ **AcuStaf Software for Nursing Scheduling** – This AFRH PCC initiative for automating nursing scheduling is a boost for all AFRH healthcare employees. AFRH operations and nurse staffing are based on a combination of care and service practices. The manual creation of staffing schedules for healthcare, particularly nursing, has been time-consuming and laborious. During FY 2016, AFRH implemented nurse staffing software to reduce the amount of time required to manage nurse scheduling and improve accuracy of scheduling. Since the system is web-based with 24 / 7 employee accessibility, it allows AFRH staff to view schedules and participate as needed. With its comprehensive reporting tools and ability to identify additional shift requirements, AFRH has been able to reduce costs while maintaining quality Resident care, developing productivity measurements and streamlining scheduling processes. AFRH continues to monitor the implementation of AcuStaf to ensure its meeting AFRH and employee needs.
- ★ **Improved Communications** – As a follow-up to the FY 2015 communications initiative, AFRH continued to improve communications by developing more frequent communication opportunities between managers and staff, assist managers in communicating changing processes / procedures and ensure key information is received by every team member, top to bottom. AFRH held forums for employees to provide feedback, gain input and discuss impacts with managers and supervisors. Employees continue to respond favorably to these initiatives and appreciate their inclusion, opportunity for collaboration and ability to express concerns and issues. With a change in leadership during FY 2016, the new COO, as well as other managers, provided open forums to listen and learn about his goals, vision and direction for AFRH. The end result has been an increased sense of transparency and an expanded employee voice at both facilities. As confirmed by the FEVS employee climate survey results, the overall results showed greater satisfaction with the organization.



★ STRATEGIC GOAL 4: LEVERAGE EXTERNAL STAKEHOLDERS

Harness, cultivate and focus external stakeholders to become increasingly active participants who are engaged in AFRH operations.

GOAL 4: LEVERAGE EXTERNAL STAKEHOLDERS			
Harness, cultivate and focus external stakeholders to become increasingly active participants who are engaged in AFRH operations in each of the next five years.			
Net Cost (in millions):	\$0.3M	Percentage of Total Cost:	<1%
Objective 16	Explore and recommend Advisory Council membership to ensure diversity, local Campus representation and functional guidance based on membership's expertise		
Objective 17	Partner with High Profile Drivers to successfully effect recommended changes in law, policy, finance, healthcare and Resident initiatives that impact AFRH		
Objective 18	Plus up opportunities to cross-flow information from our known and suspected silos		
Metric	Target	Met / Unmet	
PM13 – Partner Contributions	Increased partner contributions	✘	
PM14 – Annual Community Events	Two (2) community events held at each facility	✔	

FY 2016 organizational key performance indicators for External Stakeholders strategic goal addressed expanding public awareness of AFRH to increase assistance and support to AFRH, seeking and maintaining new and current partners of the AFRH, expanding communications with potential Residents, family members, military stakeholders and community groups to increase contributions to AFRH and establishing and implementing a marketing and communication strategy to maximize Resident admission.

Goal 4 – Performance Metric 13	
Annual Performance Metric:	Partner Contributions
Performance Target:	Increased partner contributions
Results:	Contributions decreased

Although legislation prohibits AFRH from soliciting, AFRH is improving marketing to ensure veterans and potential contributors are aware of AFRH and its services. AFRH contributions decreased in FY 2016. AFRH's team has modernized communications with external partners and are using new



technologies to convey a compelling message to prospective Residents and their families, reinforcing AFRH’s commitment to provide a high quality of life to all eligible veterans.

Gifts and donations to the AFRH Trust Fund are tax exempt and used for the direct support of Residents through medical care, physical therapy, recreation and campus operations. In FY 2016, AFRH received \$0.1M in gifts / donations.

Key FY 2016 marketing initiatives included:

- ★ Redesign of AFRH marketing material;
- ★ Consistent advertising in the many military-related online and print publications;
- ★ Worked with Defense Media Agency to produce a high quality promotional video, highlighting both Homes; and,
- ★ Establish a stronger relationship with State VA representatives.

Goal 4 – Performance Metric 14	
Annual Performance Metric:	Annual Community Events
Performance Target:	Two (2) community events held at each facility
Results:	Two (2) community events held at each facility

AFRH created its annual community events requirement to support outreach to external stakeholders. Each facility tailors events to the local community, drawing supporters, families and friends to celebrate special events, military-themed celebrations and fun-filled activities.

Both facilities exceeded their target of two events and continued to seek ways to partner with their neighbors. AFRH-G community events included Cruisin’ the Coast, Veterans Day Open House, Spring Garden Open House and Ride to Recovery. AFRH-W Community Events included the Veterans Day Open House, Memorial Day Open House and Independence Day Community Event.





★ Norma Gene Rambow, USMC – AFRH-W

Norma Gene Rambow wanted to become a teacher before the bombing of Pearl Harbor. However, when the news of the attack reached Indiana State Teachers College where she was a freshman, her first reaction was anger. Unable to enter the U.S. Marine Corps Women's reserve until she was twenty years old and further delayed by a family emergency, that anger stayed with her for two years. Finally, in November of 1943 she had the opportunity to turn that anger into action.

Upon entering the Marine Corps, Norma had hoped to serve through photography but the USMC had more practical needs. Like all fighting forces, the Corps ran on the troop's stomachs and needed cooks and bakers. While not her ideal post, Norma was diligent in her duties. She quickly rose from Assistant Cook to Chief Cook to Wing Sergeant and finally Supply Sergeant. She counts the friendships she made in the Corps as one of her life's blessings.

Following World War II, like many service members, she started a family. However, she would not let that stop her from fulfilling her dream of teaching. In 1956 she enrolled in Western Michigan University. Carpooling with teachers from a local school, by the end of the semester she received a call from the superintendent offering her a job. This marked the start of her 27-year career of teaching Indiana students; all while finishing her bachelors, masters and raising a family.

At AFRH-W Norma continues teaching with the new Creative Minds International Public Charter School, located on the AFRH-W Campus, she volunteers with the Reading Buddies program helping DC students find a love of learning. She also volunteers to keep other Residents active at AFRH-W sharing her hobbies of needlework, quilting, embroidering and singing in three separate choir groups.





Part 3: Financial

This part of the report, Financial, provides financial information required by the Chief Financial Officers Act of 1990. The Financial part provides AFRH financial statements for the current and preceding year as well as an audit opinion for the current year. Required notes are included to provide full disclosure and support the amounts presented in the financial statements. These formal financial records document AFRH activities at the transaction level, where a "financial event" occurs. A financial event is any occurrence having financial consequences to the Federal Government related to receipts or other financial resources; acquisition of goods or services; payments or collections; recognition of guarantees, benefits to be provided and potential liabilities; or other reportable financial activities.



AFRH-W Business Center personnel prepare for monthly Resident Fee billing.



CHIEF FINANCIAL OFFICER MESSAGE



**Armed Forces Retirement Home
3700 North Capitol Street, NW
Washington, DC 20011-8400**



November 10, 2016

I am honored to present the Fiscal Year (FY) 2016 financial statements for the Armed Forces Retirement Home (AFRH). AFRH is firmly committed to the highest standards of financial reporting and accountability under federal regulations. This Performance and Accountability Report (PAR) is the principal report provided to the President, Congress and the American people on the stewardship of AFRH Trust Funds and provides transparency and accountability to stakeholders and the American public.

AFRH has received an unmodified (clean) audit opinion with no material weaknesses on its FY 2016 financial statements. AFRH is proud of its stellar record of 12 consecutive unmodified audit opinions; a record that demonstrates effective internal controls over financial reporting and financial management systems. AFRH contracts with a private independent accounting firm, Brown and Company CPAs, PLLC annually, to audit the financial statements in accordance with Generally Accepted Government Auditing Standards and Office of Management and Budget (OMB) Bulletin 15-02: Audit Requirements for Federal Financial Statements.

AFRH's commitment to sound financial management and to upholding high standards of accountability and transparency in FY 2016 included several key accomplishments:

- A continued record of unmodified audit opinions with no material weaknesses, significant control deficiencies, or non-conformance with the Federal Managers' Financial Integrity Act (FMFIA) and other applicable laws and regulations.
- Implementation of additional key cost efficiency activities that included a reduced reliance on contract staff and federal overtime for nurse staffing and increased efficiencies in grounds maintenance and dining operations, while maintaining a high standard of excellence in the services offered to our Residents.
- The final step of a two-step reasonable and equitable increase in Resident fees providing additional revenue to support the Trust Fund.



The most serious challenge for AFRH in the immediate and long-term is its Trust Fund solvency. The Trust Fund is in danger of depletion and immediate actions are being taken to buttress the Fund. In FY 2016, AFRH continued working with the Department of Defense to identify possible opportunities to increase revenue and develop a long-term solvency plan.

In FY 2017, AFRH will focus on increasing Trust Fund revenue and identifying and implementing additional cost efficiencies while maintaining our stellar performance on key financial indicators, ensuring full compliance with federal regulations and providing outstanding Resident services. Through the dedicated work of our talented staff, I am pleased with our successes in FY 2016 as highlighted in the PAR, yet recognize that AFRH will have additional work in the near future to meet the Trust Fund solvency challenges ahead. I am confident that through strong partnerships with Congress, OMB and DoD we will continue to build on our successes and exceed expectations as we confront challenges head-on in order to continue to provide exceptional care for our Nation's heroes.

Sincerely,



VICKI T. MARRS
Chief Financial Officer





BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT

Armed Forces Retirement Home
Washington, DC

Report on the Financial Statements

We have audited the accompanying balance sheets of the Armed Forces Retirement Home (AFRH) as of September 30, 2016 and 2015, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted government auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 15-02, Audit Requirements for Federal Financial Statements. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes test of compliance with provisions of applicable laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosure in the financial statements. The purpose was not to provide an opinion on compliance with provisions of applicable laws, regulations, contracts and grant agreements and, therefore, we do not express such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

1101 MERCANTILE LANE, SUITE 122 • LARGO, MD 20774
PHONE: (240) 770-4900 • FAX: (301) 773-2090 • mail@brownco-cpas.com • www.brownco-cpas.com



Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AFRH as of September 30, 2016 and 2015, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with U.S. generally accepted accounting principle.

Other Matters

Required Supplementary Information U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis (MD&A), and Required Supplementary Information (RSI) sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Message From CFO, Message From The COO and the Other Information sections are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the AFRH's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of providing an opinion on internal control. Accordingly, we do not express such an opinion.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. During the audit of the financial statements no deficiencies in internal control were identified that were considered to be a material weakness. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether AFRH's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations and contracts applicable to the AFRH. The objective was not to provide an opinion on compliance with those provisions of laws, regulations, contracts and grant agreements, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards or OMB Bulletin No. 15-02.

Management's Responsibility for Internal Control and Compliance

AFRH's management is responsible for (1) evaluating effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness of internal control over financial reporting, and (3) ensuring compliance with other applicable laws and regulations.

Auditor's Responsibilities

We are responsible for (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin No. 15-02 requires testing, and (3) applying certain limited procedures with respect to the MD&A and other RSI.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing control over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to AFRH. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin No. 15-02 that we deemed applicable to AFRH's financial statements for the fiscal year ended September 30, 2016. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.



Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of AFRH's internal control or on compliance. These reports are an integral part of an audit performed in accordance with Government Auditing Standards in considering AFRH's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

This report is intended solely for the information and use of the management of AFRH, OMB, and U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.



Largo, Maryland
November 10, 2016

BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC



PRINCIPAL FINANCIAL STATEMENTS

The AFRH management is responsible for the fair presentation of information contained in the principal financial statements. The independent accounting firm, Brown & Co. CPAs, PLLC, audited these FY 2016 financial statements.

These statements should be read with the understanding they are for a component of the U.S. Government, a sovereign entity. Shared service providers, U.S. Treasury BFS and U.S. Department of Agriculture National Financial Center NFC, processed payroll and financial transactions under Interagency Agreements, and AFRH relies on information received from these partners (along with audits and reviews) to execute management controls.

★ FINANCIAL STATEMENTS DESCRIPTIONS

AFRH is pleased to present the following four principal financial statements and notes:

- ★ **Balance Sheet** – presents combined amounts the agency had to use or distribute (assets) versus the amounts the agency owed (liabilities) and the difference between the two (net position).
- ★ **Statement of Net Cost** – provides the annual cost of agency operations; the gross cost less any offsetting revenue is used to determine the net cost.
- ★ **Statement of Changes in Net Position** – reports the accounting activities that caused the change in net position during the reporting period.
- ★ **Statement of Budgetary Resources** – a report of available budgetary resources and the state of those resources at fiscal year-end.
- ★ **Accompanying Notes** – the accompanying notes to the financial statements describe significant accounting policies as well as detailed information on select statement line.



**ARMED FORCES RETIREMENT HOME
BALANCE SHEET
AS OF SEPTEMBER 30, 2016 AND 2015
(In Dollars)**

	2016	2015
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 3,432,667	\$ 2,438,382
Investments (Note 3)	52,034,644	44,134,712
Accounts Receivable (Note 4)	975,800	982,277
Total Intragovernmental	56,443,111	47,555,371
Accounts Receivable, Net (Note 4)	195,867	149,739
Property, Equipment, and Software, Net (Note 5)	337,238,770	348,159,202
Total Assets	\$393,877,748	\$395,864,312
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 273,598	\$ 214,645
Other (Note 8)	2,302,526	1,691,793
Total Intragovernmental	2,576,124	1,906,438
Accounts Payable	780,691	2,488,835
Federal Employee and Veterans' Benefits (Note 6)	7,479,732	7,461,312
Other (Note 8)	3,826,588	4,246,660
Total Liabilities	\$ 14,663,135	\$ 16,103,245
Net Position:		
Cumulative Results of Operations - Funds from Dedicated Collections (Note 10)	\$379,214,613	\$379,761,067
Total Net Position	\$379,214,613	\$379,761,067
Total Liabilities and Net Position	\$393,877,748	\$395,864,312



ARMED FORCES RETIREMENT HOME
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)

	2016	2015
Program Costs:		
Program: Embrace Resident-Centered Care		
Gross Costs	\$ 55,452,558	\$ 54,213,521
Less: Earned Revenue	(13,969,304)	(13,169,060)
Net Program Costs	\$ 41,483,254	\$ 41,044,461
Program: Maintain Exceptional Stewardship		
Gross Costs	\$ 9,750,054	\$ 10,778,050
Less: Earned Revenue	(2,456,180)	(2,618,107)
Net Program Costs	\$ 7,293,874	\$ 8,159,943
Program: Promote Staff-Centered Stewardship		
Gross Costs	\$ 4,170,624	\$ 2,111,590
Less: Earned Revenue	(1,050,641)	(512,928)
Net Program Costs	\$ 3,119,983	\$ 1,598,662
Program: Leverage External Stakeholders		
Gross Costs	\$ 369,637	\$ 1,678,267
Less: Earned Revenue	(93,117)	(407,669)
Net Program Costs	\$ 276,520	\$ 1,270,598
Net Cost of Operations	\$ 52,173,631	\$ 52,073,664



ARMED FORCES RETIREMENT HOME
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)

	2016	2015
Cumulative Results of Operations:		
Beginning Balances	\$ 379,761,067	\$ 398,319,605
Budgetary Financing Sources:		
Appropriations Used	20,000,000	-
Nonexchange Revenue	30,005,167	31,286,850
Donations and Forfeitures of Cash and Cash Equivalents	123,312	845,159
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 12)	1,498,698	1,383,117
Total Financing Sources	51,627,177	33,515,126
Net Cost of Operations	(52,173,631)	(52,073,664)
Net Change	(546,454)	(18,558,538)
Cumulative Results of Operations	\$ 379,214,613	\$ 379,761,067
Budgetary Financing Sources:		
Appropriations Received	\$ 20,000,000	\$ -
Appropriations Used	(20,000,000)	-
Net Position (Note 10)	\$ 379,214,613	\$ 379,761,067



ARMED FORCES RETIREMENT HOME
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)

	2016	2015
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 20,973,937	\$ 27,644,158
Recoveries of Prior Year Unpaid Obligations	2,170,628	2,555,879
Other changes in unobligated balance	354,225	15,239
Unobligated balance from prior year budget authority, net	23,498,790	30,215,276
Appropriations	84,300,000	53,667,832
Total Budgetary Resources	\$107,798,790	\$ 83,883,108
Status of Budgetary Resources:		
New obligations and upward adjustments (total)	\$ 80,799,513	\$ 62,909,171
Unobligated balance, end of year:		
Apportioned, unexpired account (Note 2)	21,797,839	17,716,571
Unapportioned, unexpired accounts	5,201,438	3,257,366
Unexpired unobligated balance, end of year	26,999,278	20,973,937
Unobligated balance, end of year (total)	26,999,278	20,973,937
Total Budgetary Resources	\$107,798,790	\$ 83,883,108
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 8,798,813	\$ 7,741,600
New obligations and upward adjustments	80,799,511	62,909,171
Outlays (gross)	(78,521,734)	(59,296,079)
Recoveries of Prior Year Unpaid Obligations	(2,170,628)	2,555,879)
Unpaid Obligations, End of Year (Gross) (Note 2)	8,905,962	8,798,813
Obligated Balance, Start of Year	\$ 8,798,813	\$ 7,741,600
Obligated Balance, End of Year (Note 2)	\$ 8,905,962	\$ 8,798,813
Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 84,300,000	\$ 53,667,832
Actual offsetting collections	(354,225)	(15,239)
Recoveries of prior year paid obligations	354,225	15,239
Budget Authority, net, (total)	\$ 84,300,000	\$ 53,667,832
Outlays, gross	\$ 78,521,734	\$ 59,296,079
Actual offsetting collections	(354,225)	(15,239)
Outlays, net, (total)	78,167,509	59,280,840
Distributed Offsetting Receipts	(17,138,742)	(15,927,034)
Agency outlays, net	\$ 61,028,767	\$ 43,353,806

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES



A. Reporting Entity

The Armed Forces Retirement Home (AFRH) was incorporated on November 1, 1991, by section 411(a) of 24 U.S.C. The AFRH is an independent agency in the executive branch of the Federal Government. The AFRH has two facilities. One is located in Gulfport, MS and the other is located in Washington, DC.

The AFRH's mission is to fulfill our nation's promise to its veterans by providing a premier retirement community with exceptional residential care and extensive support services. We support our residents' independence, dignity, distinction, heritage and future of continued life-enriching experiences. Together, the AFRH family of residents and staff create a place of caring and continual learning. We are committed to providing the best housing and support services possible and creating a true community of accomplished, independent residents, who are free to explore their talents, pursue their interests and follow their dreams.

The 1991 Defense Authorization Act created an AFRH Trust Fund (Trust Fund). Governed by limitations determined annually by the U.S. Congress, the Trust Fund is used to finance operating expenses as well as capital expenditures of the AFRH on an annual and no year basis.

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. AFRH manages an Operational General Fund. The AFRH has rights and ownership of all assets reported in these financial statements. AFRH does not possess any non-entity assets.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of AFRH. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency's operating results; the Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of AFRH in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board, OMB Circular A-136, *Financial Reporting Requirements*, as amended, and AFRH accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control AFRH's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.



C. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of federal funds.

D. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the AFRH's funds with Treasury in expenditure, receipt, and deposit fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases. The AFRH does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the agency on demand.

E. Investment in U.S. Government Securities

AFRH has the authority to invest in U.S. Government securities. The securities include marketable Treasury securities and/or nonmarketable, market-based securities issued by the Bureau of the Fiscal Service. Market-based securities are Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. It is expected that investments will be held until maturity; therefore, they are classified as investment securities held to maturity and are carried at historical cost, adjusted for amortization of premiums and discounts. The amortization of premiums and discounts are recognized as adjustments to interest income using the level-yield, scientific method of effective interest amortization over the term of the respective issues. Interest on investments is accrued as it is earned.

F. Accounts Receivable

Accounts receivable consists of amounts owed to AFRH by other Federal agencies and the general public. Amounts due from Federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

G. Property, Equipment, and Software

The AFRH owns the land and buildings in which both homes operate. The majority of the property, equipment and software is used to provide residential and healthcare to members and is valued at cost. Equipment purchased, transferred, or donated with an acquisition cost greater than or equal to \$50,000 per unit is capitalized. Routine maintenance is expensed when incurred. Construction costs are capitalized as construction-in-progress until the asset is completed then transferred to the



appropriate property account. Depreciation expense is recognized on property, equipment and software with the exception of construction-in-progress. Depreciation is recognized using the straight-line method over the assets' useful lives. Other equipment is expensed when purchased. Most AFRH heritage assets are multi-use facilities and are classified as general property, equipment and software. The useful lives used when recording depreciation on property, equipment and software are as follows:

<u>Description</u>	<u>Useful Life (years)</u>
Improvements to Land	10-20
Buildings and Improvements	20-50
Equipment	5-10

H. Advances and Prepaid Charges

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

I. Liabilities

Liabilities represent the amount of funds likely to be paid by the AFRH as a result of transactions or events that have already occurred.

AFRH reports its liabilities under two categories, Intragovernmental and With the Public.

Intragovernmental liabilities represent funds owed to another government agency. Liabilities with the Public represent funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave and actuarial Federal Employees' Compensation Act benefits.



J. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued monthly, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 100%.

K. Accrued and Actuarial Workers' Compensation

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the AFRH employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the AFRH terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

L. Retirement Plans

AFRH employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of AFRH matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund. Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. Both CSRS and FERS employees may participate in the federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to one percent of pay and AFRH matches any employee contribution up to an additional four percent of pay. For FERS participants, AFRH also contributes the employer's matching share of Social Security.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, AFRH remits the employer's share of the required contribution.



AFRH recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to AFRH for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. AFRH recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

AFRH does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM, as the administrator.

M. Other Post-Employment Benefits

AFRH employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGSIP) may continue to participate in these programs after their retirement. The OPM has provided the AFRH with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The AFRH recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the AFRH through the recognition of an imputed financing source.

N. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

O. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. AFRH recognized imputed costs and financing sources in fiscal years 2016 and 2015 to the extent directed by accounting standards.



P. Contingencies

Liabilities are deemed contingent when the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. AFRH recognizes contingent liabilities in the accompanying balance sheet and statement of net cost, when it is both probable and can be reasonably estimated. AFRH discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met or when a loss from the outcome of future events is more than remote.

Q. Reclassification

Certain fiscal year 2015 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2016 and 2015, were as follows:

	2016	2015
Fund Balances:		
Trust Funds	\$ 3,432,667	\$ 2,438,382
Investments	52,034,644	44,134,712
Less: Accrued Interest and Unamortized Premium	(373,998)	(777,724)
Total	\$ 55,093,313	\$ 45,795,370

Status of Fund Balance with Treasury:

Unobligated Balance		
Available	\$ 21,797,839	\$ 17,716,571
Unavailable	24,389,512	19,279,986
Obligated Balance Not Yet Disbursed	8,905,962	8,798,813
Total	\$ 55,093,313	\$ 45,795,370

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

The available unobligated fund balances represent the current-period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance as described in the following paragraph.

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.



The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand.

NOTE 3. INVESTMENTS

Investments as of September 30, 2016 consist of the following:

	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental Securities:						
Marketable	\$51,660,646	Interest	\$258,425	\$115,573	\$52,034,644	\$51,988,224
Total	\$51,660,646		\$258,425	\$115,573	\$52,034,644	\$51,988,224

Investments as of September 30, 2015 consist of the following:

	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental Securities:						
Marketable	\$43,362,748	Interest	\$ 22,261	\$749,702	\$44,134,712	\$44,557,395
Total	\$43,362,748		\$ 22,261	\$749,702	\$44,134,712	\$44,557,395

Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. The investment maturity dates for marketable securities are: June 30, 2017; June 15, 2018; June 30, 2019 and June 30, 2020.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with dedicated collection funds. The cash receipts collected from the public for a dedicated collection fund are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the Armed Forces Retirement Home as evidence of its receipts. Treasury securities are an asset to the Armed Forces Retirement Home and a liability to the U.S. Treasury. Because the Armed Forces Retirement Home and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the Armed Forces Retirement Home with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the Armed Forces Retirement Home requires redemption of these securities to make expenditures, the Government finances those



expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2016 and 2015, were as follows:

	2016	2015
Intragovernmental		
Accounts Receivable	\$ 975,800	\$ 982,277
Total Intragovernmental Accounts Receivable	\$ 975,800	\$ 982,277
With the Public		
Accounts Receivable	\$ 195,867	\$ 149,739
Total Accounts Receivable	\$ 1,171,667	\$ 1,132,016

The Intragovernmental accounts receivable is primarily made up of fines and forfeitures from the Army, Air Force, Navy, Marine Corps and the Coast Guard. Accounts receivable from the public is primarily made up of resident fees due from residents of the home.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2016 and 2015.



NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2016

	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Building	\$ 504,201,759	\$ 180,230,855	\$323,970,904
Land and Improvements	15,163,926	12,272,680	2,891,246
Furniture & Equipment	12,389,162	8,425,001	3,964,161
Construction-in-Progress	6,412,459	-	6,412,459
Total	\$ 538,167,306	\$ 200,928,536	\$337,238,770

Schedule of Property, Equipment, and Software as of September 30, 2015

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Building	\$ 503,810,375	\$ 170,142,927	\$333,667,448
Land and Improvements	14,923,986	11,850,972	3,073,014
Furniture & Equipment	12,285,644	7,514,554	4,771,090
Construction-in-Progress	6,647,650	-	6,647,650
Total	\$ 537,667,655	\$ 189,508,453	\$348,159,202



NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for AFRH as of September 30, 2016 and 2015 include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2016	2015
Intragovernmental – FECA	\$ 1,499,212	\$ 1,524,395
Intragovernmental – Unemployment Insurance	600,712	2,907
Unfunded Leave	1,082,609	1,098,603
Actuarial FECA	7,479,732	7,461,312
Total Liabilities Not Covered by Budgetary Resources	\$ 10,662,265	\$ 10,087,217
Total Liabilities Covered by Budgetary Resources	4,000,870	6,016,028
Total Liabilities	\$ 14,663,135	\$ 16,103,245

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on AFRH behalf and payable to the DOL. AFRH also records an actuarial liability for future workers compensation claims based on the liability to benefits paid (LBP) ratio provided by DOL and multiplied by the average of benefits paid over three years.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

NOTE 7. ACTUARIAL FECA LIABILITY

FECA provides income and medical cost protection to covered federal civilian employees harmed on the job or who have contracted an occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits under FECA for AFRH's employees are administered by the DOL and ultimately paid by AFRH when funding becomes available.

AFRH bases its estimate for FECA actuarial liability on the DOL's FECA model. The DOL method of determining the liability uses historical benefits payment patterns for a specific incurred period to predict the ultimate payments for the period. Based on the information provided by the DOL, AFRH's liability as of September 30, 2016 and 2015, was \$7.4 million and \$7.4 million, respectively.



NOTE 8. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2016 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 755,399	\$ 1,340,088	\$ 2,095,487
Unemployment Insurance Liability	4,436	-	4,436
Payroll Taxes Payable	202,603	-	202,603
Total Intragovernmental Other Liabilities	\$ 962,438	\$ 1,340,088	\$ 2,302,526
With the Public			
Payroll Taxes Payable	\$ 28,316	\$ -	\$ 28,316
Accrued Funded Payroll and Leave	660,183	-	660,183
Unfunded Leave	1,082,608	-	1,082,608
Deferred Revenue (See Note 9)	2,021,658	-	2,021,658
Other	33,823	-	33,823
Total Public Other Liabilities	\$3,826,588	\$ -	\$ 3,826,588

Other liabilities account balances as of September 30, 2015 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 169,436	\$ 1,354,959	\$ 1,524,395
Unemployment Insurance Liability	2,907	-	2,907
Payroll Taxes Payable	164,491	-	164,491
Total Intragovernmental Other Liabilities	\$ 336,834	\$ 1,354,959	\$ 1,691,793
With the Public			
Payroll Taxes Payable	\$ 20,231	\$ -	\$ 20,231
Accrued Funded Payroll and Leave	705,703	-	705,703
Unfunded Leave	1,098,603	-	1,098,603
Deferred Revenue (See Note 9)	2,398,387	-	2,398,387
Other	23,736	-	23,736
Total Public Other Liabilities	\$4,246,660	\$ -	\$ 4,246,660



NOTE 9. DEFERRED REVENUE

In FY 2015 the Armed Forces Retirement Home entered into a Lease agreement with Creative Minds International Public Charter School as the Lessee with occupancy beginning on August 1, 2015. The Lessee will occupy the Sherman Building North and Annex sections with initial lease square feet of 32,050, and the square feet increasing over the next several years. The Lessee initially made \$2,470,413 in Capital improvements to the Sherman Building that they will use as in-kind consideration as part of future lease payments. AFRH will carry deferred revenue for the capital improvements, and recognize the revenue as it is earned based on the in-kind consideration applied to the lease payment. As of September 30, 2016, AFRH has received an additional \$230,429 in-kind building improvements and has recognized \$693,234 in in-kind consideration, bringing the amount of deferred revenue associated with the lease to \$2,007,608. The remainder of deferred revenue, \$14,050 is associated with a previous outstanding transaction.

NOTE 10. DEDICATED COLLECTIONS

AFRH has dedicated collections that fall into the following categories: Capital Fund, Hurricane Katrina Fund, Earthquake Fund and the Operations & Maintenance Fund. Governed by limitations determined annually by the U.S. Congress, the Trust Fund is used to finance operating expenses as well as capital expenditures of the AFRH on an annual and no year basis, while the Hurricane Katrina and Earthquake monies were appropriated on an emergency basis to cover necessary expenses related to the consequences of these two events until expended.

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when liabilities are incurred, without regard to receipt or payment of cash. Budgetary accounting measures the appropriations and consumption of budget authority and other budgetary resources and facilitates compliance with legal constraints and controls over use of Federal funds.



Schedule of Dedicated Collections as of September 30, 2016

	Capital Fund	Earthquake Fund	Hurricane Katrina Fund	Operations & Maintenance Fund	Total Dedicated Collections
Balance Sheet					
ASSETS					
Fund Balance with Treasury	\$ (5,550,736)	\$ 1	\$ 70,740	\$ 8,912,662	\$ 3,432,667
Investments	-	-	-	52,034,644	52,034,644
Accounts Receivable	-	-	-	1,171,667	1,171,667
Property, Equipment and Software	124,432,976	13,763,679	199,042,115	-	337,238,770
Total Assets	\$ 118,882,240	\$ 13,763,680	\$ 199,112,855	\$ 62,118,973	\$ 393,877,748
LIABILITIES AND NET POSITION					
Accounts Payable	\$ -	\$ -	\$ -	\$ 1,054,289	\$ 1,054,289
Other	-	-	-	6,129,114	6,129,114
Employee and Veteran Benefits	-	-	-	7,479,732	7,479,732
Cumulative Results of Operations	118,882,240	13,763,680	199,112,855	47,455,838	379,214,613
Total Liabilities and Net Position	\$ 118,882,240	\$ 13,763,680	\$ 199,112,855	\$ 62,118,973	\$ 393,877,748
Statement of Net Cost					
Program Costs	\$ 5,743,855	\$ 293,941	\$ 5,382,289	\$ 58,322,788	\$ 69,742,873
Less: Earned Revenues	-	-	-	(17,569,242)	(17,569,242)
Net Program Costs	5,743,855	293,941	5,382,289	40,753,546	52,173,631
Less: Earned Revenues Not Attributable to Programs	-	-	-	-	-
Net Cost of Operations	\$ 5,743,855	\$ 293,941	\$ 5,382,289	\$ 40,753,546	\$ 52,173,631
Statement of Changes in Net Position					
Net Position Beginning of Period	\$ 124,395,666	\$ 14,057,621	\$ 204,495,144	\$ 36,812,636	\$ 379,761,067
Transfer	230,429	-	-	(230,429)	-
Net Cost of Operations	(5,743,855)	(293,941)	(5,382,289)	(40,753,546)	(52,173,631)
Taxes and Other Non-exchange Revenue	-	-	-	30,005,168	30,005,168
Other Revenue	-	-	-	21,622,009	21,622,009
Change in Net Position	(\$5,513,426)	(293,941)	(5,382,289)	\$ 10,643,202	(546,454)
Net Position End of Period	\$ 118,882,240	\$ 13,763,680	\$ 199,112,855	\$ 47,455,838	\$ 379,214,613



Schedule of Dedicated Collections as of September 30, 2015

	Capital Fund	Earthquake Fund	Hurricane Katrina Fund	Operations & Maintenance Fund	Total Dedicated Collections
Balance Sheet					
ASSETS					
Fund Balance with Treasury	\$ (5,045,723)	\$ 1	\$ 70,740	\$ 7,413,364	\$ 2,438,382
Investments	-	-	-	44,134,712	44,134,712
Accounts Receivable	-	-	-	1,132,016	1,132,016
Property, Equipment and Software	129,677,178	14,057,620	204,424,404	-	348,159,202
Total Assets	\$ 124,631,455	\$ 14,057,621	\$ 204,495,144	\$ 52,680,092	\$ 395,864,312
LIABILITIES AND NET POSITION					
Accounts Payable	\$ 235,789	\$ -	\$ -	\$ 2,467,691	\$ 2,703,480
Other	-	-	-	5,938,453	5,938,453
Employee and Veteran Benefits	-	-	-	7,461,312	7,461,312
Cumulative Results of Operations	124,395,666	14,057,621	204,495,144	36,812,636	379,761,067
Total Liabilities and Net Position	\$ 124,631,455	\$ 14,057,621	\$ 204,495,144	\$ 52,680,092	\$ 395,864,312
Statement of Net Cost					
Program Costs	\$ 5,787,404	\$ 293,940	\$ 5,492,019	\$ 57,208,065	\$ 68,781,428
Less: Earned Revenues	-	-	-	(16,707,764)	(16,707,764)
Net Program Costs	5,787,404	293,940	5,492,019	40,500,301	52,073,664
Less: Earned Revenues Not Attributable to Programs	-	-	-	-	-
Net Cost of Operations	\$ 5,787,404	\$ 293,940	\$ 5,492,019	\$ 40,500,301	\$ 52,073,664
Statement of Changes in Net Position					
Net Position Beginning of Period	\$ 127,712,657	\$ 14,351,561	\$ 209,987,163	\$ 46,268,224	\$ 398,319,605
Transfer	2,470,413	-	-	(2,470,413)	-
Net Cost of Operations	(5,787,404)	(293,940)	(5,492,019)	(40,500,301)	(52,073,664)
Taxes and Other Nonexchange Revenue	-	-	-	32,132,009	32,132,009
Other Revenue	-	-	-	1,383,117	1,383,117
Change in Net Position	(3,316,991)	(293,940)	(5,492,019)	(9,455,588)	(18,558,538)
Net Position End of Period	\$ 124,395,666	\$ 14,057,621	\$ 204,495,144	\$ 36,812,636	\$ 379,761,067



NOTE 11. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and revenue represent exchange transactions between AFRH and other federal government entities, and are in contrast to those with non-federal entities (the public). Such costs and revenue are summarized as follows:

	2016	2015
Program: Embrace Resident-Centered Care		
Intragovernmental Costs	\$ 8,872,325	\$ 8,415,085
Public Costs	46,580,233	45,798,436
Total Program Costs	55,452,558	54,213,521
Intragovernmental Earned Revenue	(1,078,331)	(1,732,509)
Public Earned Revenue	(12,890,973)	(11,436,551)
Net Program Costs	\$ 41,483,254	\$ 41,044,461
Program: Maintain Exceptional Stewardship		
Intragovernmental Costs	\$ 1,559,994	\$ 1,672,981
Public Costs	8,190,060	9,105,069
Total Program Costs	9,750,054	10,778,050
Intragovernmental Earned Revenue	(189,600)	(344,436)
Public Earned Revenue	(2,266,580)	(2,273,671)
Net Program Costs	\$ 7,293,874	\$ 8,159,943
Program: Promote Staff-Centered Stewardship		
Intragovernmental Costs	\$ 667,294	\$ 327,764
Public Costs	3,503,330	1,783,826
Total Program Costs	4,170,624	2,111,590
Intragovernmental Earned Revenue	(81,102)	(67,480)
Public Earned Revenue	(969,539)	(445,448)
Net Program Costs	\$ 3,119,983	\$ 1,598,662
Program: Leverage External Stakeholders		
Intragovernmental Costs	\$ 59,141	\$ 260,503
Public Costs	310,496	1,417,764
Total Program Costs	369,637	1,678,267
Intragovernmental Earned Revenue	(7,188)	(53,632)
Public Earned Revenue	(85,929)	(354,037)
Net Program Costs	\$ 276,520	\$ 1,270,598
Total Intragovernmental costs	\$ 11,158,754	\$10,676,333
Total Public costs	58,584,119	58,105,095
Total Costs	69,742,873	68,781,428
Total Intragovernmental Earned Revenue	(1,356,221)	(2,198,057)
Total Public Earned Revenue	(16,213,021)	(14,509,707)
Total Net Cost	\$ 52,173,631	\$ 52,073,664



NOTE 12. IMPUTED FINANCING SOURCES

AFRH recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the years ended September 30, 2016 and 2015 respectively, imputed financing was as follows:

	2016	2015
Office of Personnel Management	\$ 1,498,698	\$ 1,383,117
Total Imputed Financing Sources	\$ 1,498,698	\$ 1,383,117

NOTE 13. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include 2016 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2017 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2017 Budget of the United States Government, with the "Actual" column completed for 2015, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 14. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2016 and 2015 consisted of the following:

	2016	2015
Direct Obligations, Category A	\$ 80,194,006	\$ 62,238,349
Direct Obligations, Category B	605,506	670,822
Total Obligations Incurred	\$ 80,799,512	\$ 62,909,171

Category A apportionments distribute budgetary resources by fiscal quarters.

Category B apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories.

NOTE 15. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the years ended September 30, 2016 and 2015, budgetary resources obligated for undelivered orders amounted to \$6,365,381 and \$5,204,728 respectively.



NOTE 16. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

AFRH has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

**ARMED FORCES RETIREMENT HOME
RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)**

	2016	2015
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 80,799,512	\$ 62,909,171
Spending Authority From Offsetting Collections and Recoveries	(2,524,853)	(2,571,118)
Offsetting Receipts	(17,138,742)	(15,927,034)
Net Obligations	61,135,917	44,411,019
Other Resources		
Imputed Financing From Costs Absorbed By Others	1,498,698	1,383,117
Net Other Resources Used to Finance Activities	1,498,698	1,383,117
Total Resources Used to Finance Activities	62,634,615	45,794,136
Resources Used to Finance Items Not Part of the Net Cost of Operations	(21,619,679)	(5,192,108)
Total Resources Used to Finance the Net Cost of Operations	41,014,936	40,602,028
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
	11,158,695	11,471,636
Net Cost of Operations	\$ 52,173,631	\$ 52,073,664





★ **Mencho Hernandez, USN, USAF – AFRH-G**

Mencho Hernandez is a man who wears many hats. In the five years he has lived at AFRH he has delighted more than a few Residents with his many colorful hats. With a collection that includes Scotland Yard, sombrero and cowboy style hats, Mencho has a hat for every occasion and enjoys showing them off.

Before becoming a Resident of AFRH-G, Hernandez wore the weighty caps of both a Navy Seaman and a USAF Tech Sergeant. First serving four years in the Navy during the Korean War and then sixteen more in the Air Force for a total of 20 years of service. In between his Navy and Air Force service, Mencho took a year off to care for his younger brothers back home in Texas.

Mencho's life both in and out of the armed services is dominated by service to others. In the Air Force he served much of his time wearing a fireman's helmet. As a firefighter, he is credited with rescuing Gen. Daniel "Chappie" James, Jr. then a young Lieutenant Colonel. After his retirement from the Air Force, Mencho opened a small business with his children in Texas but shuttered it when his children moved on. He used his firefighting skills to don the hard hat of a safety engineer in a Texas petrochemical plant until it closed its doors. Mencho again turned to public service taking a job with the U.S. Postal service where he retired.

After hanging up his postman's cap for the last time and coming to AFRH-G, he continues leading an active life. He enjoys singing karaoke, playing dominoes and winning bingo. More importantly to Mencho, AFRH-G is the place he hangs his hat with his fellow veterans.





Part 4: Accompanying Information

This final part of the PAR, Accompanying Information, satisfies additional federal reporting requirements. This Part of the report provides required data on Improper Payments, Freeze the Footprint, Deferred Maintenance, the Summary of Financial Statement Audit and Management Assurances and the AFRH IG Assessment.



AFRH-W Residents Jack Beck (USAF), Gerald "Ivan" Saucier (USN), and Terry Morrison (USAF) stop for a photo op during their their White House Tour..



INSPECTOR GENERAL LETTER



**Armed Forces Retirement Home
3700 North Capitol Street, NW
Washington, DC 20011-8400**



Date: November 10, 2016
To: Dr. Timothy Jon Kangas, Chief Operating Officer
Subject: Statement on FY 2017 Management Challenges

In accordance with the Reports Consolidation Act of 2000, I have assessed and am providing a statement outlining what this Inspector General has observed to be the most serious challenges facing the AFRH organization.

The listing that follows is an assessment of the AFRH programs and / or activities that appear to be facing significant challenges in the coming year. The listing outlines specific challenges as well as what actions AFRH is engaged in, or will engage in, to mitigate the risks inherent to that particular challenge. The challenges are not presented in order of priority since all are crucial management or performance issues. The listed IG challenges include Financial, Information Technology, Property Management, Medical Records Management and Human Capital issues.

My responsibility is to provide objective oversight, advice and monitoring as AFRH moves forward providing world-class Person-centered Care for its Residents. In my capacity as the AFRH IG, I will carefully observe, recommend and support our Residents and staff with an eye on fostering growth and success.

Sincerely,

ROBERT L. DUFOUR
Inspector General



FY 2016 IG MANAGEMENT AND PERFORMANCE CHALLENGES

The AFRH IG considers the most serious management and performance challenges for AFRH to be in the following areas:

★ ELECTRONIC RESIDENT INFORMATION SYSTEM CHALLENGES

AFRH provides records management and healthcare support through its Electronic Health Record System (EHRS) for all Residents. AFRH implemented its EHRS during the fourth quarter of FY 2013. The system has provided an array of tools for the staff and affords the Agency a comprehensive repository for information on all AFRH Residents. The EHRS also contains Resident admissions, billing information and essential population census data.

The AFRH Wellness Centers provide primary and specialty medical services in consultation with neighboring hospitals. The following services are offered by AFRH and its neighboring partners to all Residents: geriatric medicine, gastroenterology, dermatology, geriatric optometry, audiology, psychiatry, orthopedics, urology, pain management, internal medicine, social service, nutrition counseling, podiatry, laboratory services, dental services, rehabilitation services and radiology services.

Enhancements to the billing module identified by the AFRH CFO to correct reporting must be completed immediately. The system's erroneous reports currently require manual corrections by staff which leaves the agency vulnerable for weaknesses and / or errors. Additional enhancements must also be implemented in the EHRS to ensure staff is appropriately and accurately maintaining medical records in accordance with the standards prescribed by TJC. The selection of mobile devices, kiosks, computer on wheels and tablets for accessing EHRS internally must be revisited and identified. Having the mobile devices in place is imperative to enhancing the medical staffs' ability to provide care.

The training of Super Users is needed at both Campuses to ensure that staff will have the in-house technical support required to manage medical records within the EHRS. Due to a high level of nursing staff transition, the new staff members lack the ability to run reports and extract data from the EHRS because of insufficient internal resources who could provide training.

The IG is monitoring AFRH's progress regarding this challenge. To mitigate this management challenge, AFRH will continue to work through issues with staff at both Campuses and the vendor's technical team during weekly meetings to identify issues / concerns while developing solutions. AFRH will arrange for additional training of medical providers and nursing staff to ensure they are proficient with the tools available in EHRS. AFRH has identified and will expand the number of Super Users at each Campus to assist others with EHRS. AFRH will develop a plan to train new hires and contract staff on EHRS at each Campus. AFRH CIO will work with the software vendor to complete any outstanding enhancements to the billing module as identified by the AFRH CFO. AFRH will continue working with



the Department of Interior's IT Team and Verizon to implement a secured wireless infrastructure at both Homes.

★ TRUST FUND CHALLENGES: DWINDLING INPUT AND INCREASING OUTPUT

In FY 2016, AFRH annual revenue exceeded annual outlays due to a \$20M General Fund transfer; this transfer is not expected to continue long-term. AFRH's permanent revenue sources are not sufficient to support annual outlays. This situation occurred because AFRH's largest revenue stream, Fines and Forfeitures, has reduced by 48% since FY 2009. Initial review of Fines and Forfeitures indicates this revenue source is unlikely to recover.

AFRH's COO and CFO are working closely with DoD Leadership to identify and explore new revenue streams to replace the reduced Fines and Forfeitures revenue and consider additional cost efficiency initiatives to replenish the Trust Fund and ensure long-term solvency by having adequate annual revenue equal or exceed annual outlays. New revenue streams require changes in current legislation which limits the type of revenues available to support the Trust Fund.

The IG will continue monitoring AFRH progress regarding this challenge. To mitigate this management challenge, the AFRH CFO will closely monitor monthly revenue receipts to ensure funds are available to meet AFRH expenses and ensure that further reductions in revenues and available Trust Fund balance are communicated to the COO and DoD leadership as well as the OMB, Congress and DoD.

★ ADDRESSING HUMAN CAPITAL CHALLENGES

The array of complainants concerning timeliness and actions associated with the office of AFRH CHCO may be viewed as challenging for AFRH management over the next year. The IG has consulted with the COO regarding these challenges both today and heading into 2017. The COO is optimistic that, with increased management scrutiny of CHCO duties, continued oversight of AFRH human resources contract support and a planned increase of both a full and part-time federal employees assigned directly to the CHCO, the challenges facing the AFRH CHCO office should be remedied over the coming year. The IG is monitoring AFRH progress regarding these challenges.

★ ADDRESSING INFORMATION SECURITY CHALLENGES

On July 26, 2016, the President issued Presidential Policy Directive PPD-41.

This Presidential Policy Directive (PPD) sets forth principles governing the Federal Government's response to any cyber incident, whether involving government or private sector entities. For significant cyber incidents, this PPD also establishes lead Federal agencies and an architecture for coordinating the broader Federal Government response. This PPD also requires the Departments of Justice and Homeland Security to maintain updated contact information for public use to assist entities affected by cyber incidents in reporting those incidents to the proper authorities.



The AFRH, in conjunction with the DOI OCIO, embarked on an aggressive effort to solidify the intrusion defense against cyber-attacks and insider threats. The development of a comprehensive roles matrix that identifies the leads for each of the controls found in NIST 800-53 Rev 4 was completed during FY 2016. The DOI OCIO also upgraded various network switches at the AFRH (DC and Gulfport) that support stronger encryption. The AFRH also received a new C&A and ATO in May 2016 from a security assessment that was conducted of the AFRH IT Enterprise during Feb – March 2016. The AFRH is working with the DOI OCIO to implement a new network forest at their data center. This new network forest affords the AFRH the ability to completely segment its operating environment from other DOI customers and allows AFRH to fully implement its Personally Identifiable Verification plan at both facilities. Completing the upgrade of the forest is imperative as agencies have been directed by OMB to implement the use of multifactor authentication access to their computer networks.

The AFRH IG is monitoring progress regarding these challenges. To mitigate the management challenges, AFRH established an agreement with the DOI OCIO in the first quarter of FY 2015 to commence the immediate remediation of all of the IT-related recommendations and related information security concerns. The intent of these efforts is to remediate not only the DoD OIG recommendations but NIST requirements as well. AFRH has completed all of the DoD OIG remediation efforts and has received a new C&A with an ATO. The AFRH CIO and the DOI OCIO in concert with the AFRH IG will continually monitor the various NIST controls and track outstanding issues found in the most recent FY 2016 Security Assessment through the use of a Plan of Action and Milestone to ensure that remediation is timely.

✦ PROPERTY MANAGEMENT CHALLENGES

Property management is a challenge for AFRH due to the current financial position of the AFRH Trust Fund. Several maintenance and most sustainability requirements per Executive Order (EO) 13693 - Planning for Federal Sustainability in the Next Decade (March 2015) are being deferred due to lack of available funds for such efforts. While AFRH-G is a relatively new facility with minor maintenance requirements, the recent EO has established new mechanical and electrical criteria that are unobtainable for the AFRH within the current budget constraints. An example of new criteria that would be difficult to implement is installing renewable energy-generating equipment such as solar panels or windmills to provide energy for the facility.

AFRH-W not only has the task of implementing the recent EO requirements, but also has a more daunting task due to the historic nature and the significant age of the 165 year old facility. The historic preservation regulations and maintenance upkeep requirements for the aging infrastructure continue to be a significant burden on the maintenance budget preventing few facility maintenance resources from being utilized to meet the recent EO and facility modernization.



In an attempt to address deferred elements, AFRH has taken certain steps which include: establishing a 15 year Capital Improvement Plan instead of the standard 10 year plan; working on creative methods to implement modernization updates to address current maintenance needs and EO requirements; and mothballing buildings to focus resources on actual needs. One of the most prominent current examples of AFRH efforts is the replacement of the Sheridan Building deteriorating pneumatic Building Automation System that controls all of the common space air conditioning. This upgrade is expected to result in a 30% energy savings for the Sheridan Building, a main dormitory building, which helps meet the EO requirements, while providing better comfort for the Residents and addressing deferred maintenance elements. This and similar steps may help to AFRH meet needs and requirements but are unlikely to fulfill all requirements such as the renewable energy criteria.

Allocating sufficient funds for adequate property management and upkeep of the large open space on the south side of the AFRH-W Campus continues to be a challenge due to the shortfall in the AFRH Trust Fund. Basic grounds upkeep, historic preservation requirements and underground infrastructure repairs of the south part of the Campus would quickly absorb a sizable portion of the facilities maintenance budget. The IG is monitoring AFRH progress regarding these challenges.



An AFRH-W Resident watches a large group of volunteers perform much needed grounds maintenance.



FREEZE THE FOOTPRINT

Starting in 2014, OMB Circular A-136, Section 11.5.10 requires CFO Act agencies to report square footage and costs for the Freeze the Footprint initiative. Consistent with Section 3 of the OMB Memorandum M-12-12, Promoting Efficient Spending to Support Agency Operations and OMB Management Procedures Memorandum 13-02, the “Freeze the Footprint” policy implementing guidance, all agencies are directed to maintain or reduce their total domestic square footage for domestic office and warehouse inventory using FY 2012 as their baseline.

Although AFRH is not a CFO Act agency required to report Freeze the Footprint data per OMB Circular A-136 and the majority of AFRH space is resident space not office and warehouse space, AFRH has chosen to report its footprint reduction to recognize the important of reducing the AFRH footprint to support cost containment and generate revenue by taking advantage of the agency’s leasing authority. AFRH has been reducing its footprint for over a decade by mothballing underutilized buildings and centrally locating program operations to one area of the sprawling AFRH-W grounds (272 acres).

In addition to previous reductions of 215,130 square feet, AFRH expanded the leased buildings to further reduce its footprint an additional 47,035 square feet. With this additional footprint reduction, AFRH has reduced its overall footprint by 11%. The FY 2015 & 2016 reductions from leasing underutilized space not only generate revenue to support the AFRH Trust Fund but also provide operations and maintenance cost savings.

FREEZE THE FOOTPRINT			
FY 2012 Baseline	2,384,188	sq ft	100%
FY 2015	2,169,058	sq ft	91%
FY 2016	2,122,023	sq ft	89%
REDUCTION	(262,165)	sq ft	11%

IMPROPER PAYMENTS

The Improper Payments Information Act of 2002 (Public Law 107-300), as amended by the Improper Payments Elimination and Recovery Act of 2010, was enacted to elicit estimates and reports of improper payments by federal agencies. The Act requires that federal agencies estimate improper payments and report on actions to reduce them. An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Each month AFRH’s financial shared service provider, U.S. Treasury BFS, reviews AFRH business programs for improper and erroneous payments. During FY 2016, AFRH had 0 improper payments and continues to emphasize the importance of careful review when authorizing payments. AFRH’s excellent record for the past 3 years:

FY 2016: 0

FY 2015: 0

FY 2014: 1



DEFERRED MAINTENANCE

Starting in FY 2015, OMB required agencies to disclose their deferred maintenance procedures to identify, categorize and prioritize maintenance and repairs. AFRH manages its capital improvement budget through an Investment Review Board (IRB). The AFRH IRB manages capital improvement projects, reviews requests, prioritizes projects and approves funding for AFRH's capital investments and major acquisitions. The IRB utilizes a 15 year capital improvement plan which identifies all projects for the next 15 years and adjusts the plan as necessary to address safety, health and accreditation needs.

AFRH Capital Investments include capital assets such as land, structures, equipment and intellectual property (e.g., software) that have an estimated dollar value or cost of at least \$50,000 and a useful life of at least two years. The cost of a capital asset includes both its purchase price and all other costs incurred to prepare for its intended use and location.

Maintenance and repairs are performed in accordance with manufacturers recommended life cycle or in accordance with American National Standards Institute standards. AFRH-W has a significant number of historical buildings and areas with specific types of maintenance to comply with applicable law. The deferred maintenance detailed in the chart below is related to capitalized general property, plant and equipment. Since AFRH is operated from a Trust Fund and the Trust Fund has experienced an unprecedented reduction in revenue, AFRH does not have adequate funds to support many of its deferred maintenance projects.

DEFERRED MAINTENANCE				
BUILDING TYPE	COST	TYPE OF REPAIR / MAINTENANCE	DEFERRED SINCE	SCHEDULED
Resident	\$ 38.4M	Building Code	2006 - 2009	2016 – 2020
		Energy Efficiency	2006 - 2015	2020 -2031
		Infrastructure Repair	2006 - 2009	2020 - 2031
		Safety	2006 - 2009	2016 - 2030
Infrastructure	\$25.4M	Building Code	2006 - 2015	2016 - 2020
		Energy Efficiency	2015	N/A
		Infrastructure Repair	2006 - 2014	2019 – 2031
		Safety	2006 - 2009	2017 – 2020
Non-Resident	\$0.4M	Building Code	2006 - 2015	2016 - 2020
		Energy Efficiency	2006	N/A
		Infrastructure Repair	2006 - 2009	N/A
		Safety	2006 - 2009	N/A



ACRONYMS

Acronym	Definition
ACCT	Artifacts of Culture Change Tool
AFRH	Armed Forces Retirement Home
AFRH-G	Armed Forces Retirement Home - Gulfport
AFRH-W	Armed Forces Retirement Home - Washington
AL	Assisted Living
ATO	Authority to Operate
AWS	Alternate Work Schedule
BFS	U.S. Treasury Bureau of Fiscal Services
C&A	Certification and Accreditation
CARF	Commission on Accreditation of Rehabilitation Facilities
CCRC	Continuing Care Retirement Communities
CFO	Chief Financial Officer
CHCO	Chief Human Capital Officer
CIO	Chief Information Officer
COO	Chief Operations Officer
CSRS	Civil Service Retirement System
DAR	Daughters of the Revolution
DHA	Defense Health Agency
DoD	Department of Defense
DODI	Department of Defense Instruction
DOI	Department of the Interior
DOL	Department of Labor
EFT	Electronic Funds Transfer
EHRS	Electronic Health Record System
EO	Executive Order
FASAB	Federal Accounting Standards Advisory Board
FECA	Federal Employees' Compensation Act
FERS	Federal Employees' Retirement System
FEVS	Federal Employee Viewpoint Survey
FMFIA	Federal Managers' Financial Integrity Act
FOSH	Friends of the Soldiers' Home
FY	Fiscal Year



Acronym	Definition
IG	Inspectors General
ILP	Independent Living Plus
IPP	Individual Performance Plan
IT	Information Technology
JCRINC	Joint Commission Resource, Inc.
LTC	Long Term Care
MD&A	Management Discussion & Analysis
MS	Memory Support
NFC	Department of Agriculture National Finance
NIST	National Institute and Standards Technology
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PAR	Performance and Accountability Report
PCC	Person-Centered Care
PCP	Primary Care Provider
PM	Performance Metric
PPD	Presidential Policy Directive
RAC	Resident Advisory Committee
SHCP	Strategic Human Capital Plan
SMA	Senior Medical Advisor
TJC	The Joint Commission
USA	United States Army
USAF	United States Air Force
USCG	United States Coast Guard
USMC	United States Marine Corps
USN	United States Navy
USNA	United States Naval Academy
USSGL	United States Standard General Ledger
VA	Department of Veterans Administration
WWII	World War II



ACKNOWLEDGMENTS

Thank you for your interest in AFRH. The FY 2016 PAR was produced with the energies and talents of the AFRH staff. To the dedicated staff of the AFRH, our sincere thanks.

To achieve its mission, AFRH relies on dedicated partners who donate their time, talents, goods and services as well as materials for construction and repairs. Management is grateful to so many people for their support: the AFRH Residents, the AFRH staff, America's active duty service members and military retirees, area school children, local churches, associations, clubs, commercial retailers, major corporations and military service organizations. These fine organizations provide vital support, invest numerous hours at AFRH and always lend a hand. This extended community is a wonderful part of the AFRH.

A PDF of this report is available on the AFRH Website:

<https://www.afrh.gov/PAR/2016PAR>.

Submit PAR Suggestions and Comments to:

AFRH CFO

Vicki.Marrs@afrh.gov

Sherman Building, Room 114

3700 N. Capitol Street, NW

Washington, DC 20011

Learn How to Support AFRH Programs:

Armed Forces Retirement Home

3700 N. Capitol Street NW

Washington, DC 20011

ATTN: Public Affairs Officer #584

Email: public.affairs@afrh.gov

Phone: 800.422.9988

Fax: 202-541-7519

Web: www.afrh.gov

Social: www.facebook.com/AFRH.gov



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