

ARMED FORCES RETIREMENT HOME

FY 2017 Performance & Accountability Report

THEIR DEDICATED SERVICE

Our Call to Honor



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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) 2017 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
- ✦ Fraud Reduction and Data Analytics Act of 2015
- ✦ Digital Accountability and Transparency Act of 2014

This report provides insight into the AFRH's rich heritage as well as its current status while explaining the relationship between objectives, costs and results. To promote transparency and accountability, AFRH provides audited financial statements for the AFRH Trust Fund, the source of agency funding.

The FY 2017 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/2017PAR>



Sections

This PAR has four sections per federal reporting requirements and covers events from October 1, 2016 through September 30, 2017.

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

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

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

Section 4 – Other Information: miscellaneous reporting requirements.



**Statue of President Abraham
Lincoln (Located at AFRH-W)**



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 8, 2017

The Armed Forces Retirement Home (AFRH) is pleased to present its Fiscal Year (FY) 2017 Performance and Accountability Report (PAR). This report includes the results of this year's audit of the agency's financial statements, measures our performance against our FY 2017 strategic goals and objectives, highlights the accomplishments of the past year and identifies the challenges that lie ahead.

The mission of the AFRH is to fulfill our Nation's commitment to its veterans by providing a retirement community with exceptional residential care and extensive support services; a mission we can trace back to our beginnings in 1811.

AFRH is pleased to be able to report our accomplishments this year, including:

- *Completion of The Joint Commission re-accreditation survey for all three applicable areas (nursing care, ambulatory care and home health care) in September 2017. AFRH expects favorable results when we receive our survey findings in early FY 2018.
- *Reassessment of medical eligibility requirements to ensure AFRH can support a wider-range of eligible veterans.
- *Implementation of cost efficiencies in dining and custodial services to reduce costs in these key areas and an independent cost efficiency study at AFRH-G to review current grounds maintenance, medical transportation and temporary labor. In FY 2018, AFRH management will review study recommendations and implement changes as appropriate.
- *Continued progression in reducing mandatory federal overtime for our nursing staff by improving scheduling and working closely with our nurse staff contractors to increase the contractor fill rates.
- *Increased marketing and outreach to ensure veterans are aware of AFRH's mission and eligibility requirements. The AFRH Public Affairs Officer is working closely with veteran organizations and State Veteran Benefit representatives to gain insight identifying veterans who need assistance as they age.



While AFRH has achieved many important milestones this year, we also face many challenges. AFRH's most significant challenge continues to be the replenishment of the AFRH Trust Fund. Underlying each of our challenges is the need for adequate funding. Given the increased costs in conducting business and added responsibilities, the agency's annual revenues have been insufficient to keep up with these challenges. While we have improved our efficiency and carefully prioritized our work, meeting these challenges will depend upon identifying and implementing new revenue streams to support modest budget increases.

For the 13th consecutive year, AFRH received an unmodified audit opinion on our financial statements. AFRH had no material weakness to address from our previous financial audit, and the FY 2017 auditors report noted no material weaknesses.

My statement of assurance over internal control may be found in this report. I further provide assurance that the financial and performance data presented herein are complete, reliable and accurate.

I am proud of this report and the achievements it describes. It reflects the diverse team of professionals who work at AFRH to ensure we successfully accomplish our mission. I am confident that we have identified the critical challenges that we face in the years ahead and have developed effective plans to address these challenges and preserve AFRH and its mission for future generations of America's veterans.

Sincerely,



MAURICE SWINTON
Acting Chief Operating Officer





★ Jack Oyster, (AFRH-G, USA)

Jack Oyster entered the Army Air Corps in February 1943 and was assigned as a radio operator to the 34th Bomb Group with the 18th Bomb Squadron. The squadron was assigned to Africa and then to England. During WWII Jack and his crew flew 15 missions, 13 in a B-24 and two in a B-17. Jack has three vivid memories of his 15 missions. The first notable mission was on June 7, 1944, looking down from his plane and seeing the troops making their way up the Normandy cliffs. As his plane, “Mean Kid” was returning to base a German fighter flew underneath and shot down two other planes in their formation, one on their right wing and one on the left; unfortunately the planes crashed. Another harrowing mission occurred on June 14, 1944, when “Mean Kid” was shot at again. The crew’s pilot was hit in the leg and hand causing the plane to fall out of control. Jack gave his pilot a couple of shots of morphine and told the copilot to, “sit down and fly the plane.” Once the morphine took effect, the pilot was able to help the co-pilot keep the plane flying. The pilot urged the crew to bail out because their landing gear was faulty requiring a belly landing. However, the crew refused to desert their pilot, and luckily, they safely crash landed earning the pilot a Silver Star for saving the crew. On his last mission on September 27, 1944, the plane was shot down. Along with the other crew members, Jack parachuted out of the plane and landed in a courtyard, was taken to a local jailhouse until the German military retrieved him and shipped him to Stalag Luft IV, a POW camp. Jack lived with other POWs in barracks receiving parcels from the Red Cross until early 1945 when the Russians advanced close to their camp. On February 6, 1945, approximately 8,000 men from the camp were sent on a forced march, later called The Death March, before the Red Army advanced. They endured harsh conditions for almost 600 miles until April 26, 1945, when they were marched right into American lines. After a couple of weeks, Jack was able to sail home, remembers how great it was to see “Lady Liberty” and humbly gives thanks to those that stayed on the Homefront.

Jack married, attended Georgetown University using the GI bill, had children and started his own business. At age 70, Jack decided to retire and moved to Florida. After the passing of his beloved wife, Jack moved to AFRH-G. He compares his life at the Home to being on a cruise. He enjoys the diversity of the Residents, takes advantage of the many trips offered and enjoys listening to books.





Section 1: Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) includes the mission and organizational structure, performance goals objectives and results, financial highlights, system controls and legal compliance. This section also includes a summary of AFRH's history and presents a concise view of AFRH's performance including the AFRH COO Management Assurance Letter and information on other compliance activities. The MD&A summarizes the detail data found in the Performance and Financial sections of this report.



AFRH-W Administrator, Shaun Servais, recognizes Resident Catharine Deitch (USA) at the U.S. Army 242nd birthday.



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 veterans. 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 evolved into state-of-the-art retirement communities. AFRH features quality, modern amenities while accomplishing the AFRH founding principle of providing these services in an affordable manner / and serving eligible veterans irrespective of a Resident's income. In FY 2012, U.S. Coast Guard enlisted veterans became eligible for admission 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 similar experiences of camaraderie, military heritage and defense of the Nation. Each Campus has a Hall of Honors celebrating 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. Resident 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 Soldier's Home Residents enjoy "R&R" in the Old Scott Building.



AFRH-W



AFRH-G



LOCATIONS

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.

★ AFRH-G (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. AFRH-G 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 which 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 close relationships with local military, government, civilian and business associates.

AFRH-G made improvements this year to enhance the quality of life for the Residents and maintain the facility. These improvements included:

- ★ A new shuffleboard court and shuffleboard supplies donated by the Non-Commissioned Officers Associations to replace the worn and damaged court that was installed when the Home re-opened in 2010;
- ★ Assembly and installation of the new shuffleboard court by a local Boy Scout troop who volunteered as part of their community service;
- ★ A much needed re-upholstery of dining room chairs which were aging after being used 365 days a year for three meals. A phased replacement commenced to ensure no disruption in the dining room; and,
- ★ A much needed upgrade to the chapel public address system to provide better sound quality during worship services, helping hearing impaired Residents enjoy services.

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

★ AFRH-W (WASHINGTON, DC)

The AFRH-W facility is located atop a hill on 272 acres in the heart of the Nation's Capital and is a vast green oasis in an urban environment. AFRH-W 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, 9-hole golf course 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 theatre, 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.



In FY 2017, multiple projects were initiated to improve the grounds of the AFRH-W Campus to ensure Residents have green areas to enjoy while living in an urban environment. Thanks to the hard work of staff, Residents, military members and volunteers, improvements were completed to protect a valuable historic resource and provide a safe setting for Residents to live, work and thrive. Facility improvement projects included:

- ★ Beautification and safety enhancements of the fishing ponds; an area used by Residents as well as other veteran groups;
- ★ Broadening opportunities for residents to participate in the care of the golf course grounds boosting outdoor recreation;
- ★ Shoring up the historic and stately unoccupied Grant Building to prevent further deterioration of this historic treasure and enable adequate time for future renovation and / or development; and
- ★ Planting of ornamental cherry trees to add diversity to the beauty of the Campus.

These improvements are beneficial to current Residents, honor veterans who have gone before and preserve the historic Campus for future generations of veterans. See more about AFRH-W online at: <https://www.afrh.gov/washington-residents>



AFRH WWII veterans were greeted at the WWII Memorial's Pearl Harbor Remembrance Day Observance.



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 2017, the AFRH Trust Fund received \$22 million from a General Fund transfer to support operations.
Our Goal:	Keeping Residents healthy and independent as long as possible in order to defer the need for higher care levels.
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 ★ Fishing ponds (AFRH-W) ★ Full-service libraries ★ Beach access (AFRH-G) ★ Hobby shops ★ Walking trails, swimming pools, fitness centers and green spaces ★ 9 hole 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 to assist in keeping residents mentally, socially and physically active for as long as possible. 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 IL rooms while receiving limited assistance with activities of daily living (e.g., personal hygiene, medication management 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 AL units, and Residents may join recreational activities in the common areas or participate in recreational activities offered in the AL 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 unit. The majority of 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 and dining / recreational activities are provided in the units. The majority of 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	501	437	944
	AL	27	60	87
	LTC	24	36	60
	MS	24	24	48
	TOTAL	576	557	1132



Historic Lincoln's Cottage is part of AFRH-W.



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 Resident needs additional services. AFRH facilities have many amenities and provide 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 facilities.

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 applying for admission 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 a PCC. The 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 staff, headed by the Chief Operating Officer (COO), oversees operations of the two facilities. The COO and his experienced corporate staff develop overarching policies / procedures and provide oversight of AFRH programs and operations.

The Corporate staff implements strategic decisions that advance the organization as well as effectively communicating with Congress and constituents to keep them informed. The Campus Administrators, following direction from the corporate leadership, manage the operations of their facilities. The COO is subject to the authority, direction and control of the Secretary of Defense, delegated to the Deputy Chief Management Officer.



★ 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.

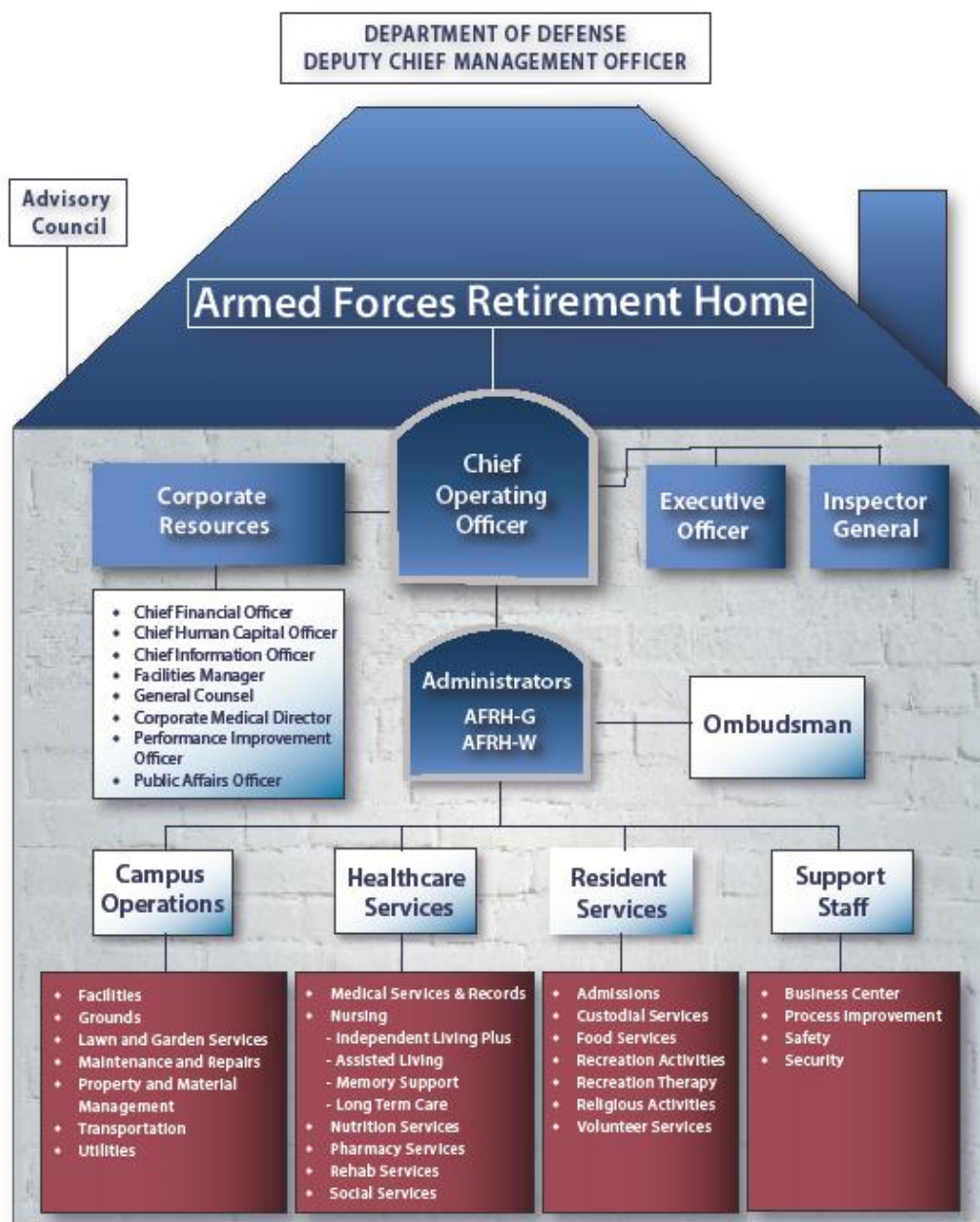


AFRH-W Residents Chester Mahaffey (USAF) and Howard Shirley (USA) enjoy a friendly game of checkers.



★ 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.

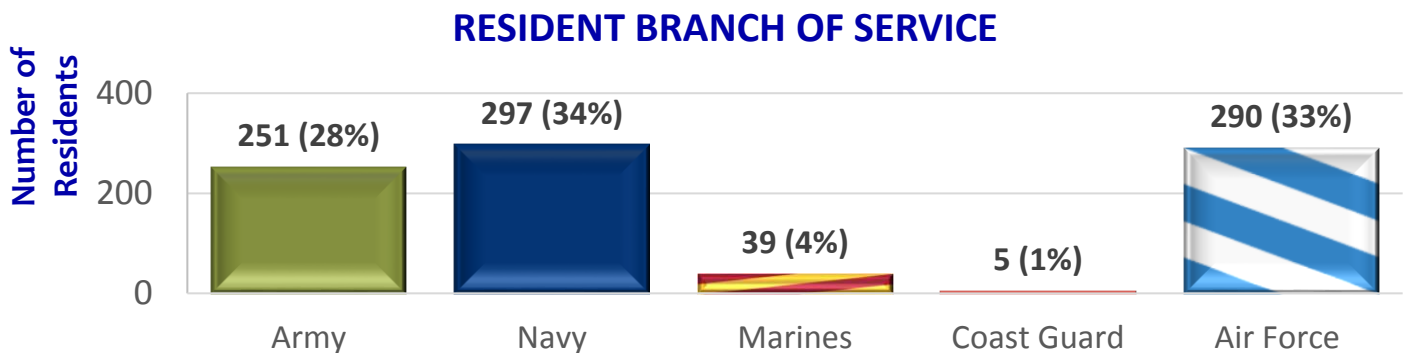


RESIDENT PROFILE

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.

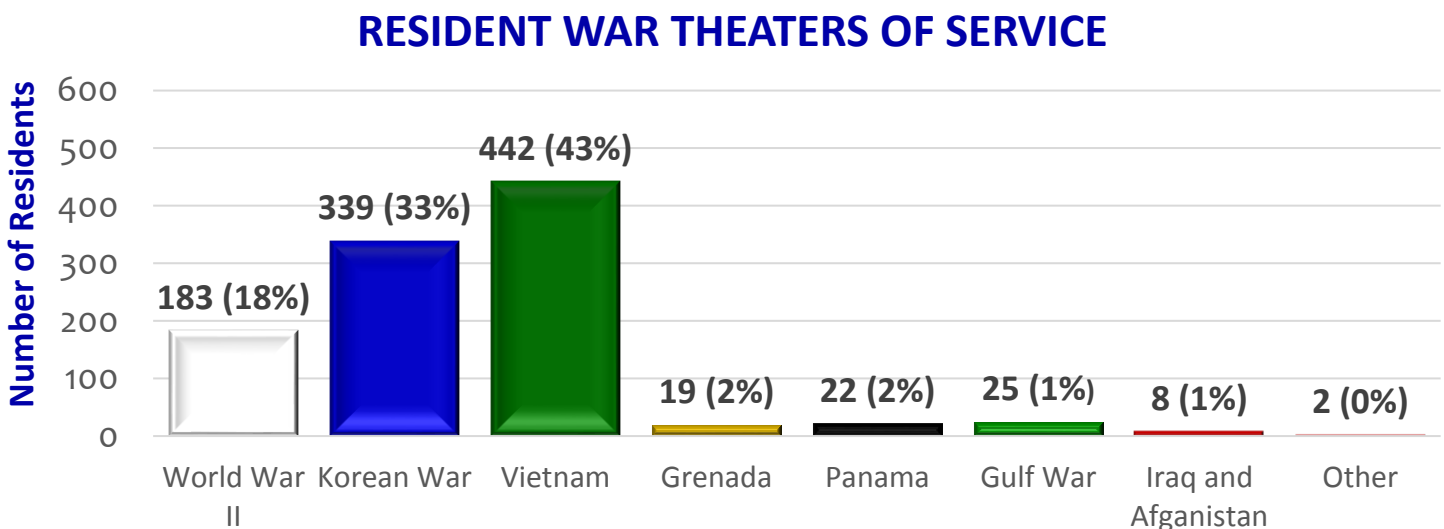
✦ BRANCH OF SERVICE

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 several branches of service; where applicable, the resident's final branch of service is included in the information presented.



✦ RESIDENT WAR THEATER OF SERVICE

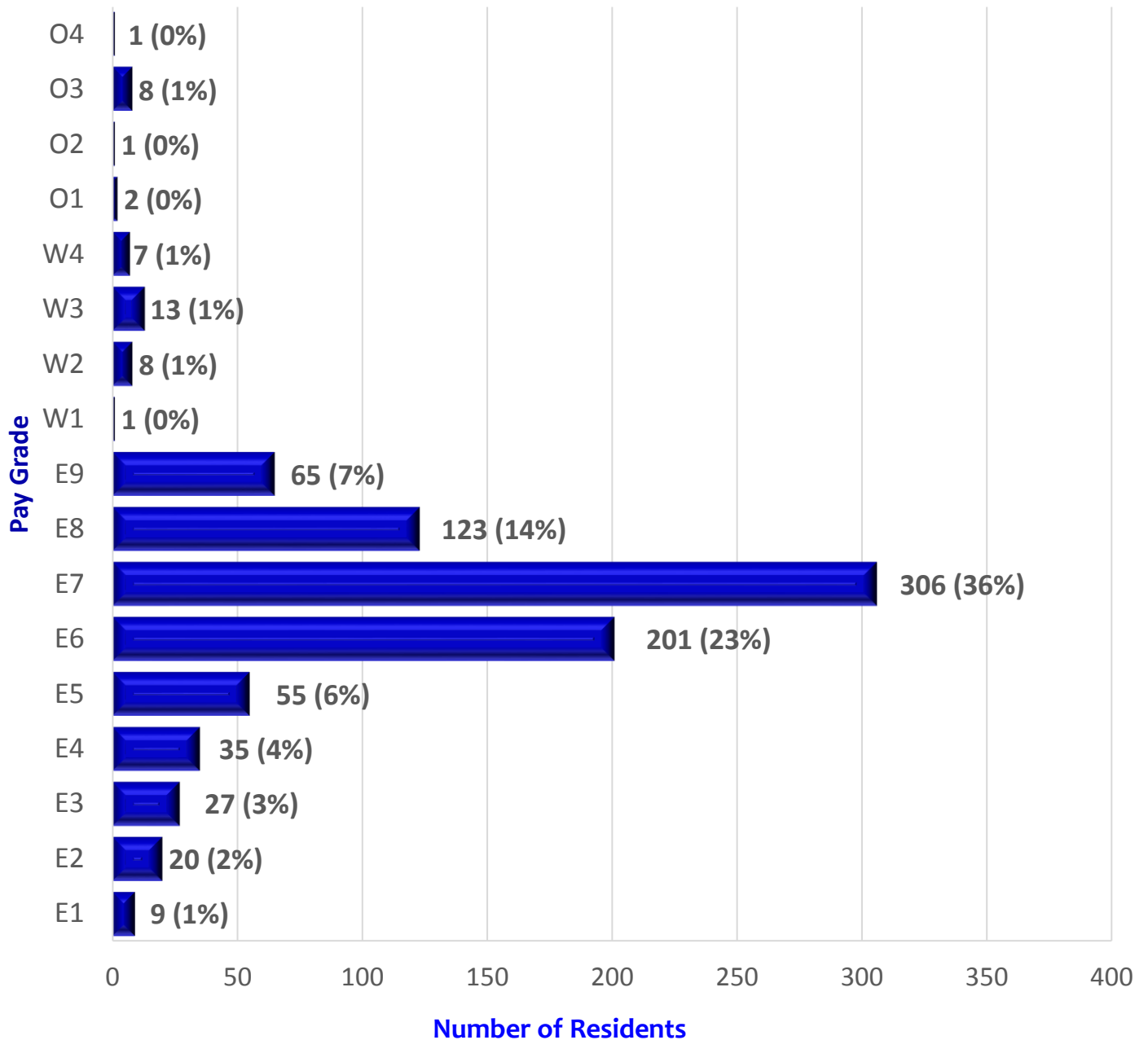
AFRH Residents have served in every U.S. military campaign since World War II. Since many Residents served in more than one conflict, where applicable, the chart shows Residents in multiple campaigns.



★ 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 MILITARY PAY GRADE

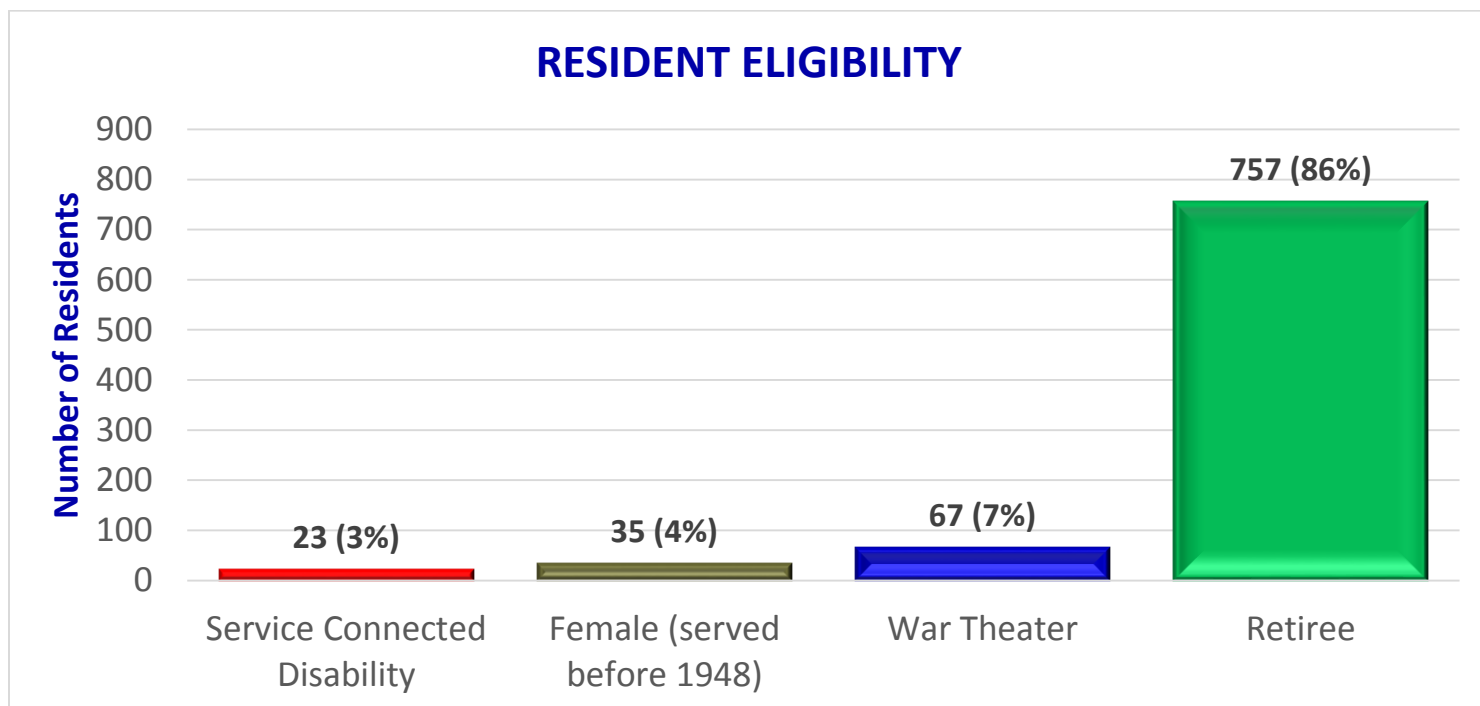


★ RESIDENT ELIGIBILITY

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:

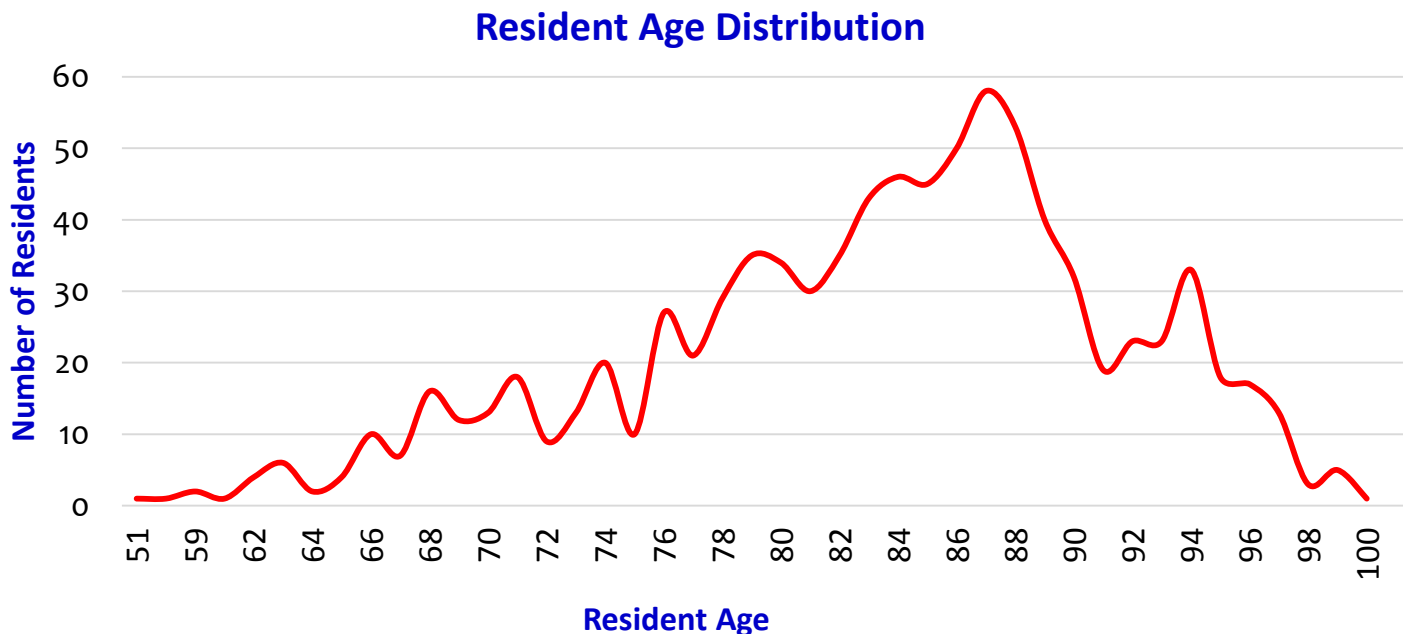
- ★ Are 60 years of age or over; and were discharged or released from service in the Armed Forces under honorable conditions after 20 or more years of active service.
- ★ Persons who are determined under rules prescribed by the COO to be incapable of earning a livelihood because of a service-connected 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.



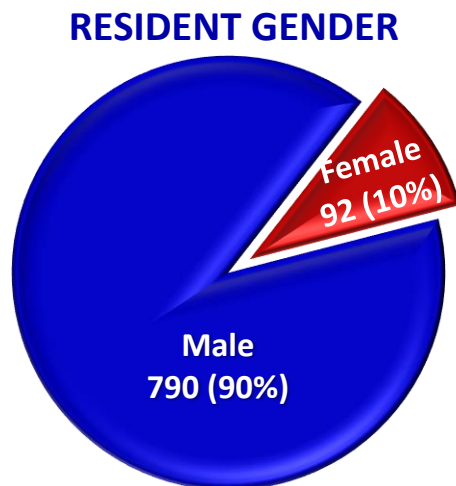
★ RESIDENT AGE DISTRIBUTION

Although most Residents must be at least 60 years old to be eligible to enter AFRH, Residents range in age from 51 to 100 with an average age of 83.2.



★ RESIDENT GENDER

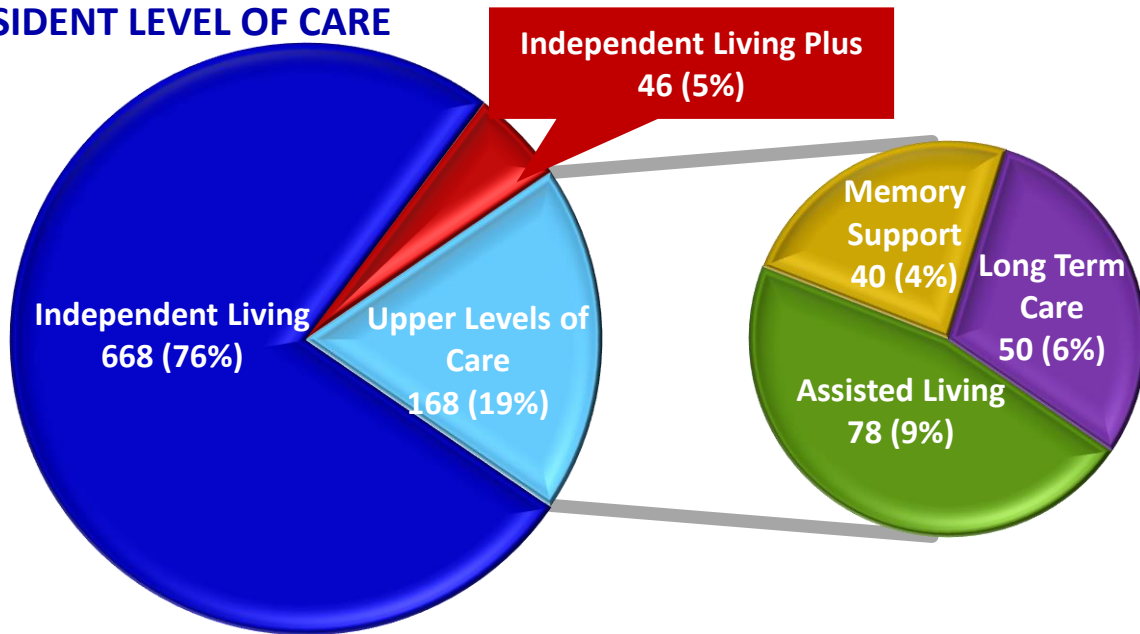
Since the establishment of both facilities, the majority of Residents have been male; however, the percentage of female Residents is steady.



★ RESIDENT LEVELS OF CARE

The majority of AFRH Residents reside as independent living occupants. The upper levels of care reserved for current Residents in need of additional services.

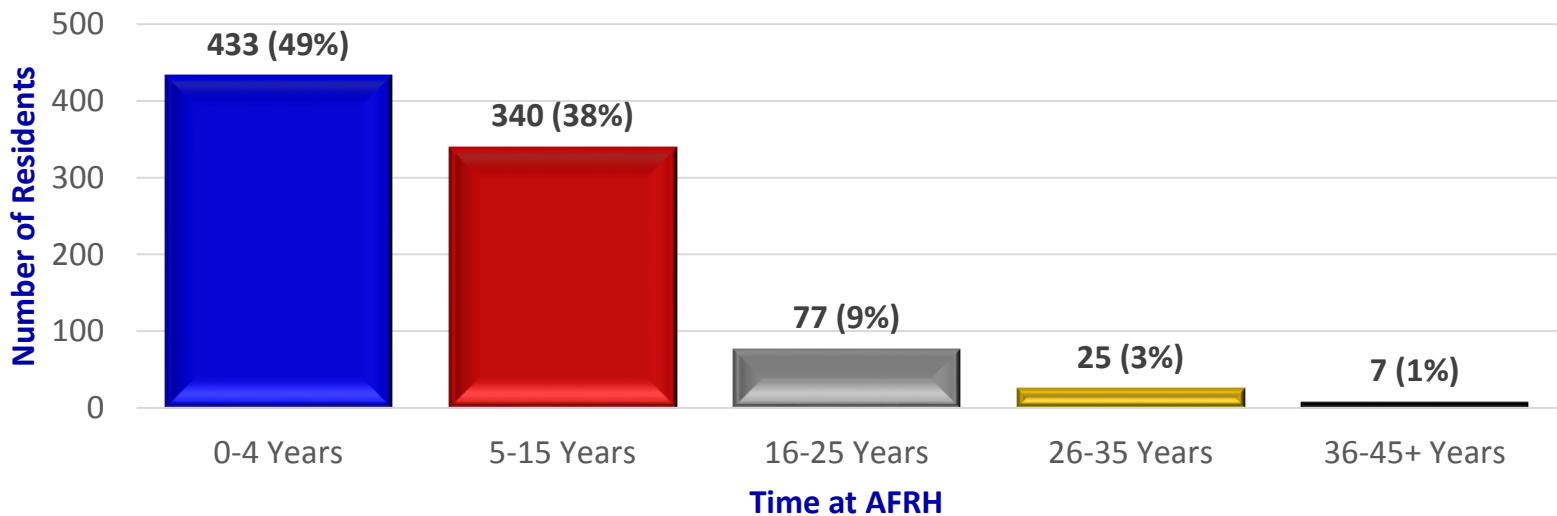
RESIDENT LEVEL OF CARE



★ LENGTH OF AFRH RESIDENCY

The average length of residency at AFRH is 7.24 years; the longest residing member of the AFRH community has lived at the AFRH-W for 44 years.

LENGTH OF AFRH RESIDENCY



2017 HIGHLIGHTS

★ CORPORATE HIGHLIGHTS

FY 2017 Agency initiatives focused on greater efficiency and effectiveness including:

★ [DoD Oversight Transition](#)

AFRH's DoD oversight was transferred from the Assistant Secretary of Defense for Manpower & Reserve Affairs (M&RA) to the Deputy Chief Management Officer (DCMO).

★ [The Joint Commission \(TJC\) Re-accreditation](#)

In September 2017, TJC performed re-accreditation surveys at both homes. AFRH expects favorable results when TJC delivers the assessment survey findings in early FY 2018. These accreditations ensure AFRH complies with the legislative requirement for AFRH to be accredited by a nationally recognized credentialing body for all levels of care.



★ [AFRH Advisory Council](#)

Working with DCMO leadership, AFRH reevaluated and streamlined its Advisory Council. The updated Advisory Council forum included additional senior-living experts and better provides opportunities for members to contribute.

★ [AFRH-W Historic Sherman Building Expanded Lease](#)

The D.C. public charter school lease further expanded in FY 2017 as the school continued growing at a higher rate than anticipated. The charter school not only provides Trust Fund revenue but also reduces AFRH operating costs, serves the surrounding community and offers additional volunteer opportunities for AFRH-W residents. AFRH-W Residents and staff welcomed over 450 students for the FY 2017-2018 school year which commenced in August.

★ [AFRH-G Medical Transportation and Grounds Maintenance Efficiency Study](#)

In a continuing effort to seek cost efficiencies, AFRH conducted an independent assessment of current medical transportation and grounds maintenance services. The study identified a number of efficiencies, both realized and potential. AFRH management is reviewing recommendations and plans to implement several initiatives in early FY 2018.



★ CAMPUS HIGHLIGHTS

Throughout FY 2017, 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 2017 noteworthy highlights are:

★ AFRH-G

★ Veterans Day Memorial & Open House

Residents, staff, the local community, and active-duty military assembled to celebrate the service of all American veterans and acknowledge their contributions to our nation. The celebration included three separate helicopter landings: the U.S. Coast Guard, Harrison County Sheriff, and Oschner Hospital Air Ambulance. There were a variety of activities including an art exhibition featuring the works of AFRH-G Residents, musical performances and a variety of vehicles on display including antique automobiles, motorcycles, and Coast Guard Skiff. The support of the military and the local community made the day not only a successful Veterans Day celebration but a great open house.

★ People's Choice Award

For the 2nd consecutive year, 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.

★ King Seabee Visit during Navy Fleet Week

Rear Admiral Bret J. Muilenburg, Commander, Naval Facilities Engineering Command and Chief of Civil Engineers, lunched with retired Seabee Residents during his visit to Naval Construction Battalion, Gulfport Fleet Week. The Navy Southeast Ceremonial Band also performed for the Residents during the Rear Admiral’s visit.



RADM Muilenburg speaks with AFRH-G Resident Marin Ritchie.

★ Women's History at Stennis Space Center

A Female Enlisted Centennial Anniversary celebration was held at Naval Oceanography Command, Stennis Space Center to honor the 100th anniversary of Loretta Perfectus Walsh's 1917 enlistment in the U.S. Navy. Ms. Walsh was the first woman to officially enlist in the military. Female AFRH-G Residents shared their experiences as women veterans offering attendees insight on their service days. AFRH-G residents received official plaques for their contribution to the ceremony.



★ Ageless Aviation

A group of AFRH-G residents participated in a special program through the Ageless Aviation Dreams Foundation (AADF), a nonprofit organization which gives back to veterans by providing an opportunity to fly in a fully restored 1940s Boeing Stearman biplane. The plane is the same type most U.S. Army Air Force and U.S. Navy pilots learned to fly during World War II.

★ 31st Annual National Veterans Golden Age Games

Over 800 senior veteran athletes flocked to the coast to compete in the annual games. The Parade of Athletes was held at the Beau Rivage Resort and Casino with veterans from each military branch proudly represented. AFRH-G Resident and Marine Corps veteran, Doris Denton, was selected to be the torch bearer for the event. The Games attracted veterans from almost every state as well as outside the U.S.

★ 50th Commemorative Vietnam Pinning Ceremony

In honor of the noble men and women who served courageously during the Vietnam Era, Harrison County Veterans Service Office recognized Vietnam veterans during a pinning ceremony. AFRH-G Vietnam Veterans were recognized for their service and sacrifices during the Vietnam Era.

★ AFRH-W

★ Presidential Visit

During the 2016 Thanksgiving holidays, President Barack Obama and First Lady Michelle Obama served dinner to AFRH-W Residents. The President expressed his gratitude to each Resident for their service. Residents were grateful to have met a sitting Commander-in-Chief.



President Obama and his family served Thanksgiving dinner to AFRH-W Residents.

★ Tour of the U.S. Capitol

A group of Residents visited the U.S. Capitol and were given a private tour by the Special Assistant to Congresswoman Eleanor Holmes Norton. The tour included the special privilege of visiting the House Floor, where Congresswoman Norton explained how the House operates. Residents especially enjoyed the famed 'whisper spot' in the National Statuary Hall which has long been rumored to have been used by John Quincy Adams to eavesdrop on other representatives conversing on the opposite side of the room by taking advantage of the Hall's acoustics.



★ Chaplain Received Presidential Recognition

AFRH-W Protestant Chaplain John Goodloe received presidential recognition for outstanding service to the residents of AFRH-W. Chaplain Goodloe diligently works to meet the spiritual needs of AFRH-W residents by connecting Residents with the surrounding community, regularly bringing large contingents of his community congregation to AFRH to spend time with residents to form a larger faith-based community. In a letter to the Chaplain, President Obama wrote: “Michelle and I offer our congratulations on this milestone in your spiritual journey. We pray that the cherished memories of this special occasion will always nourish your faith. May God continue to bless and guide you throughout your life.”



AFRH-W Contract Chaplain John Goodloe receives a Presidential Award.

★ NASA Astronaut Visit

Astronaut COL (ret) Jeff Williams, who recently completed his fourth space mission on board the International Space Station from March-September 2016, visited AFRH-W. Williams, who has now spent a record 534 total days in space, narrated a special video presentation about his most recent experience and took time to answer Resident questions.



Astronaut Jeff Williams shares his experiences with AFRH-W Residents.

★ Active Duty Grounds Revitalization

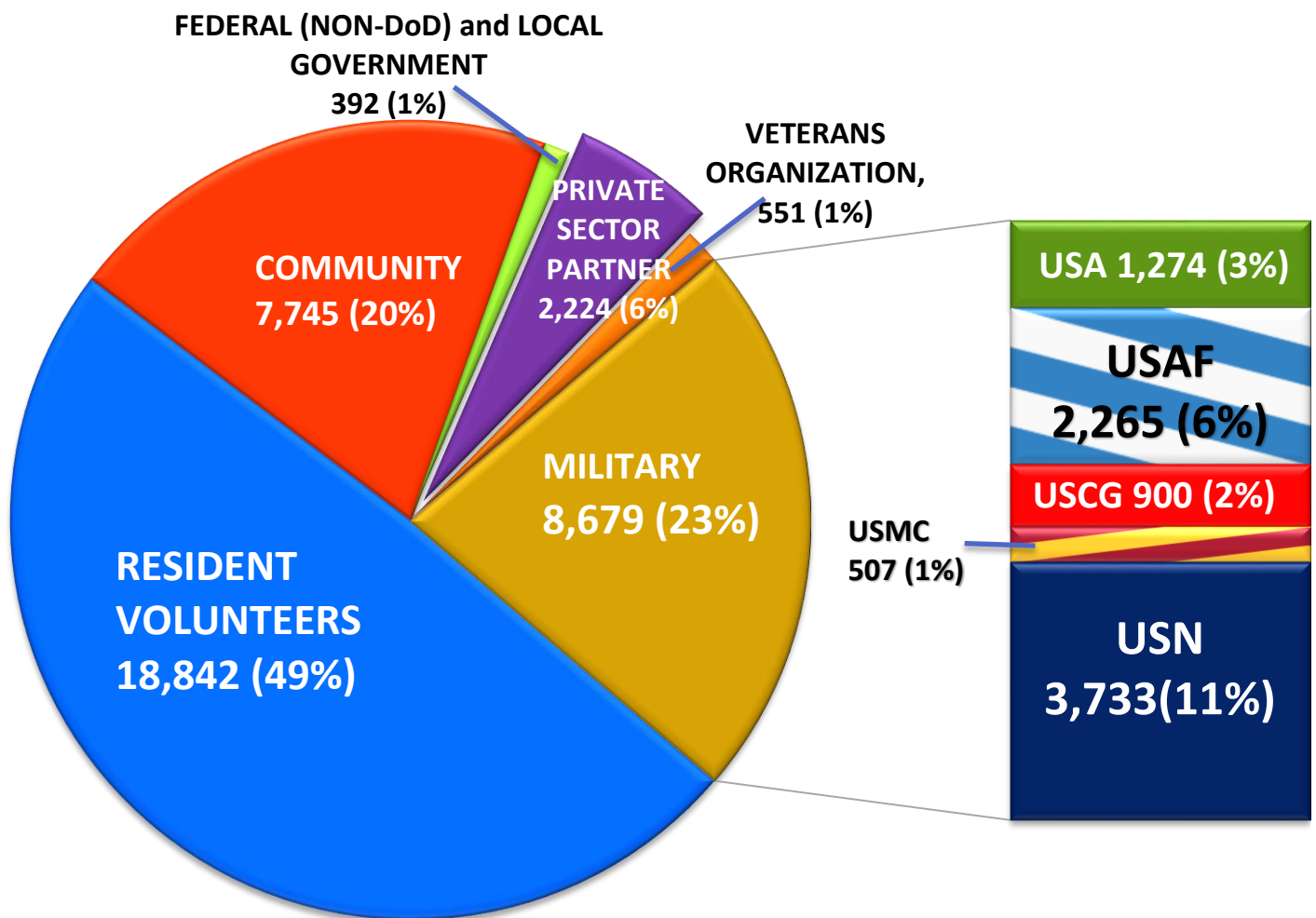
For the fifth year, more than 150 area active duty military and their families worked to enhance the beauty of the campus through a surge of grounds keeping activities. With the help of all five branches of the service, volunteers tackled numerous projects to transform the grounds. Following an exhausting workday, the volunteers joined Residents for a cookout.



AFRH PARTNERS

In support of its strategic goals, AFRH partners with a diverse group of military, government and community organizations. These relationships strengthen and augment AFRH's ability to achieve its mission by providing therapy, socialization and companionship, hosting recreational activities and completing special projects to enhance the facility. These activities enhance the variety of activities available to residents and assist in helping Residents to remain independent, mobile and healthy. Volunteers provided 38,433 hours in FY 2017 assisting, entertaining and supporting Residents, facilities, operations and grounds. Service members, private citizens, children, and in some cases, pets have volunteered at AFRH facilities. While it is not possible to recognize all the volunteers, the AFRH and its Residents would like to convey sincere thanks for their time, effort, and gifts to America's veterans.

Volunteer Hours



TOTAL VOLUNTEER HOURS = 38,433



★ U.S. ARMED SERVICES

Active duty service members both individually and with their units are the second largest group of AFRH volunteers surpassed only by Residents volunteers. Service members build upon Resident programs, provide individual Resident assistance, host events and complete special projects. AFRH could not meet its mission without the support of active duty service member and their families.



Army (USA) Volunteers from the U.S. Army frequently provide assistance to Residents and tackle special projects at both facilities. At AFRH-G, volunteers from Camp Shelby regularly participate and enjoy celebrating the Army's birthday with Residents. At AFRH-W, soldiers from the National Capital Region (NCR) enhance Resident quality of life by sponsoring special projects and escorting Residents to events and activities.



Navy (USN) have a long history of supporting both Homes. At AFRH-G, of Naval Mobile Construction Battalion Seabees and other local Navy Commands are continued supporters of AFRH-G activities, projects and Resident engagement. At AFRH-W, the U.S. Navy is the largest military volunteer group with sailors from various NCR commands and CPO selectee regularly volunteering to perform grounds maintenance, special events and service to Residents.



Marine Corps (USMC) Volunteers from the USMC play a significant role in providing community service for Residents. At AFRH-W, USMC personnel from MCB Quantico, Marine Barracks at 8th & I and recruiting stations volunteer their time, service and energy connecting and assisting veterans. At AFRH-G, USMC personnel celebrate the Marine Corps birthday and assist with other Resident events.



Coast Guard (USCG) provides a steady supply of volunteers at both Homes. At AFRH-W, the USCG plays a unique role in their continued support. USCG personnel and their families from the NCR adopted the "Fishing Ponds" and over the years constructed an outdoor deck and gazebo, decorated the pond area and annually maintain the pond area to ensure Residents have a comfortable and safe place to enjoy bass fishing on Campus. At AFRH-G, USCG Stations from Gulfport, Mobile and New Orleans are active volunteers hosting recreation events and supporting community events.



Air Force (USAF) AFRH values the contributions the USAF makes each year. At AFRH-G, Keesler AFB Airmen are major supporters of activities and special events. At AFRH-W, NCR Airmen participate in recreational programs, socials, birthday celebrations, holiday festivals and outdoor projects to support AFRH Residents.



★ COMMUNITY PARTNERS

AFRH appreciates the continued support of local community partners at both Homes. Local community organizations, corporations, churches and schools regularly volunteer, host special events to enhance AFRH programs and escort Residents to local activities. Some of AFRH key community partners include:

★ AFRH-G



Ingalls Shipbuilding The Huntington Ingalls Shipbuilding hosts AFRH-G Residents for ship christening honoring their military contributions. Residents receive VIP treatment and enjoy being included in viewing today's advanced technological ships.



Gulf Coast Community Arts AFRH-G is fortunate to have Gulf Coast artists who share their time and talent with our Residents by providing classes and instruction. Musicians from the community program regularly visit and dazzle Residents with their musical performances.



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 for various programs. These intergenerational relationships grow each year as the staff, students and parents look for new ways to offer additional programs and expand the relationship.



Girl Scouts of America have a long history of serving AFRH-G Residents. Each year Girl Scouts volunteer at many recreation therapy events and memorial / commemoration services. This year, the Girl Scouts donated their famous cookies which are always a favorite with the Residents.



Lynn Meadows Discovery Center WINGS Performing Arts Program regularly performs for AFRH-G Residents. WINGS' students performed a special Saturday matinee, Space Pirates.



★ AFRH-W



COSTCO AFRH-W December holiday season is significantly enhanced by the contributions and volunteers groups from COSTCO. COSTCO provides each Resident a \$50 gift card for shopping at their nearby location. COSTCO also fulfills a “Santa” wish list making the holidays truly memorable for our veterans. In addition, AFRH-W receives a steady stream of donations throughout the year through COSTCO’s invaluable community outreach event.



NAM Knights, a volunteer motorcycle group of law enforcement and prior military veteran visits the home once a month to host Happy Hour. Volunteers escort residents to and from the event and serve Residents to show their appreciation. This positive environment of camaraderie and esprit de corps among the Residents is always a favorite.



Daughters of the American Revolution (DAR) play a major role enhancing AFRH Residents quality of life. During the December holiday season, volunteers donate an abundance of gifts and other items. During other special events, volunteers help decorate, escort residents, serve meals and set up special events.



Friends of the Soldiers Home (FOSH), a local community based group in D.C., provides an abundance of volunteers and recreation events / activities enhancing AFRH activities. FOSH frequently hosts events, activities and friendly competitions for Residents. To further assist AFRH in building community partnerships, FOSH co-hosts events inviting the local community to interact with AFRH Residents. FOSH continues to set a high bar on giving back to the military veteran community.



People. Animals. Love. Volunteers bring a variety of therapy dogs to visit Residents giving them comfort and joy through interaction with furry friends. These regular visits enrich the lives of our residents and are always well-received by Residents.



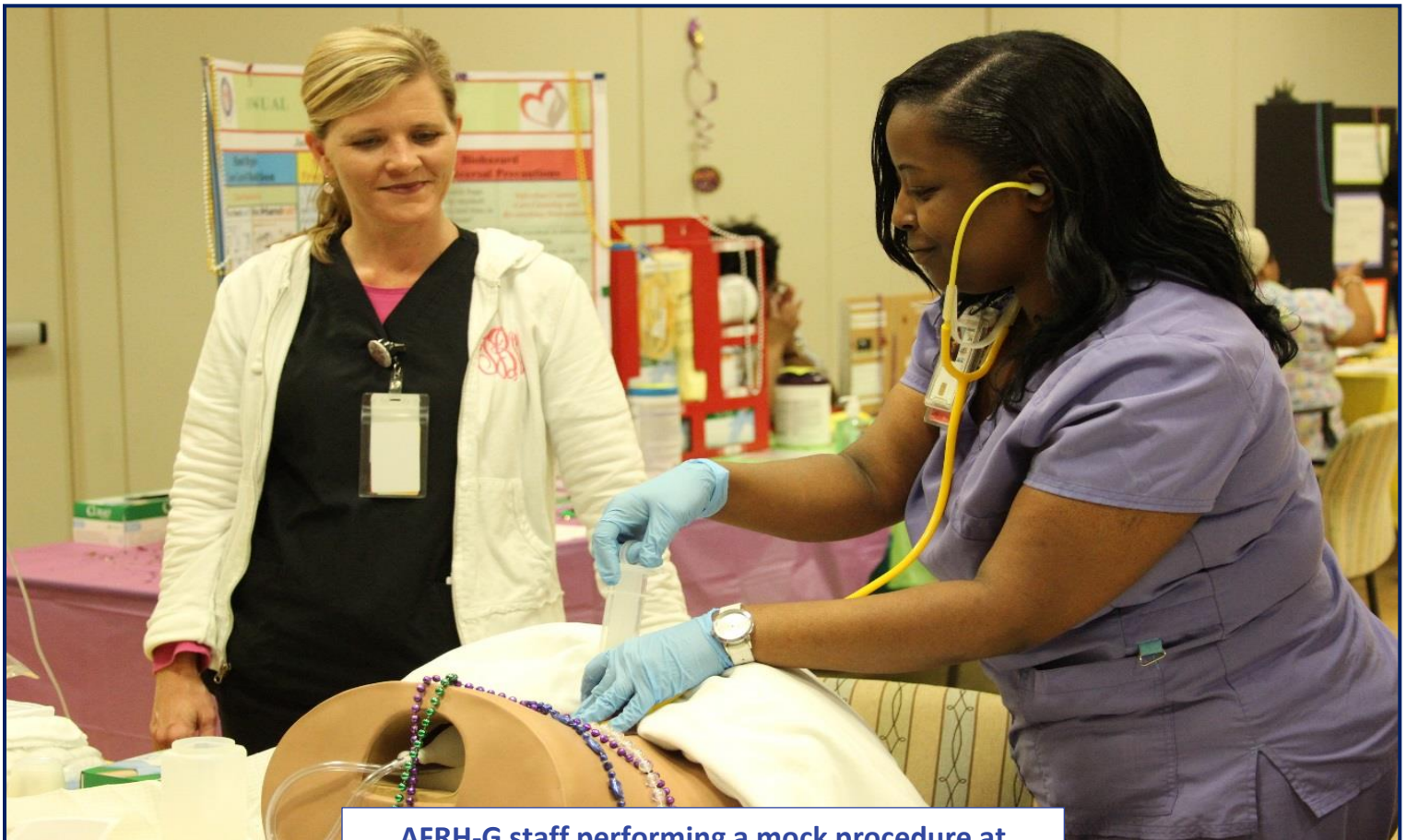
✦ EXTERNAL SUPPORT

★ [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 and local Veterans' Affairs representatives. 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 DoD Instruction 1000.28. The DHA SMA supports AFRH in many healthcare areas by ensuring timely availability of healthcare to 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-G staff performing a mock procedure at Annual Nursing Fair.



✦ MISSION

To fulfill our nation's promise to its Veterans by providing a high quality retirement community with exceptional residential care and extensive support services.

✦ VISION

A Veterans' retirement community committed to excellence, fostering independence, vitality and wellness, making it a vibrant place in which to live, work and thrive.

★ Guiding Principles

- ✦ **Person-centered** – PCC is defined as the manner in which Resident needs are considered while developing responsive plans of care and delivering meaningful services.
- ✦ **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 our customers.
- ✦ **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.
- ✦ **Honor Heritage** - We honor the rich history of the US Armed Forces—from our Veterans to our victories. As such, our campus reflects that military heritage with memorabilia and tributes.
- ✦ **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.
- ✦ **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.



STRATEGIC GOALS AND OBJECTIVES

The AFRH Strategic Plan for FY 2017-2022 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>Encourage activities for Residents’ Health and Wellness.</p> <p>Develop and offer 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>
<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>Demonstrate leadership in complying with federal financial regulations.</p> <p>Ensure annual revenues to support budget authorization.</p> <p>Explore new revenue streams.</p> <p>Develop and deliver a resident-centered vision for AFRH property and services.</p> <p>Optimize use of technology solutions.</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 including best practices (annually).</p> <p>Acknowledge and link performance to results (semi-annually).</p> <p>Demonstrate leadership in complying with Federally mandated initiatives.</p>
<p>LEVERAGE EXTERNAL STAKEHOLDERS: 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>Increase awareness of the unique nature of AFRH and its importance to Veterans, Department of Defense (DoD) and others.</p> <p>Increase residency at both facilities.</p> <p>Grow and maintain/sustain volunteer activities and partnerships throughout AFRH.</p>



PERFORMANCE HIGHLIGHTS

AFRH is committed to creating an environment that fulfills the mission of the health and wellness philosophy of aging. Resident 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 the PCC philosophy.

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

★ PERFORMANCE PROCESS

AFRH established four key goals and thirteen objectives. AFRH set performance metrics and annual targets to assess whether AFRH strategic goals and objectives are met. These performance metrics assist in identifying areas where additional management effort is needed in the coming year while recognizing agency successes. AFRH has 14 key performance metrics to assess four strategic goals.

AFRH Strategic Goal	Strategic Objectives	Annual Performance Metrics (PM)
Resident-Centered Care	2	3
Stewardship	5	6
Staff-Centered Environment	3	3
External Stakeholders	3	2
Total	13	14

★ PERFORMANCE METRICS

For each performance metric, AFRH established an annual performance target to measure the agency’s success. In FY 2017, AFRH met 93% of its performance metrics. Strategic Goal Leaders are responsible for data collection, 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	6	0
Staff-Centered Environment	3	0
External Stakeholders	1	1
Total	13	1



PERFORMANCE RESULTS

FY 2016 – 2017 Performance Metrics	FY 2017 Performance Targets	FY 2016 Results	FY 2017 Results
EMBRACE RESIDENT-CENTERED CARE			
Accreditation achieved	In good standing	CARF / TJC Accreditations in good standing	CARF / TJC accreditation in good standing
Percentage of Resident Satisfaction	70%	90% or better	85% or better
Percentage of Resident Assessment Offered	95%	100%	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 Operations	Unmodified audit opinion	Unmodified audit opinion; No material weaknesses	Unmodified audit opinion; No material weaknesses
Environmental Initiatives	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 addition revenue stream(s)	Slight growth supported by General Fund Transfer	Slight growth supported by General Fund Transfer
Information Management Security	No loss of Personal Identifiable Information from breach of IT systems	New for FY 2017	No loss of data
Cyber Security	FISMA / FITARA compliance	New for FY 2017	Compliant with FISMA / FITARA
PROMOTE STAFF-CENTERED ENVIRONMENTS			
Evidence of measurable training goals	80% participation in 4 mandatory training classes for all staff	98%	95%
Employee Climate Survey responses	70% "Excellent" or "Very Good"	81%	75%
Achievable Person-centered Care	2 initiatives per year	2 initiatives	2 initiatives
LEVERAGE EXTERNAL STAKEHOLDERS			
Occupancy	5% increase in occupancy until facilities reach 90%	New for FY 2017	No increase in occupancy
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 8, 2017

The Armed Forces Retirement Home's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). The FMFIA requires federal agencies to establish controls that reasonably ensure obligations and costs are in compliance with applicable laws; funds, property and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to permit the preparation of accounts and reports and to maintain accountability. The FMFIA also requires agencies to annually assess and report on the controls that protect the integrity of federal programs and whether financial systems conform to its requirements.

The AFRH considers internal control to be a critical element of the processes and systems used to manage its operations. The AFRH embraces the FMFIA principles as a best practice and is committed to assessing the effectiveness of its Internal Control Program. An assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A -123 indicates AFRH is compliant. Based on the results of this evaluation, the AFRH can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2017 operated effectively with no material weaknesses or significant deficiencies found.

The AFRH also conducted its assessment of the effectiveness of internal control over financial reporting, which includes the safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this assessment, the AFRH can provide reasonable assurance that its internal control over financial reporting as of September 30, 2017 operated effectively with no material weaknesses found in the design or operation of the internal control over financial reporting.

Sincerely,

MAURICE SWINTON

Acting 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 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) providing reasonable assurance of effective and efficient operations, 2) complying with applicable laws and regulations and 3) providing 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.

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 systems and services provide additional internal controls to support AFRH financial reporting integrity.

AFRH sets a high standard for reliability of financial reporting. Managers are held accountable for efficiently and effectively performing their duties in compliance with applicable laws and regulations by maintaining the integrity of their activities through the use of internal controls. Throughout



FY 2017, AFRH continues its strong financial management through consistent oversight, stringent accountability and adherence to timeliness.

★ **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 producing 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 2017, 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 FMFIA Statement of Assurance, AFRH has no material weaknesses or nonconformance to report for FY 2017 or 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 2017 or prior year deficiencies requiring corrective actions.



★ FEDERAL INFORMATION SECURITY MANAGEMENT ACT (FISMA)

FISMA requires Certification & Accreditation (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. System Security Assessment (SSA) 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 continue to implement updated security controls and processes that meet or exceed the requirements outlined in National Institute and Standards Technology (NIST) 800. 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 Authority to Operate in May 2016, which is valid through December 2019. As a part of this process, AFRH underwent a comprehensive SSA that reviewed the entire AFRH enterprise infrastructure. The result of the assessment revealed several low risk items that pose no threat to the AFRH IT operating environment. Plan of Actions and Milestones were developed for these low risk items, and the OCIO will continue to 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 outstanding debts. AFRH ensures current Residents with outstanding 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 that were 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 2017, AFRH approved 1,706 invoices subject to the Prompt Payment Act totaling \$24.6 million. Of these invoices, 99.6% were paid on time. During FY 2017, AFRH paid a total of \$0 in interest, 0% of the total dollar amount invoiced. In addition, AFRH paid >99.9% of its 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 refunds due.

★ FINANCIAL MANAGEMENT SYSTEMS STRATEGY

Through 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 billing, collections and payments are reported per guidance set by federal regulations.

VERIFICATION

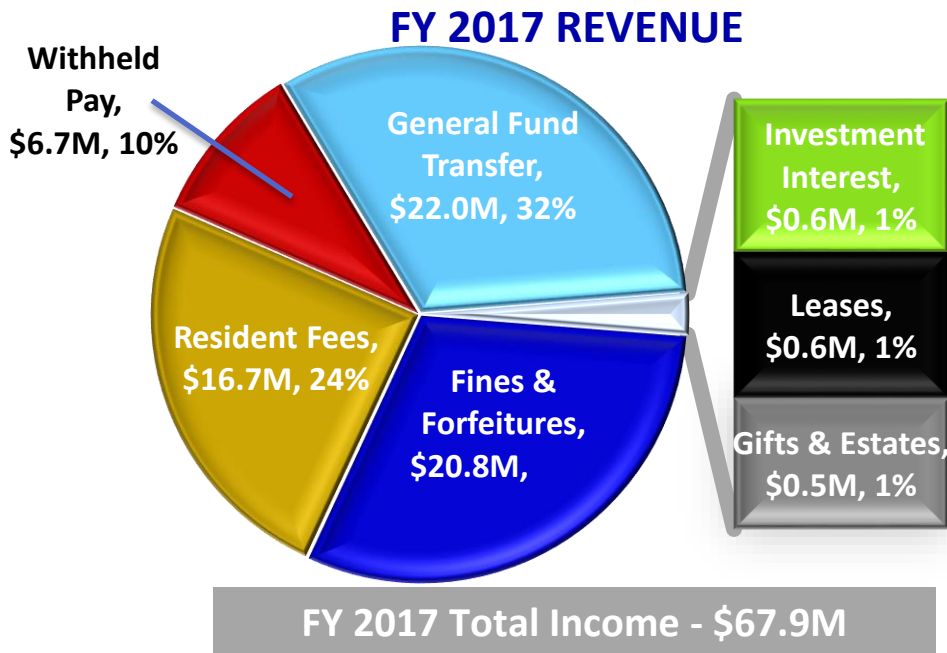
The financial highlights presented in this section are an analysis of the information that appears in AFRH's FY 2017 financial statements as audited by an independent accounting firm. AFRH management is responsible for the fair presentation of information contained in these principal financial statements. In addition to the annual Trust Fund financial audit, AFRH a triennial DoD IG review which includes its financial operations.



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
- ★ General Fund Transfer
- ★ Resident Fees
- ★ Withheld Pay from active duty military
- ★ Investment Interest on the AFRH Trust Fund
- ★ Leases of property
- ★ Gifts and Estates



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 has been unable to support annual operations and maintenance outlays.

In FY 2017, Congress authorized \$22M 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 2017. Brown completed a comparative assessment of FY 2017 and FY 2016 Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position and Statement of Budgetary Resources.

For the 13th 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 AFRH's assets and liabilities. AFRH's assets include the 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 2017	FY 2016	Net changes:	% Change
\$393,405,760	\$393,877,748	(\$471,988)	-0.12%
LIABILITIES:			
FY 2017	FY 2016	Net changes:	% Change
\$16,646,603	\$14,663,135	\$1,983,468	13.5%

★ STATEMENT OF NET COST

The net cost of operations at AFRH increased slightly in FY 2017 driven by cost increases in federal employee salary / benefits and contract cost of living adjustments. AFRH absorbed some of these increases by implementing cost saving efficiencies. Total costs for FY 2017 and FY 2016 respectively were \$55,614,607 and \$52,173,631.

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 2017 was \$376,759,157 and for FY 2016 was \$379,214,613 resulting in a net change of (\$2,455,456).

★ 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 fiscal year. New budgetary authority (total budgetary authority excluding \$22M General Fund transfer, unobligated balances brought forward and prior year recoveries) was \$64.3M in FY 2017, an increase of \$0.0 (0.0%) above the FY 2016 budget authorization of \$64.3M.

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 who 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 Commission on Accreditation on Rehabilitation Facilities (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 to AFRH nursing areas and Wellness Clinic Programs.

★ COMMISSION ON ACCREDITATION OF REHABILITATION FACILITIES / 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 accredited by CARF since 2008. In FY 2016, both locations received reaccreditation 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.



★ THE JOINT COMMISSION (TJC) ACCREDITATION

AFRH sought and received the Gold Seal of Approval for its ambulatory, nursing and home health 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 meeting one of AFRH's Resident-centered strategic goals. During FY 2016, AFRH expanded its TJC accreditation to include Home Care accreditation for AFRH's ILP program.

In FY 2017, both Homes completed re-accreditation surveys for all three areas (ambulatory, nursing and home health care). AFRH is awaiting results of the re-accreditation survey and expects a positive outcome when the results are received in early FY 2018.

★ HUMAN CAPITAL MANAGEMENT

AFRH developed a Strategic Human Capital Plan (SHCP) in 2010 to address key human capital challenges. These strategies are linked to AFRH Strategic Goals and incorporate the spirit of the AFRH Guiding Principles. Until the AFRH strategy is updated, these goals remain effective and guide employees' work at AFRH.

The goals of the AFRH SHCP include:

- ★ Maintaining a strategic human capital framework;
- ★ Cultivating a leadership culture that fosters organizational excellence and mission accomplishment;
- ★ Ensuring a culture excellence in PCC 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 SHCP goals, the CHCO identifies and implements tactics to focus on current employee challenges. 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. Throughout 2017, the CHCO focused on the staff-centered goals outlined in the AFRH Strategic Plan.

Annually, the CHCO 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 service 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 in the value of the AFRH mission.

In FY 2017, 100% of all Individual Performance Plan (IPP) critical elements were linked to AFRH strategic goals. Ensuring the link is the inclusion of a critical element for AFRH employees participating in preparing for accreditations surveys which is one of AFRH's Resident-centered Care strategic goals.

Human capital initiatives that continue to serve all employees include:

- ★ Employee All-Hands meeting with Administrators and the COO
- ★ Quarterly employee awards ceremonies
- ★ Employee of the Quarter and Year awards
- ★ Federal service, retirement and new employee recognition
- ★ Expanded training opportunities and access to online training
- ★ Staff-centered initiatives from the FEVS employee survey
- ★ Quarterly newsletter
- ★ Combined Resident / staff activities





★ **Billy Ray White (AFRH-W, USN)**

Billy Ray White was raised in North Carolina and received his draft notice right after graduating from high school, which stated he had 30 days to choose a branch of service. Billy chose the Navy because it gave him a chance to travel and see the world. Joining during the Vietnam Era, he assumed the Navy would keep him out of harm's way. Billy attended boot camp and Corpsman training and was sent to the USS Pickaway, a transport ship responsible for transporting 2,000 troops to Vietnam. Billy remembers having to transport incapacitated men from lifeboats to the ship decks using only his strength, climbing a rope ladder to carry the stretcher up to the deck and keeping the stretcher level to keep the wounded safe and as comfortable as possible.

Billy found himself stationed with a construction battalion where he became a licensed battalion truck driver. Billy's assignment to the battalion required that he be among the first to enter enemy territory. In addition to the dangers of battle, there were also environmental dangers for those who were first to reach the Vietnamese coast negotiating the dense jungles and protecting themselves while building roads and raising tents. While in the Navy, Billy attended night school training in Computer Engineering. After one tour in Vietnam, Billy requested a transfer into the data processing area where he finished his career. After leaving the Navy, he worked in the computer, investment, marketing, mortgage refinancing and insurance fields.

When Billy was getting ready to sell his home, a gentleman he worked with at the VA told him about the Armed Forces Retirement Home. He knew of the Home since he lived in the area, but thought he was not eligible. The next day, he came to the gate and asked if he could speak to the admittance officer. He found out that he was eligible and given a tour of the Home. "I thought this has got to be a dream, and I am going to wake up. There is nothing like this close to the Nation's Capital."

Billy is still helping fellow veterans with navigating VA benefit programs and giving seminars at his church. Billy deejays for numerous events at AFRH-W. He enjoys volunteering his time in the Home's library and providing golf cart shuttle service to those on campus.





Section 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 an aging-in-place philosophy.



AFRH-G Administrator, Jeff Eads, congratulations AFRH Employee of the Year, Minh Nguyen.



INTRODUCTION

With the transition in Presidential Administration, AFRH not only established a new Strategic Plan for FY 2018 – FY 2022 but also extended its current Strategic Plan through FY 2017 with updated performance metrics and targets for FY 2017. This information presents the final annual performance metrics and targets towards meeting strategic goals established for FY 2013 – FY 2017. AFRH uses performance metrics to monitor progress towards its strategic objectives. Performance metrics include specific targets that measure AFRH’s annual progress towards achieving our mission. AFRH annually reviews its performance framework and focuses on tracking and reporting the most appropriate and meaningful metrics to show effectiveness, efficiency and results.

For FY 2017, AFRH results include 14 performance metrics aligned with 13 strategic objectives. AFRH met annual performance targets for 13 of the performance metrics and did not meet performance targets for 1 metrics. For the target not met, AFRH leadership developed a plan of action and milestones to assist in achieving better results in out years.

GOAL LEADERS

Key Corporate 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—Corporate Medical Director <i>Performance Improvement Officer</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>



VERIFICATION AND VALIDATION

AFRH performance indicators measure 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 Modernization Act of 2010 and OMB Circular A-136. AFRH performance verification and validation includes the following:

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 gathers feedback from oversight organizations including the AFRH Advisory Council, Defense Health Agency (DHA) DoD, OPM and the AFRH IG. An external organization performs an annual financial audit and provides an audit letter verifying the accuracy of financial reporting. Data and reports are presented to DoD, DHA and the Advisory Council via meetings, presentations and special information sessions.

In addition to 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 (ambulatory, nursing and home healthcare).



FY 2017 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):	\$47.3M	Percentage of Total Cost: 85%
Resident-Centered Objective 1 (RC1)	Encourage activities for Residents’ health and wellness	
Resident Centered Objective 2 (RC2)	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	
Performance Metric (PM)	Target	Met / Unmet
PM1 – Accreditation (RC1)	Accreditations in Good Standing	✓
PM2 – Resident Satisfaction (RC2)	80% of Residents rate AFRH programs and services as “Excellent” or “Very Good” during the annual Resident survey	✓
PM3 – Resident Health Assessments (RC1)	95% of IL Residents offered Resident Assessments annually	✓

AFRH’s mission is to assist Residents in keeping socially, mentally and physically active allowing Residents to reside in IL rooms as long as possible. Once Residents require additional support, AFRH offers levels of care to meet their needs. AFRH provides exemplary services and care to its Residents by following a PCC philosophy. 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. PCC results in individual choices enabling the person to feel as if they 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:	In Good Standing
Results:	<p>CARF accreditation maintained since 2008 / re-awarded in FY 2016 and is valid through 2021</p> <p>TJC accreditation in Ambulatory and Nursing Care was awarded to both Campuses in FY 2015 / and is valid through October 2017</p> <p>TJC Home Care accreditation was awarded in FY 2016 and is valid through October 2017</p> <p>TJC re-accreditation surveys in Ambulatory, Nursing Care and Home Care completed in September 2017, positive results are expected in early FY 2018</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 CCRC. 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 valid through 2021.

In FY 2016, AFRH received TJC Ambulatory and Nursing Care accreditations; and in FY 2017, TJC Home Care accreditation for both facilities. These accreditations apply to the Wellness Center, three upper levels of care (AL, LTC and MS) and ILP level of care and are valid through October 2017. In September 2017, TJC completed a re-accreditation survey at both homes for all three accreditations. AFRH expects favorable results when the results are received in early FY 2018.

Goal 1 – Performance Metric 2	
Annual Performance Metric:	Resident Satisfaction
Performance Target:	80% of Residents rate AFRH programs and services as “Excellent” or “Very Good” during the annual Resident survey
Results:	>85% of completed surveys rated AFRH programs and services as “Excellent” / “Very Good” in the FY 2017 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 59% of AFRH Residents completed the survey, and the average satisfaction rate in five of six customer-service areas exceeded our goal of 80%. The only customer service area not meeting the 80% goal is dining. In 2017, the most highly rated areas included the community center, library, movie theater, fitness center, and bike / walking trail. 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 other forums (focus groups, town halls, the AFRH Resident Advisory Committee, 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 >95% 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 2017, 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 PCP. AFRH encourages Residents who choose other PCPs to have an annual assessment with their PCP. CARF, our IL accreditation organization, recommends organizations determine what is appropriate for each facility. In following CARF guidelines, AFRH’s metric is to track the percentage of assessments offered.



★ STRATEGIC GOAL 2: MAINTAIN EXCEPTIONAL STEWARDSHIP

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): \$5.1M Percentage of Total Cost: 9%

Stewardship Objective 1 (ST1) Demonstrate leadership in complying with federal financial regulations

Stewardship Objective 2 (ST2) Ensure annual revenue to support budget authorization

Stewardship Objective 3 (ST3) Explore new revenue streams

Stewardship Objective 4 (ST4) Develop and deliver a resident-centered vision for AFRH property and facilities.

Stewardship Objective 5 (ST5) Optimize use of technology solutions

Performance Metric (PM)	Target	Met / Unmet
PM4 – Trust Fund Solvency (ST2)	Even balance of resources versus obligations	✓
PM5 – Accuracy of Financial Reporting (ST1)	Unmodified Audit Opinion	✓
PM6 – Environmental Initiatives (ST1 & ST4)	Annual goals met	✓
PM7 – Trust Fund Growth (ST3)	Positive growth	✓
PM8 – Information Management Security	No loss of Personal Identifiable Information from breach of IT systems	✓
PM9 – Cyber Security (ST5)	Federal Information System Management Act (FISMA) and Federal IT Acquisition Reform Act (FITARA) compliance	✓

Since AFRH operates from its Trust Fund to meet operational and capital expenditures, strong stewardship is necessary to ensure careful management of the Trust Fund. Stewardship key performance measures address monitoring revenue streams, 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 2017 obligations / expenditures

In FY 2017, AFRH operations and maintenance as well as capital improvement were supported from annual revenues and a \$22M 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 the available Trust Fund balance, the Trust Fund was unable to support additional withdrawals without the General Fund transfer. Identifying additional revenue streams to avoid 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 2017 Unmodified Audit Opinion

AFRH received its 13th 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 2017 and FY 2020 Energy and Water Requirements

Over the last year, AFRH focused on evaluating the requirements of a modern TJC accredited facility along with current building and fire codes, and adjusted the operational and capital plans to address areas of deficiencies. Several projects were executed to address defined deficiencies related to established requirements. FY 2017 Key focus areas included:

- ★ Improve fire alarm performance;
- ★ Improve security monitoring;
- ★ Improve IT infrastructure and data recording;
- ★ Replaced pneumatic A/C controls with digital;
- ★ Repair water infiltration to basement areas of occupied buildings;
- ★ Repair / replaced 50+ year old heating valves in occupied historic buildings;
- ★ Begin phased repair / replacement of 40 year old elevator controls; and
- ★ Begin phased replacement of 100 year old water infrastructure.

Goal 2 – Performance Metric 7	
Annual Performance Metric:	Trust Fund Growth
Performance Target:	Positive result of additional revenue

The Trust Fund balance in FY 2017 was supported by a \$22M transfer from the U.S. General Fund to the AFRH Trust Fund. Without the General Fund transfer, the Trust Fund balance would have continued its decline and AFRH would have been unable to support FY 2017 outlays. AFRH continues to explore additional revenue streams.



Goal 2 – Performance Metric 8	
Annual Performance Metric:	Information Management Security
Performance Target:	No loss of Personal Identifiable Information (PII) from breach of IT systems
Results:	No Loss of PII data

In FY 2017, AFRH improved processes for securing information through the use of various software / hardware changes and upgrades. The agency’s SharePoint site was revamped to bolster its security for the storing and sharing of information internally and externally. AFRH also made significant software modifications to its EHRS during FY 2017, which included enhanced encryption of medical records data, a more robust end-user login and verification process and the installation of a secure wireless network at both facilities. Through the DOI CIO, AFRH also initiated an acquisition for 10-15 encrypted laptop computers to be used by healthcare staff on the secured wireless network. This acquisition will enable the healthcare staff to securely move throughout the facility while supporting and documenting Resident care without the potential for exposing PII data to hackers or cyber threats. The AFRH continues to meet the requirements of the FISMA and NIST in securing its information systems.

Goal 2 – Performance Metric 9	
Annual Performance Metric:	Cyber Security
Performance Target:	Compliance with Federal Information Systems Management Act (FISMA) and Federal IT Acquisition Reform Act (FITARA)
Results:	Compliant

During FY 2017, the DOI and AFRH OCIOs were compliant with OMB Memorandum M-17-25 “Reporting Guidance for Executive Order on Strengthening the Cybersecurity of Federal Networks and Critical Infrastructure.” The Memorandum reinforced the FISMA Act of 2014 by holding agency heads accountable for managing the cybersecurity risks to their enterprise systems. The AFRH CIO and DOI OCIO implemented enhanced features to protect the agency’s network environment while identifying high risk areas that could potentially place the agency’s information at risk to cyber-attacks. The AFRH designated a Senior Accountability Official for Cyber Security Risks responsible for managing the agency’s cybersecurity risks and aligning the information management processes with strategic, operational, and budgetary planning processes. The AFRH CIO and the DOI OCIO continue to develop an IT framework which will provide the standard for managing and reducing cybersecurity risks and organizing capabilities around the five function cyber risk areas: identify, protect, detect, respond, and recover. AFRH expects to complete the framework during the first quarter of FY 2018.



★ STRATEGIC GOAL 3: PROMOTE STAFF-CENTERED ENVIRONMENT

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): \$2.9M		Percentage of Total Cost: 5%	
Staff-centered Objective 1 (SC1)	Educate staff on accreditation, inspection and regulatory standards including best practices		
Staff-centered Objective 2 (SC2)	Acknowledge and link performance to results		
Staff-centered Objective 3 (SC3)	Demonstrate leadership in complying with Federally mandated initiatives		
Performance Metric (PM)	Target	Met / Unmet	
PM10 – Evidence of Measurable Training Goals (SC1 & RC2)	80% staff participation in four mandatory training classes	✓	
PM11 – Percentage of Employee Climate Survey responses of “excellent” or “very good” (SC2)	70%	✓	
PM12 – Achieve Person-centered Care (SC2)	Two (2) initiatives per year	✓	

AFRH seeks to create a workplace environment where employees can thrive. Last year’s CARF Accreditation renewal of proved once again that AFRH has created an environment which ensures a working partnership satisfying to both persons served and the staff. CARF’s focus is on an organization whose mission, vision, core values and purposes center on the persons served and those working there. AFRH is staff-centered, as well as Resident centered, in the delivery of its services.



Goal 3 – Performance Metric 10	
Annual Performance Metric:	Evidence of Measurable Training Goals
Performance Target:	80% staff participation in four mandatory training classes
Results:	95% staff participation in at least four mandatory training classes

Training goal results have been well over the target for several years. 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 and suicide prevention. In addition to the mandatory training, the CHCO provided additional supervisory training throughout the year. Supervisors were presented information and tools needed to conduct performance reviews, discipline employees, handle challenging employees, conduct effective meetings, motivate employees and interaction with labor unions. Supervisory training on workforce relations at both facilities was presented to further educate managers on guiding employee performance. Additional training for supervisors and timekeepers has provided during the time & attendance system upgrade. Preparations for TJC accreditation generated facility training classes to expand staff's knowledge of TJC requirements due to an inspection done for all levels of care.

HRConnect, the automated personnel processing system, also underwent a major upgrade to more adequately meet the needs of management. The upgrade provided an opportunity to validate and realign accountability. The upgrade was successfully completed.

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

Goal 3 – Performance Metric 11	
Annual Performance Metric:	Percentage of Employee Climate Survey responses of “Excellent” or “Very Good”
Performance Target:	70%
Results:	75% of staff survey responses as “Excellent” or “Very Good”

Each year OPM releases the Federal Employee Viewpoint Survey (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 for ensuring employee engagement. Since the survey is voluntary, online and confidential; it is the best way for employees to express opinions. The survey provides federal agencies an opportunity



to compare results for standard questions while providing the ability to include agency specific questions.

Consistently, AFRH receives outstanding survey results in employee support of the AFRH mission. Honoring the need for employees to prepare for all the accreditation surveys, the CHCO postponed the FEVS survey until late 4th quarter.

Goal 3 – Performance Metric 12	
Annual Performance Metric:	Achievable Person-centered Care
Performance Target:	2 initiatives per year
Results:	More than 2 initiatives per year

In the last few years the CHCO has implemented employee recommendations including:

- ★ More opportunities to meet with managers to facilitate team communication and cohesiveness;
- ★ Training on achieving an outstanding performance evaluation;
- ★ Increasing engagement between employees and AFRH leadership; and,
- ★ Expanding on-site training opportunities to include key healthcare topics.

As part of PCC training, all employees are asked for input on how to make AFRH “more PCC.” Ideas in 2017 included more diversity events such as a multi-cultural week to focus on food, language and clothing. AFRH promotes cultural diversity and throughout the year celebrates the heritage months designated by the Federal government. As a result of the 2016 CARF survey, a diversity plan was implemented and mandatory diversity training was added. Improved communications is always a reoccurring area for improvement; Campus Administrators have been charged with increasing communications, offering team building opportunities and implementing employees’ ideas where appropriate. The hiring of an HR Specialist in the Office of the CHCO improved response time to managers and employees alike regarding human resources inquiries, personnel actions, and staff vacancies.

The two initiatives added to the action plan included:

- ★ Labor Union / AFRH Management Relationships—ongoing dialogue between employees and AFRH managers has helped improve relationships with labor unions. Since the unions are active and participatory, the CHCO continues to concentrate on relationships with labor union representatives. The AFRH-G union elected officers and AFRH-G supervisors received additional labor relations and EEO training.



- ★ Retention Incentives—recognizing an employee concern is the lack of promotion potential within AFRH due to its size and limited upwardly mobile positions, creative ideas are needed to address employee concerns. To boost employee retention in healthcare AFRH has implemented the use of retention incentives for Nurse Practitioners at both facilities. AFRH retention incentives are directly linked to performance. This initial step is the first of many AFRH is trying to motivate employees for engagement and retention. Looking to 2018, the CHCO has identified expansion of incentive awards as part of the action plan.



Staff and Residents of AFRH-W huddle together during the annual softball game.



★ STRATEGIC GOAL 4: LEVERAGE EXTERNAL STAKEHOLDERS

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%
External Stakeholder Objective 1 (ES1)	Increase awareness of the unique nature of AFRH and its importance to Veterans, Department of Defense and others		
External Stakeholder Objective 2 (ES2)	Increase residency at both facilities		
External Stakeholder Objective 3 (ES3)	Grow and maintain/sustain volunteer activities and partnerships throughout AFRH.		
Metric	Target	Met / Unmet	
PM13 – Partner Contributions (ES2)	5% increase in occupancy until occupancy reaches 90% at both facilities	✘	
PM14 – Annual Community Events (ES1 & ES3)	Two (2) community events held at each facility	✔	

FY 2017 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 reach eligible veterans increasing occupancy at both facilities.

Goal 4 – Performance Metric 13	
Annual Performance Metric:	Occupancy
Performance Target:	5% increase in occupancy until occupancy reaches 90% at both facilities
Results:	No increase

Since AFRH-W ceased accepting new Residents from FY 2005 – FY 2013 in response to Hurricane Katrina, which required the relocation of AFRH-G residents to AFRH-W, and the 2012 Washington DC earthquake which damaged one of the Resident Buildings, the AFRH-W Resident population has decreased below its capacity. The Public Affairs Officer (PAO), who oversees Resident admissions, initiated several steps to address admissions at both locations. FY 2017 admission initiatives included:

- ★ Filling vacant personnel positions to ensure adequate resources to process applications;



- ★ Conducting extensive proactive marketing outreach to national, state and local veterans organizations to promote the Home;
- ★ Providing a more rapid response to veteran inquiries about admission to the Home;
- ★ Expediting review of admission packages through personal contact and one-on-one assistance to applicants; and,
- ★ Updating the AFRH-G waiting list process to better identify applicants who are current ready to move to the home.

These steps have increased the number of applications received and resulted in a greater number of new admissions each month. Continued progress towards increasing the Resident population is expected in FY 2018.

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.



Ret. MG James H. Garner speaks to the AFRH-G community during their Veterans Day Celebration.





★ **Marin Ritchie (AFRH-G, USN)**

*M*arin Ritchie enlisted in the Navy during her lunch break. She remembers returning from lunch and telling her coworker that she had enlisted in the Navy. Marian had a good laugh when a friend replied, “What in the hell did you do that for?” but Marin knew it was the right decision. Marin served in the WAVES (Women Accepted for Voluntary Emergency Service). After boot camp, she was sent to the West Coast which was just 20 miles from home. In the WAVES, Marin worked as a Captain’s Yeoman at Shore Patrol Headquarters for the 12th Naval District.

After leaving the service at the end of WWII, Marin married and raised her children. Marin began reuniting annually with fellow WAVES. It was at one of these reunions that Ritchie met Catherine Dailey, an AFRH Resident. As their friendship grew, Catherine traveled to California to visit Ritchie, and in return, Ritchie visited Catherine at AFRH-G. Marin was very impressed with the facility and ultimately decided to make plans to become a Resident.

Marin enjoyed life at AFRH-G until Hurricane Katrina struck in 2005. Her vivid memory of the catastrophe is when she looked out her eighth-story window and saw cars floating by in the storm surge. Like many other AFRH-G Residents, she relocated to AFRH-W and returned to AFRH-G when the facility re-opened in late 2010. Marin has stayed active throughout her many years at both Homes by quilting, volunteering, going on trips, reading, and working puzzles. She has donated many of her handmade quilts to warm babies in the local Neonatal Intensive Care Unit. She also enjoys attending socials and going out to dinner with friends. However, her most thrilling endeavor has been the two occasions she has gone parasailing with her daughter and great granddaughter. The last time she went she was 98-years old! The event was even covered in the local news. According to Ritchie, “It was a great time!” Now she’s waiting on warmer weather so that she can go again.





Section 3: Financial

This section provides financial information required by the Chief Financial Officers Act of 1990 and 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. The 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-G Business Center Staff works closely with Robert Klotz (USAF) to accurately assess Resident Fees.



CHIEF FINANCIAL OFFICER MESSAGE



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



November 8, 2017

On behalf of the Armed Forces Retirement Home (AFRH), I am pleased to present the agency's Performance and Accountability Report (PAR) and financial statements for FY 2017. This is our principal report to the President, Congress and the American people on our stewardship of the trust funds and public funds with which we have been entrusted and on the impact of AFRH programs to achieve our mission.

AFRH is firmly committed to the highest standards of financial accountability and reporting. AFRH believes this level of commitment is required to sustain the Agency's mission to fulfill our Nation's commitment to its veterans by providing a retirement community with exceptional residential care and extensive support services. AFRH received an unmodified audit opinion on the FY 2017 financial statements with no material weaknesses or significant deficiencies. This marked our 13th consecutive unmodified (clean) audit opinion. An unmodified audit opinion means the agency's financial statements are presented fairly, in all material aspects and are in conformity with generally accepted accounting principles.

AFRH recognizes the importance of maintaining strong internal controls and their impact on the effective execution of our programs and the provisions of best value to our stakeholders. AFRH had no material weaknesses or significant deficiencies to address from our FY 2016 financial audit. Throughout FY 2017, AFRH worked diligently to maintain strong internal controls and improve processes to gain further efficiencies across the agency. As a result of the work of dedicated staff, AFRH's FY 2017 accomplishments include:

- ✓ **Strengthening Quality Surveillance of Contracts:** A new monthly reporting was instituted to identify and remediate issues early and additional training was provided which included key areas identified for improvement.
- ✓ **Implemented contract efficiencies:** Through a comprehensive independent review of two large contracts—dining and custodial—contracts were re-awarded with a \$1M annual cost avoidance without significant changes to resident services.
- ✓ **Exceeding goals in payment timeliness and accuracy:** Accounts payable processing was improved through the continued use of Treasury's Invoice Payment Platform. At



year end, AFRH achieved an annual on-time payment rate of XX.X% with no Improper Payment.

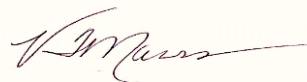
- ✓ Maintained budget formulation and execution efficiencies: Improvements to our budget processes resulted in timely delivery of the FY 2018 budget justification on time and quarterly budget reviews identified funds for reprogramming to accomplish 100% of mission requirements despite budget constraints.
- ✓ Complied with the Digital Accountability and Transparency Act of 2014: Successfully created the requirement data files, validated the data file, remediated imbalances when required and met FY 2017 reporting requirements.

Looking Forward

As we enter a new fiscal year, AFRH faces a number of critical financial challenges. Chief among these challenges is adequate revenue to support annual expenses. Due to an uncontrolled reduction in our largest revenue stream, fines and forfeitures, AFRH annual expenses have outpaced revenue for several years. AFRH is committed to identifying and implementing prudent operational efficiencies and exploring new revenue streams to replace these uncontrolled revenue losses. AFRH is keenly aware of how far every dollar must go to meet our responsibilities, and in managing our limited resources, emphasizes rigorous analysis, effectiveness, efficiency and accountability.

AFRH must dedicate its efforts to improve the efficiency and effectiveness of the agency's financial operations, systems and information while exploring opportunities for increases in revenue to offset cost. This dedication will enable AFRH to address new requirements, support strategic decision-making and respond to new mission challenges.

Sincerely,



VICKI T. MARRS
Chief Financial Officer





INDEPENDENT AUDITOR'S REPORT

Armed Forces Retirement Home
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying balance sheets of the Armed Forces Retirement Home (AFRH) as of September 30, 2017 and 2016, 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. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards, and OMB Bulletin No. 17-03 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.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the AFRH as of September 30, 2017 and 2016, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the *Management's Discussion and Analysis (MD&A)*, also regarded as *Required Supplementary Information (RSI)*, 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 U.S. generally accepted government auditing standards, 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 the Director 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 the 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 AFRH. The objective was not to provide an opinion on compliance with those provisions of laws, regulations, contracts and grant agreements, and we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards* or OMB Bulletin No. 17-03.

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. 17-03 requires testing, and (3) applying certain limited procedures with respect to the MD&A.

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 internal 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 the 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. 17-03 that we deemed applicable to AFRH’s financial statements for the fiscal year ended September 30, 2017. 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 the AFRH, OMB, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

Beam & Company

Largo, Maryland
November 8, 2017



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, is the auditor for the AFRH FY 2017 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, 2017 AND 2016
(IN DOLLARS)**

	2017	2016
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 2,535,159	\$ 3,432,667
Investments (Note 3)	62,774,035	52,034,644
Accounts Receivable (Note 4)	1,052,235	975,800
Total Intragovernmental	66,361,429	56,443,111
Accounts Receivable, Net (Note 4)	35,554	195,867
Property, Equipment, and Software, Net (Note 5)	327,008,777	337,238,770
Total Assets	\$ 393,405,760	\$ 393,877,748
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 518,085	\$ 273,598
Other (Note 8)	2,611,562	2,302,526
Total Intragovernmental	3,129,647	2,576,124
Accounts Payable	2,545,281	780,691
Federal Employee and Veterans' Benefits (Note 7)	7,598,104	7,479,732
Other (Note 8)	3,373,571	3,826,588
Total Liabilities	\$ 16,646,603	\$ 14,663,135
Net Position:		
Cumulative Results of Operations - Funds from Dedicated Collections	376,759,157	379,214,613
Total Net Position	\$ 376,759,157	\$ 379,214,613
Total Liabilities and Net Position	\$ 393,405,760	\$ 393,877,748



**ARMED FORCES RETIREMENT HOME
STATEMENT OF NET COST
FOR THE YEARS ENDING SEPTEMBER 30, 2017 AND 2016
(IN DOLLARS)**

	2017	2016
Program Costs: (Note 11)		
Program: Embrace Resident-Centered Care		
Gross Costs	\$ 61,415,531	\$ 55,452,558
Less: Earned Revenue	(14,079,144)	(13,969,304)
Net Program Costs	\$ 47,336,387	\$ 41,483,254
Program: Maintain Exceptional Stewardship		
Gross Costs	\$ 6,648,735	\$ 9,750,054
Less: Earned Revenue	(1,524,183)	(2,456,180)
Net Program Costs	\$ 5,124,552	\$ 7,293,874
Program: Staff-Centered Stewardship		
Gross Costs	\$ 3,708,528	\$ 4,170,624
Less: Earned Revenue	(850,158)	(1,050,641)
Net Program Costs	\$ 2,858,370	\$ 3,119,983
Program: Leverage External Stakeholders		
Gross Costs	\$ 383,128	\$ 369,637
Less: Earned Revenue	(87,830)	(93,117)
Net Program Costs	\$ 295,298	\$ 276,520
Net Cost of Operations	\$ 55,614,607	\$ 52,173,631



**ARMED FORCES RETIREMENT HOME
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDING SEPTEMBER 30, 2017
(IN DOLLARS)**

	2017	2016
Cumulative Results of Operations:		
Beginning Balances	\$ 379,214,613	\$ 379,761,067
Budgetary Financing Sources:		
Appropriations Used	22,000,000	20,000,000
Nonexchange Revenue	29,387,811	30,005,167
Donations and Forfeitures of Cash and Cash Equivalents	509,176	123,312
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 12)	1,262,164	1,498,698
Total Financing Sources	53,159,151	51,627,177
Net Cost of Operations	(55,614,607)	(52,173,631)
Net Change	(2,455,456)	(546,454)
Cumulative Results of Operations	\$ 376,759,157	\$ 379,214,613
Budgetary Financing Sources:		
Appropriations Received	22,000,000	20,000,000
Appropriations Used	(22,000,000)	(20,000,000)
Total Unexpended Appropriations	\$ -	\$ -
Net Position	\$ 376,759,157	\$ 379,214,613



ARMED FORCES RETIREMENT HOME
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDING SEPTEMBER 30, 2017 AND 2016
(IN DOLLARS)

	2017	2016
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 26,999,278	\$ 20,973,937
Recoveries of Prior Year Unpaid Obligations	908,575	2,170,628
Other changes in unobligated balance	30,251	354,225
Unobligated balance from prior year budget authority, net	27,938,104	23,498,790
Appropriations	86,300,000	84,300,000
Total Budgetary Resources	\$ 114,238,104	\$ 107,798,790
Status of Budgetary Resources:		
New obligations and upward adjustments (total) (Note 14)	\$ 81,640,626	\$ 80,799,512
Unobligated balance, end of year:		
Apportioned, unexpired account (Note 2)	26,481,473	21,797,839
Unapportioned, unexpired accounts	6,116,005	5,201,439
Unexpired unobligated balance, end of year	32,597,479	26,999,278
Total Budgetary Resources	\$ 114,238,104	\$ 107,798,790
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 8,905,962	\$ 8,798,813
New obligations and upward adjustments (Note 14)	81,640,626	80,799,512
Outlays (gross)	(80,014,072)	(78,521,735)
Recoveries of Prior Year Unpaid Obligations	(908,575)	(2,170,628)
Unpaid Obligations, End of Year (Gross)	9,623,941	8,905,962
Obligated Balance, Start of Year	\$ 8,905,962	\$ 8,798,813
Obligated Balance, End of Year	\$ 9,623,941	\$ 8,905,962
Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 86,300,000	\$ 84,300,000
Actual offsetting collections	(30,251)	(354,225)
Recoveries of prior year paid obligations	30,251	354,225
Budget Authority, net, (total)	\$ 86,300,000	\$ 84,300,000
Outlays, gross	\$ 80,014,072	\$ 78,521,734
Actual offsetting collections	(30,251)	(354,225)
Outlays, net, (total)	79,983,821	78,167,509
Distributed Offsetting Receipts	(17,786,367)	(17,138,742)
Agency outlays, net	\$ 62,197,454	\$ 61,028,767



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, D.C.

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 (FASAB), Office of Management and



Budget (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 health care 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.

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 2017 and 2016 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 2016 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, 2017 and 2016, were as follows:

	2017	2016
Fund Balances:		
Trust Funds	\$ 2,535,159	\$ 3,432,667
Investments	62,887,784	52,034,644
Less: Accrued Interest and Unamortized Premium	(377,735)	(373,998)
Total	\$ 65,045,208	\$ 55,093,313

Status of Fund Balance with Treasury:

Unobligated Balance		
Available	\$ 26,481,473	\$ 21,797,839
Unavailable	28,939,794	24,389,512
Obligated Balance Not Yet Disbursed	9,623,941	8,905,962
Total	\$ 65,045,208	\$ 55,093,313

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, 2017 consist of the following:

	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental Securities:						
Marketable	\$ 62,790,006	Interest	\$(113,749)	\$ 97,778	\$62,774,035	\$ 62,432,390
Total	\$ 62,790,006		\$(113,749)	\$ 97,778	\$62,774,035	\$ 62,432,390

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

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 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, 2017 and 2016, were as follows:

	2017	2016
Intragovernmental		
Accounts Receivable	\$ 1,052,235	\$ 975,800
Total Intragovernmental Accounts Receivable	\$ 1,052,235	\$ 975,800
With the Public		
Accounts Receivable	\$ 35,554	\$ 195,867
Total Accounts Receivable	\$ 1,087,789	\$ 1,171,667

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, 2017 and 2016.



NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2017

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Building	\$ 504,743,933	\$ 190,269,039	\$ 314,474,894
Leasehold Improvements	15,687,364	12,699,972	2,987,392
Furniture & Equipment	12,682,806	9,399,975	3,282,831
Construction-in-Progress	6,263,660	-	6,263,660
Total	\$ 539,377,763	\$ 212,368,986	\$ 327,008,777

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

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Building	\$ 504,201,759	\$ 180,230,855	\$ 323,970,904
Leasehold 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

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for AFRH as of September 30, 2017 and 2016 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.

	2017	2016
Intragovernmental – FECA	\$ 1,263,461	\$ 1,499,212
Intragovernmental – Unemployment Insurance	1,552	4,436
Unfunded Leave	1,088,750	1,082,609
Actuarial FECA	7,598,104	7,479,732
Deferred Lease Liabilities	4,332	-
Total Liabilities Not Covered by Budgetary Resources	\$ 9,956,199	\$ 10,065,989
Total Liabilities Covered by Budgetary Resources	6,690,404	4,000,870
Total Liabilities	\$16,646,603	\$ 14,066,859

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, 2017 and 2016, was \$7.5 million and \$7.4 million, respectively.



NOTE 8. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2017 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 743,813	\$ 1,263,461	\$ 2,007,274
FECA Liability - Unemployment	\$ 380,760	\$ -	\$ 380,760
Unemployment Insurance Liability	1,552	-	1,552
Payroll Taxes Payable	221,976	-	221,976
Total Intragovernmental Other Liabilities	\$ 1,348,101	\$ 1,263,461	\$ 2,611,562
With the Public			
Payroll Taxes Payable	\$ 88,430	\$ -	\$ 88,430
Accrued Funded Payroll and Leave	865,188	-	865,188
Unfunded Leave	1,088,750	-	1,088,750
Other	1,331,203	-	1,331,203
Total Public Other Liabilities	\$ 3,373,571	\$ -	\$ 3,373,571

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
Custodial Liability	-	-	-
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	2,021,658	-	2,021,658
Other	33,823	-	33,823
Total Public Other Liabilities	\$ 3,826,588	\$ -	\$ 3,826,588

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 has made \$2,700,842 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, 2017, AFRH has recognized \$1,361,404 in in-kind consideration, bringing the amount of deferred revenue associated with the lease to \$1,339,439. 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, 2017

	Capital Fund	Earthquake Fund	Hurricane Katrina Fund	Operations & Maintenance Fund	Total Funds from Dedicated Collections
Balance Sheet					
ASSETS					
Fund Balance with Treasury	\$ (6,333,672)	\$ 1	\$ 70,740	\$ 8,798,090	\$ 2,535,159
Investments	-	-	-	62,774,035	62,774,035
Accounts Receivable	-	-	-	1,087,789	1,087,789
Property, Equipment and Software	119,879,212	13,469,739	193,659,826	-	327,008,777
Total Assets	\$ 113,545,540	\$ 13,469,740	\$ 193,730,566	\$ 72,659,914	\$ 393,405,760
LIABILITIES AND NET POSITION					
Accounts Payable	\$ 427,522	\$ -	\$ -	\$ 2,635,844	\$ 3,063,366
Other	-	-	-	5,985,133	5,985,133
Employee and Veteran Benefits	-	-	-	7,598,104	7,598,104
Cumulative Results of Operations	113,118,018	13,469,740	193,730,566	56,440,833	376,759,157
Total Liabilities and Net Position	\$ 113,545,540	\$ 13,469,740	\$ 193,730,566	\$ 72,659,914	\$ 393,405,760
Statement of Net Cost					
Program Costs	\$ 5,764,222	\$ 293,940	\$ 5,382,289	\$ 60,715,470	\$ 72,155,921
Less: Earned Revenues	-	-	-	(16,541,314)	(16,541,314)
Net Program Costs	5,764,222	293,940	5,382,289	44,174,156	55,614,607
Net Cost of Operations	\$ 5,764,222	\$ 293,940	\$ 5,382,289	\$ 44,174,156	\$ 55,614,607
Statement of Changes in Net Position					
Net Position Beginning of Period	\$ 118,882,240	\$ 13,763,680	\$ 199,112,855	\$ 47,455,838	\$ 379,214,613
Net Cost of Operations	(5,764,222)	(293,940)	(5,382,289)	(44,174,156)	(55,614,607)
Taxes and Other Nonexchange Revenue	-	-	-	29,387,811	29,387,811
Other Revenue	-	-	-	23,771,340	23,771,340
Change in Net Position	(5,764,222)	(293,940)	(5,382,289)	8,984,995	(2,455,456)
Net Position End of Period	\$ 113,118,018	\$ 13,469,740	\$ 193,730,566	\$ 56,440,833	\$ 376,759,157



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
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 Nonexchange 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



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:

	2017		2016	
Program: Embrace Resident-Centered Care				
Intragovernmental Costs	\$	(2,394,478)	\$	8,872,325
Public Costs		63,810,009		46,580,233
Total Program Costs		61,415,531		55,452,558
Intragovernmental Earned Revenue		548,920		(1,078,331)
Public Earned Revenue		(14,628,064)		(12,890,973)
Net Program Costs	\$	47,336,387	\$	41,483,254
Program: Maintain Exceptional Stewardship				
Intragovernmental Costs	\$	3,340,649	\$	1,559,994
Public Costs		3,308,086		8,190,060
Total Program Costs		6,648,735		9,750,054
Intragovernmental Earned Revenue		(765,824)		(189,600)
Public Earned Revenue		(758,359)		(2,266,580)
Net Program Costs	\$	5,124,552	\$	7,293,874
Program: Promote Staff-Centered Environment				
Intragovernmental Costs	\$	3,118,274	\$	667,294
Public Costs		590,254		3,503,330
Total Program Costs		3,708,528		4,170,624
Intragovernmental Earned Revenue		(714,845)		(81,102)
Public Earned Revenue		(135,313)		(969,539)
Net Program Costs	\$	2,858,370	\$	3,119,983
Program: Leverage External Stakeholders				
Intragovernmental Costs	\$	52,496	\$	59,141
Public Costs		330,632		310,496
Total Program Costs		383,128		369,637
Intragovernmental Earned Revenue		(12,034)		(7,188)
Public Earned Revenue		(75,796)		(85,929)
Net Program Costs	\$	295,298	\$	276,520
Total Intragovernmental costs	\$	4,116,941	\$	11,158,754
Total Public costs		68,038,981		58,584,119
Total Costs		72,155,922		69,742,873
Total Intragovernmental Earned Revenue		(943,783)		(1,356,221)
Total Public Earned Revenue		(15,597,532)		(16,213,021)
Total Net Cost	\$	55,614,607	\$	52,173,631



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, 2017 and 2016 respectively, imputed financing was as follows:

	2017	2016
Office of Personnel Management	\$ 1,262,164	\$ 1,498,698
Total Imputed Financing Sources	\$ 1,262,164	\$ 1,498,698

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

Note Presentation, rounded to millions

FY2016	Budgetary Resources	Obligations Incurred	Net Outlays
Statement of Budgetary Resources	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000
Budget of the U.S. Government	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000

NOTE 14. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2017 and 2016 consisted of the following:

	2017	2016
Direct Obligations, Category A	\$ 81,640,626	\$ 80,194,006
Direct Obligations, Category B	-	605,506
Total Obligations Incurred	\$ 81,640,626	\$ 80,799,512

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, 2017 and 2016, budgetary resources obligated for undelivered orders amounted to \$7,456,460 and \$6,365,381 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 TWELVE MONTHS ENDING SEPTEMBER 30, 2017 AND 2016
(IN DOLLARS)**

	2017	2016
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	\$ 81,640,626	\$ 80,799,512
Spending Authority from Offsetting Collections and Recoveries	(938,826)	(2,524,853)
Obligations Net of Offsetting Collections and Recoveries	(17,786,367)	(17,138,742)
Net Obligations	62,915,433	61,135,917
Other Resources		
Donations and Forfeitures of Property		
Imputed Financing from Costs Absorbed by Others	1,262,164	1,498,698
Net Other Resources Used to Finance Activities	1,262,164	1,498,698
Total Resources Used to Finance Activities	64,177,597	62,634,615
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet Provided		-
Resources That Fund Expenses Recognized in Prior Periods		-
Resources That Finance the Acquisition of Assets		-
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(20,052,080)	(21,619,679)
Total Resources Used to Finance the Net Cost of Operations	44,125,517	41,014,936
Generate Resources in the Current Period	11,489,090	11,158,695
Net Cost of Operations	\$ 55,614,607	\$ 52,173,631





★ Selso Sanchez (AFRH-G, USN)

Selso Sanchez is one of six children born and raised in Mosquero, New Mexico. One week before graduating from high school he received a draft notice and soon after found himself a Navy man. In the USN, Selso worked on the USS Bonhomme Richard, the USS Shangri-La, and the USS Coral Sea doing air traffic control.

After his service and his wife's passing, Selso moved to AFRH-G. His time at AFRH-G was a little more exciting than he bargained for; he was one of the many Residents who rode out Hurricane Katrina and were relocated to AFRH-W. Selso was happy to return to AFRH-G when it reopened.

Selso enjoys his time at AFRH-G by socializing and joking around with his friends. He also stays busy by attending many of the social events provided for AFRH-G residents. Selso says that he has "loved every minute of his time living at both homes and above all loves the staff."





Section 4: Accompanying Information

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



AFRH-W Resident, George Brewer (USAF), is all smiles with Mrs. Universe and Mrs. District of Columbia.



INSPECTOR GENERAL LETTER



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



November 8, 2017

To: Mr. Maurice Swinton, Acting COO
Subject: Statement on FY 2018 Management Challenges

In accordance with the Reports Consolidation Act of 2000, I have assessed and am providing a statement outlining what this Inspector General (IG) has observed to be the most serious challenges facing the Armed Forces Retirement Home (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, and/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
AFRH Inspector General



FY 2018 INSPECTOR GENERAL (IG) MANAGEMENT &

PERFORMANCE CHALLENGES

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

✦ INFORMATION TECHNOLOGY (IT)

AFRH has made great progress towards implementing measures to protect its IT assets and environment from cyber-attacks. AFRH utilizes shared IT services with the Department of Interior (DOI) Office of the Chief Information Officer (OCIO) through an inter-agency agreement (IAA), for hosting, website, network and MTIPS support. During FY 2017, AFRH's IT infrastructure has improved significantly over last year's report. A Plan of Action and Milestone (POA&M) was developed based upon the identified risks found during the Systems Security Assessment (SSA) and Certification & Accreditation process. Through the IAA, AFRH and DOI OCIOs have made significant progress to remediate the POA&Ms.

AFRH recently completed the Cybersecurity Risk Assessment, which was mandated by OMB M-17-25, in accordance with the (FISMA) Federal Information Security Management Act of 2002 (Title III, Pub. L. No. 107-347). As a result of the assessment the following areas will require enhancements to ensure that FISMA standards are met—automated hardware and software asset inventory capabilities including unauthorized hardware alerts, assets with capability to encrypt data at rest, Insider Threat program status, browser tool blocking phishing websites and IPs, privileged users limited to trusted sites, EITEIN E3A capabilities and Incident response plan.

As AFRH continues to ensure its compliance with NIST and FISMA standards, a strong emphasis has been placed on our security program, with the understanding that constant monitoring for improvements and implementing changes based on factors in the environment and industry are key to preventing security weaknesses and cyber-attacks. Through its IAA with DOI OCIO, AFRH will continue to implement an aggressive Information Security Continuous Monitoring (ISCM) process during FY 2017. The aggressive monitoring will provide daily, weekly and monthly reports to the DOI OCIO customer base in a secure location for review and has been firmly linked to the monitoring by the DHS US CERT Office to ensure rapid incident reporting. AFRH prides itself on using resource partners who understand the importance of security and who are familiar with FISMA requirements and NIST standards to ensure AFRH continues to operate in a solid and robust security framework.

✦ TRUST FUND SOLVENCY

In FY 2017, AFRH annual revenue exceeded annual outlays supported by a \$22M General Fund transfer. AFRH's permanent revenue sources are no longer sufficient to support annual outlays. This situation occurred due to AFRH's largest revenue stream, Fines and Forfeitures, reduced by 49% since FY 2009; Active Duty Withholding reduced by 11% with the reduction in active duty forces; and



investment income reduced by over 90% due to the reduced Trust Fund balance. Review of Fines and Forfeitures indicates this revenue source is unlikely to recover and interest income will not recover without a significant replenishment of the Trust Fund balance.

AFRH's acting COO and CFO are working closely with DoD leadership, OMB and Congress to identify and explore new revenue streams to replace these reductions, replenish the Trust Fund and ensure long-term solvency to support today's as well as future AFRH veteran Residents. Some of the proposed additional revenue streams require changes in current legislation as current legislation 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 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.

★ DIGITAL ACCOUNTABILITY & TRANSPARENCY ACT COMPLIANCE

AFRH, working closely with our shared service provider, met its reporting obligations under the Digital Accountability and Transparency Act of 2014. AFRH successfully reported financial spending information using specific, government-wide data standards in May 2017 and anticipates no reporting issues for the remainder of FY 2017. The required reporting pulls standardized data fields from both the procurement and financial systems and reconciles the information to ensure accurate reporting.

In FY 2018, AFRH will be transitioning its procurement services from its current shared service provider to the DoD. This procurement service transition will require AFRH to use two non-interfaced systems (financial and procurement) which will require increased internal controls to ensure the required DATA Act information can be reconciled and potential imbalances corrected within an already tight deadline for quarterly reporting. The AFRH CFO is closely working with DoD to address these risks by developing internal controls for the anticipated process changes.

The IG will continue monitoring AFRH progress during this transition. To mitigate this management challenge, the AFRH CFO will closely monitor monthly reconciliation of procurement awards between the two systems to ensure quarterly reconciliations can be accomplished by the deadline. Any internal controls concerns with the newly defined process will be communicated to the AFRH Chief Operating Officer and DoD leadership.

★ HUMAN CAPITAL

Employee morale, training, and maintaining a high level of employee satisfaction are ongoing challenges. Keeping up with changes in requirements, standards, and trends in retirement living must be communicated and trained so employees stay engaged and productive. Although AFRH annually receives high marks in employee satisfaction surveys, efforts to maintain this level of excellence continues.



The bargaining unit in Gulfport now has an AFRH Executive board. In the next year AFRH will continue to negotiate a Collective Bargaining Agreement (CBA). AFRH will face extensive challenges as it works on one agreement meant to cover all AFRH-G employees except management.

Challenges are anticipated in Washington as the nursing leadership consists largely of new employees. Training the new supervisory staff in workforce and labor relations is a priority. Challenges may surface as AFRH tries to cultivate depth and perspective in the new nursing leadership.

To address these challenges the CHCO is conducting training sessions and focus groups to listen to employees and also elicit employee solutions and strategies for improvement. Along with the CHCO, Campus Administrators have been charged with improving communications and team building to implement employees' ideas when appropriate. Continued attention to employee concerns, frequent employee meetings and increased communications are part of the tactics directed at improving employee opinions.

The COO increased outreach to all employees throughout the year and split his time being physically located at each facility. He made efforts to stay abreast of union concerns and engage employees in discussions. The CHCO believes that employee award ceremonies, the selection of Employee of the Quarter and of the Year, and providing more mandatory training in the form of on-line training classes have boosted employee morale.

The AFRH CHCO has made a concerted effort to address last year's reported challenges concerning timeliness and actions associated with the office of AFRH CHCO. The recent hiring of an HR Specialist in the Office of the CHCO appears to be improving response time to managers and employees alike regarding human resources inquiries, personnel actions, and staff vacancies. The hiring of the HR specialist that was expected to address this concern in 2017 was delayed by unexpected personnel hiring set-backs.

★ ADMISSIONS

AFRH is addressing recent Public Affairs Officer (PAO) staffing challenges. The AFRH PAO is responsible for Admissions. During FY17, the PAO office experienced the loss of a public affairs specialist, leaving only the PAO to manage all aspects of recruiting and pre-admissions processing. In April 2017, the addition of a support contractor and the replacement of a public affairs administrative specialist in June 2017 allowed the PAO to continue increasing marketing efforts. This support helped alleviate pre-admission processing backlogs and allowed the PAO to again focus on marketing to eligible veterans. These additional PAO staff members are expected to advance recruitment and placement efforts of eligible veterans in FY 2018.

An aggressive outreach effort in FY 2017 resulted in contacts with over 400 veterans on the AFRH-G waiting list. As the fiscal year comes to a close, steps are taken to better manage the AFRH-G waiting list so eligible veterans most interested will have the opportunity to gain residency with minimal waiting time.



Over the last decade while AFRH-G facility was under construction, a new AFRH-W Scott Building was built and AFRH-W recovered from earthquake damage, a focused effort to “right-size” the total resident population was implemented. As a result, most funding for proactive marketing outreach efforts was eliminated. This funding reduction included staff travel to national veterans meetings and retiree activity day events. This market reduction led to a noteworthy dormant marketing /outreach program. In FY 2017, AFRH initiated an aggressive marketing / outreach programs, including PAO attendance at the National Association of State Directors of Veterans Affairs winter meeting, Veterans of Foreign Wars National Convention and American Legion National Convention. Plans for a more robust marketing and outreach effort in FY 2018 to address these challenges are underway.

✦ PROPERTY MANAGEMENT

The current financial position of the AFRH Trust Fund along with the historic nature and significant age of the 165 year old AFRH-W facility makes property management a challenge. Over the last several decades, the decline of the AFRH Trust fund has placed routine upgrades and replacements into a deferred maintenance status. By establishing a 15-year Capital Improvement Plan instead of the standard 10 year capital plan, prioritizing future needs, preventative maintenance and creative methods to implement modernization updates to address current maintenance needs. AFRH is making progress toward resolving deferred maintenance. However, if unexpected significant maintenance challenges occur and funding levels remain steady, the current annual authority may not be sufficient to manage these remains to continue progress on deferred items.

While the deferred maintenance backlog is slowly being resolved, basic grounds maintenance, historic preservation requirements and underground infrastructure repairs of the south part of the historic AFRH-W Campus continues to be a challenge and a burden. If AFRH receives authorization to lease the southwest portion of AFRH-W, many of these burdens will be remedied. Currently, the lease of the property is on hold due to current legislation, 24 U.S.C., which requires AFRH to utilize DoD procedures and policies that do not reconcile with leasing for an independent federal agency. AFRH and DoD have not been able to execute any solicitations for leasing. Executing a lease for the southwest property (77+ acres) would not only remove several maintenance and preservation burdens but also provide much needed additional revenue for the AFRH Trust Fund which is at an all-time low.

✦ HEALTHCARE HIRING

In FY 2018, one of AFRH’s key challenges will be filling and retaining licensed health care provider positions to gain healthcare workforce stability through reduced turnover and greater retention. Repeatedly on-boarding, retraining, and acclimating new healthcare providers to AFRH processes and systems is costly. Additionally, since health care support staff positions are considered administrative support positions, the government-wide hiring freeze impacted key healthcare support functions and AFRH’s ability to maintain compliance with accreditation entity standards, as mandated by regulations, thereby creating significant challenges and risks for maintaining required accreditation.



The Agency Chief Medical Officer (CMO) and CHCO are addressing these challenges by evaluating future strategies and whether these key healthcare positions can be classified as key positions. The IG will monitor progress in hiring key positions.

★ **MEDICAL INFORMATION TRANSFER**

AFRH uses an EHRs to document Resident care. Because Residents use multiple facilities including AFRH, VA and DoD who each use a different EHR systems, challenges exist in the transfers of medical information between AFRH and non-AFRH EHRs. There is no connectivity or articulation among each separate system to allow healthcare personnel to access the latest Resident data. The CIO is working with the CMO to find solutions to this challenge.



AFRH-G Residents Ernest Rousch and Paul Hoffer speak to students at St. James Catholic Elementary School in Gulfport about their military service.



FRAUD RISK MANAGEMENT

AFRH is committed at the highest level to combating fraud, protecting Trust Fund resources and establishing an anti-fraud tone throughout the agency by focusing on prevention, detection and response if instances of fraud occur. As part of AFRH's Enterprise Risk Management (ERM) and Internal Control Board (ICB) activities, which are led by the Chief Operating Officer and the Corporate Performance Improvement Officer, AFRH conducts a risk-based evaluation of potential areas of fraud, establishes internal controls and identifies outcome measures where appropriate. The AFRH first establishes goals and then reviews any risks associated, which is followed by implementing internal controls to mitigate the risks. The ERM and ICB meetings are tailored to supporting the agency's mission and include relevant stakeholders from both Corporate and Campus.

The risk evaluation assesses the likelihood and impact of fraud through examining the suitability of existing controls and by modifying or increasing controls where appropriate. AFRH designed and implemented a strategy to mitigate assessed fraud risks and ensure effective implementation of controls. AFRH's strategy considers the benefits and costs of internal controls.

AFRH monitors fraud risks with the assistance of our shared service providers and uses the results of monitoring activities to improve fraud prevention, detection and response. The AFRH IG is also a key resource in detecting and responding to fraud, and annual Ethics Training, specific to AFRH's mission, is provided by the Agency Ethics Officer for all employees. The completion of annual Ethics Training is included in each employee's Individual Performance Plan.

AFRH program specific fraud risks include:

- ★ Payroll
- ★ Resident User Fee Billing and Adjustments
- ★ Contract Improper Payments and Prompt Payment to Avoid Interest / Penalties
- ★ Government Purchase Cards / Convenience Checks
- ★ Government Travel
- ★ Property Accountability

AFRH has established internal controls to prevent and detect fraud in these areas. The specific internal controls for each area include:

★ PAYROLL

AFRH uses a web-based time & attendance system. Per AFRH Directive, each employee is required to utilize the system and is responsible for entering their bi-weekly hours as well as their premium pay and leave requests. Bi-weekly timecards are validated by an assigned timekeeper. Premium pay, leave requests and validated timecards are certified by the assigned supervisor. The time & attendance



system has edit checks to ensure OPM regulations and AFRH policies are followed. The CHCO serves as AFRH's lead timekeeper and performs annual audits by random sampling of transactions. AFRH payroll is processed by a federal shared service provider, USDA, NFC. AFRH's latest review of these internal controls and segregation of duties found no weaknesses and additional internal control requirements.

★ RESIDENT USER FEE BILLING AND ADJUSTMENTS

Per 24 USC, at the beginning of each month, AFRH collects a user fee from all veterans residing at AFRH. Resident calendar year (CY) fees are based on either a maximum monthly amount for each level of care or a percentage of the veteran's taxable and non-taxable income. Per AFRH Directive, the Campus Business Centers are responsible for establishing the CY user fee, collecting resident income information and monthly billing / collecting Resident fees. The OCFO conducts two annual audits to determine if the Campus Business Centers are following the Directive by basing user fees on required income documentation, the fee established is accurate, adjustments to monthly fees were appropriately authorized, monthly billing was processed and delinquent fees are being handled in accordance with federal debt collection regulations. The results of the audit are communicated to the COO and Campus Administrators, and where appropriate, may result in additional training for Business Center Staff. The FY 2017 billing audit results showed significant improvement in billing accuracy and management of delinquent debts. Annual audits will continue to ensure progress is maintained.

★ CONTRACT IMPROPER PAYMENTS AND PROMPT PAYMENT TO AVOID INTEREST/PENALTIES

AFRH Contracting Officer Representatives (CORs) are responsible for reviewing and approving contractor invoices per the terms of the contract. The terms of the contract include required invoice documentation and invoice frequency. Once the invoice is approved, AFRH's shared service provider releases the payment to vendors per federal regulations. On behalf of the OCFO, the shared service provider completes a monthly statistical sampling of payments to determine if improper payments were made. The results of the monthly improper payment audit as well as interest / penalty payments for late approval of invoices are reported to the AFRH CFO. AFRH has had no incidents of improper payments in the last three years and has no interest / penalty payments. AFRH's stellar record is due to the continuous training and emphasis placed on this key COR responsibility. AFRH's latest review of these internal controls and segregation of duties found no weaknesses or additional internal control requirements.

★ GOVERNMENT PURCHASE CARDS / CONVENIENCE CHECKS

AFRH restricts the number of government purchase cardholders to the minimum required to meet its mission, and further restricts convenience checks to only three individuals within the agency who must have CFO approval before issuing a convenience check. Government Purchase Cards are further restricted by Merchant Classification Code (MCC), which limits the types of businesses where



government purchase cards are accepted. Standard Agency Buy authority is only issued for routine office supplies and have a minimum annual purchase limit.

Cardholders are responsible for reconciling their charges at the end of each month using an automated system. Once the cardholder reconciles transactions, the Approving Official approves the transactions before the monthly close date. Annually, AFRH's shared service provider on behalf of the CFO completes a purchase card audit using a random statistical sampling of purchase card transactions. The audit not only reviews the purchases but evaluates whether the purchase cardholder is maintaining required documentation and performing adequate market research to ensure the best value to the government. The results of the audit are provided to the OCFO. The OCFO then completes an additional review to ensure cardholders are following both AFRH and federal regulations in the use of their purchase cards. The FY 2017 review of purchase card transactions resulted in additional training for purchase cardholder and approvers and the suspension of one purchase card due to a lack of compliance. AFRH will continue the annual review. AFRH's latest review of these internal controls and segregation of duties found no weaknesses or additional internal control requirements.

★ GOVERNMENT TRAVEL

AFRH issues government travel cards only to individuals holding positions which require travel and any travel outside of travel between the two Campuses (Washington, DC and Gulfport, MS) must be approved by the CHCO and CFO. Travel for training outside of a 100 mile radius of each campus also requires the approval of the CHCO and CFO. Travel authorizations are required in advance for temporary duty travel, and MCC's restrictions are utilized to reject travel card use for non-approved travel related purchases.

AFRH utilizes several reports provided by our shared service provider to identify and ensure compliance with federal travel regulations;

- ★ Weekly AFRH's shared service provider notifies the CFO of overdue travel vouchers, and the CFO notifies the traveler and their supervisor to ensure the voucher is completed.
- ★ Monthly, AFRH receives notification from the issuing bank of overdue travel card balances. If overdue balances occur, the CFO notifies the traveler and their supervisor to ensure the delinquent balance is resolved. The issuing bank closes accounts which are more than 120 days overdue. If a traveler's account is closed, the traveler's supervisor is notified for appropriate action. To reopen an account, the traveler and the supervisor are required to submit a request to reopen the account through the CFO.
- ★ Quarterly, AFRH's shared service provider on behalf of the CFO completes a government travel voucher audit for a random statistical sampling of travel vouchers. The audit not only reviews the accuracy of travel charges but evaluates whether the voucher is supported by required documentation. The results of the quarterly audits are provided to the OCFO.



- ★ Annually, AFRH's shared service provider provides reports on whether any charges for 1st class/business class, private modes of transportation or travel funded by others. AFRH has had no instances of these types of travel for the last three years.

AFRH will continue to monitor these weekly, monthly, quarterly and annual reports. AFRH's latest review of these internal controls and segregation of duties found no weaknesses or additional internal control requirements.

★ PROPERTY ACCOUNTABILITY

The AFRH Corporate Facilities Manager serves as the Senior Real Property Officer (SRPO). The SRPO is responsible for monitoring the Agency's real property assets to ensure assets are utilized in a manner that is consistent with, and supportive of, the goals and objectives of the agency. The Administrators are responsible for government personal property assigned to their facility and for performing an annual audit of controlled property under the oversight of the SRPO. AFRH controls and inventories all government personal property deemed sensitive by their purpose or inherit natural value as well as government personal property valued at \$1000 or more. Controlled property is tagged and inventory using a web based inventory system, which has controlled access, restricted user rights, and permanent action logs. The results of the annual government personal property audit is provided to the COO and action is taken where appropriate. The FY 2017 accountability audit found no discrepancies. AFRH's latest review of these internal controls and segregation of duties found no weaknesses or additional internal control requirements.

AFRH will continue to review its fraud risks and internal controls making revisions to its policies, procedures and processes as appropriate to reduce the risk of fraud. Since AFRH is a small agency, AFRH has a higher level of involvement of management in operational processes, direction and interaction with personnel. Staff meetings, Directives and reports provide the most effective method for managing risks. AFRH has mitigated its greatest risk challenge in using a shared service provide to ensure proper segregation of duties and adding additional levels of review for key operation risks.



FREEZE THE FOOTPRINT

Starting in 2014, OMB Circular A-136, Section 11.5.10 required 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 importance of reducing the AFRH footprint to support cost containment and generate revenue by taking advantage of the agency’s leasing authority. AFRH has reduced 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 262,165 square feet, AFRH expanded the leased buildings to further reduce its footprint an additional 4,855 square feet. With this additional footprint reduction, AFRH has reduced its overall footprint by 11%. These reductions not only generate revenue to support the AFRH Trust Fund but also provide operations and maintenance cost savings.

FREEZE THE FOOTPRINT	Reduction	
FY 2012 Baseline	2,384,188	sq ft
FY 2015	2,169,058	sq ft
FY 2016	2,122,023	sq ft
FY 2017	2,117,168	sq ft
REDUCTION	(267,020)	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 was made for an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Each month, AFRH’s financial shared service provider, U.S. Treasury BFS, audits AFRH for improper and erroneous payments. During FY 2017, AFRH had 0 improper payments and continues to emphasize the importance of careful review when authorizing payments. AFRH’s improper payment for the last three years:

FY 2017: 0

FY 2016: 0

FY 2015: 0



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 out 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. In FY 2017, AFRH performed an in-depth review of the deferred maintenance items in order to establish a priority list. During the review, it was determined that most of the deferred maintenance cost reported in previous years consisted of projects that were not required by law, regulations, building codes or industry standards. They were in essence mostly projects to enhance or upgrade aging but functioning facilities; therefore, maintenance was not required. This led to the removal of some items and updated cost projections for others. 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, which have to be performed in order to comply with applicable laws. The deferred maintenance detailed in the chart below is related to capitalize general property, plant and equipment. Since AFRH is operates 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 MAINTENANCE	DEFERRED SINCE	SCHEDULED
Resident	\$ 6.6M	Building Code	2006 - 2009	2016 – 2020
		Energy Efficiency	2006 - 2015	2020 -2035
		Infrastructure Repair	2006 - 2009	2020 - 2035
		Safety	2006 - 2009	2016 - 2020
Infrastructure	\$10.3M	Building Code	2006 - 2015	2016 - 2020
		Energy Efficiency	2015	N/A
		Infrastructure Repair	2006 - 2014	2017 – 2028
		Safety	2006 - 2009	2017 – 2020
Non-Resident	\$0.5M	Building Code	2006 - 2015	2016 - 2020
		Energy Efficiency	2006	N/A
		Infrastructure Repair	2006 - 2009	N/A
		Safety	2006 - 2009	N/A



SUMMARY OF FINANCIAL STATEMENTS AUDIT AND MANAGEMENT ASSURANCES

Summary of Financial Statement Audit 2017

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	N/A	N/A	0

Summary of Management Assurances 2017

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	N/A	N/A	N/A	0

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	N/A	N/A	N/A	0

Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Federal Systems conform, conform except for the below non-conformance(s), or do not conform to financial management systems requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	N/A	N/A	N/A	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
1. Federal Financial Management Systems Requirements	No lack of compliance noted	No lack of compliance noted
2. Applicable Federal Accounting Standards	No lack of compliance noted	No lack of compliance noted
3. USSGL at Transaction Level	No lack of compliance noted	No lack of compliance noted



ACRONYMS

Acronym	Definition
AFRH	Armed Forces Retirement Home
AFRH-G	Armed Forces Retirement Home - Gulfport
AFRH-W	Armed Forces Retirement Home - Washington
AL	Assisted Living
BFS	U.S. Treasury Bureau of Fiscal Services
C&A	Certification & Accreditation
CARF	Commission on Accreditation of Rehabilitation Facilities
CBA	Collective Bargaining Agreement
CCRC	Continuing Care Retirement Communities
CFO	Chief Financial Officer
CHCO	Chief Human Capital Officer
CIO	Chief Information Officer
CMO	Chief Medical Officer
COO	Chief Operations Officer
COR	Contracting Officer Representative
CSRS	Civil Service Retirement System
CY	Calendar Year
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
FASAB	Federal Accounting Standards Advisory Board
FECA	Federal Employees' Compensation Act
FERS	Federal Employees' Retirement System
FEVS	Federal Employee Viewpoint Survey
FFMIA	Federal Financial Management Improvement Act
FISMA	Federal Info Security Management Act
FITARA	Federal IT Acquisition Reform Act
FMFIA	Federal Managers' Financial Integrity Act



FOSH	Friends of the Soldiers' Home
FY	Fiscal Year
IAA	Inter-Agency Agreement
IG	Inspectors General
IL	Independent Living
ILP	Independent Living Plus
IPP	Individual Performance Plan
IRB	Investment Review Board
ISCM	Information Security Continuous Monitoring
IT	Information Technology
JCRINC	Joint Commission Resource, Inc.
LTC	Long Term Care
MD&A	Management Discussion & Analysis
MCC	Merchant Classification Code
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
PAO	Public Affairs Officer
PCC	Person-Centered Care
PCP	Primary Care Provider
PII	Personally Identifiable Information
POA&M	Plan of Action and Milestone
PPD	Presidential Policy Directive
RAC	Resident Advisory Committee
SHCP	Strategic Human Capital Plan
SMA	Senior Medical Advisor
SSA	System Security Assessment
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 2017 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:

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