

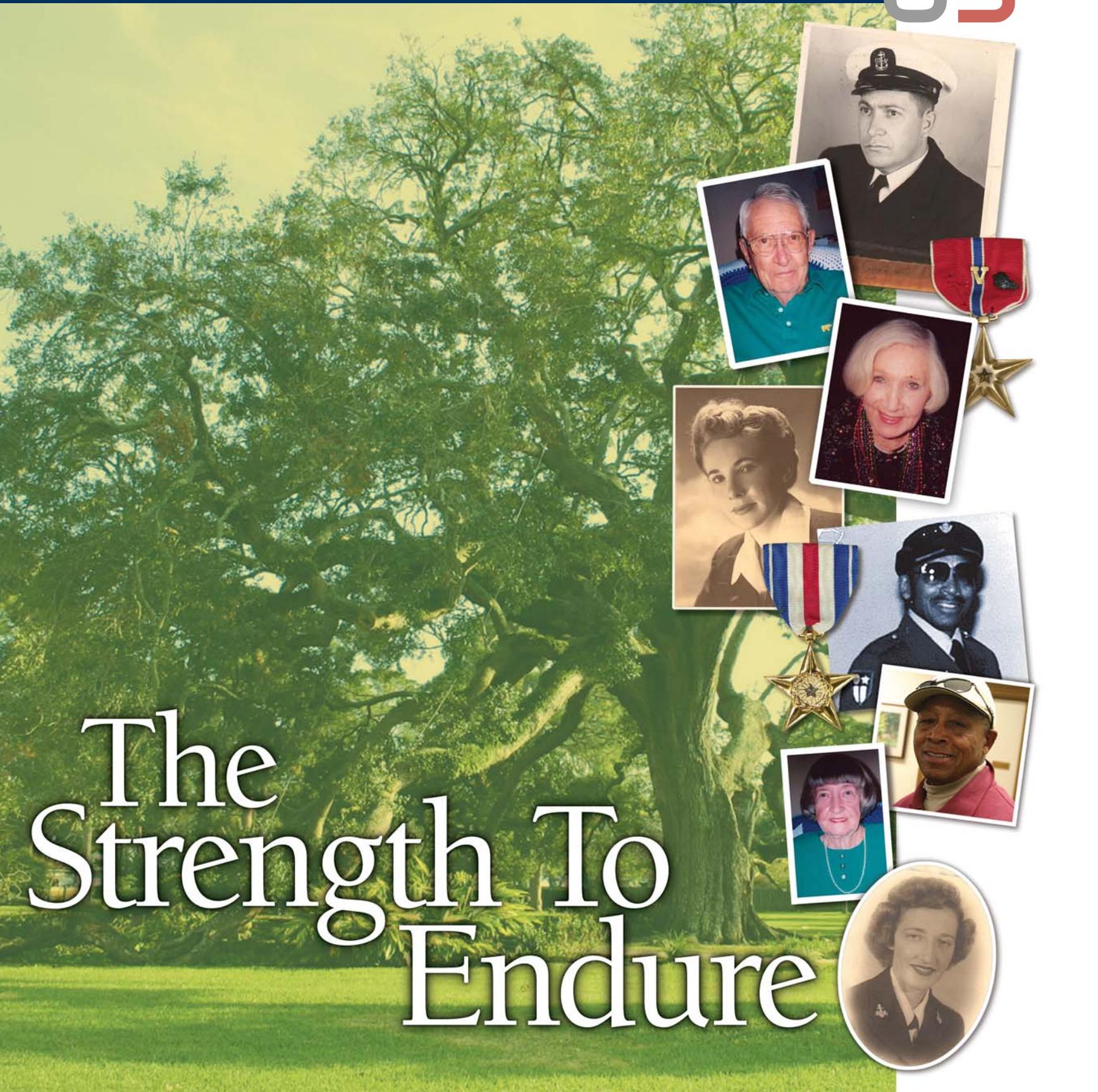


Protecting a promise | Renewing a trust.

FISCAL YEAR

Annual Performance and Accountability Report

05



The Strength To Endure



“When Katrina hit, you could hear debris flying through the air. Trees were snapping like twigs and came crashing to the ground.”



ON THE COVER:

More than a century old and over 50 feet tall, this mighty oak on our Gulfport campus is known as “The Graduation Tree.” It once presided over young cadets in the Gulf Coast Military Academy ... and it has been quietly watching over our Veterans since 1976. This oak has weathered countless hurricanes, including the fierce, Category 4 winds of Katrina. Today it still stands tall – a proud symbol of our venerable Home, its resilient members and our resourceful staff.



The Armed Forces Retirement Home (AFRH)

The Fiscal Year 2005 Performance and Accountability Report is published by the Armed Forces Retirement Home, Office of the Chief Financial Officer.

An electronic version is available on the World Wide Web at:
<http://www.afrh.gov/files/afrhpar.htm>

At a Glance:

Authority:
Armed Forces Retirement Home Act of 1991 (Amended 2002)

Locations:
■ Gulfport, MS
■ Washington, DC

Capacity: 1880 Veterans
■ 609 in Gulfport, MS
■ 1285 in Washington, DC

Strategic Goal Areas:
■ Financial
■ Customer
■ Internal Business Processes
■ Learning and Growth
■ Culture



It seemed like the end of the world ...”



“... by 3 a.m. the wind subsided and there was a dead calm. You could see that trees had toppled onto the ground. Cars were lying on top of each other. Beach Drive in front of the Home had large holes in it – with slabs of road sticking up in the air. Our front fence was knocked over. And at the main gate, the guard building was gone ... along with most of the small buildings.”

— Robert Royce, Gulfport resident

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2002 *Commenced operating under the provisions of The National Defense Authorization Act of 2002*

This Act mandated creating the fulltime position of Chief Operating Officer. Therefore, the Secretary of Defense appointed a COO responsible for the management of the two facilities that comprise the Home (AFRH-Gulfport and AFRH-Washington). The Secretary of Defense had the flexibility of filling the Director and Deputy positions at each facility with

either military members (from any Branch of Service) or civilian experts from the private sector any time after December 31, 2004

Commenced operating under the concept of "One Model"

At the direction of the COO, both campuses were aligned under one set of processes to maintain accountability, achieve results and provide superior service to our retired Veterans.

2003 *Created the AFRH Strategic Plan*

An extensive Plan was created to fulfill our Nation's Promise to provide advanced care and comprehen-

sive services for its Veterans. This plan also helped us tackle the challenges facing our aging population in an ever-changing world.

2004 *Expanded our Strategic Plan with in-depth business and operational plans*

Reduced the "footprint" of both campuses

The AFRH sold some underutilized acreage – including a 3-acre parcel in Gulfport and a 49-acre parcel in Washington. The combined sales generated a one-time revenue gain of \$23 million — the highest gain in our recent history.

Lowered expenses

Several cost-cutting measures were taken, such as improving core business processes, streamlining our staff via strategic outsourcing and making innovative changes in information technology.

Significantly reduced operating costs

We drastically lowered the associated costs to maintain our vast properties, in areas such as facilities and grounds management, power and utilities, plus snow removal.

Evaluated our staff for excessive layers

We identified a significant number of positions that could be eliminated without reducing our quality of service.

Crafted the AFRH Performance Plan

This detailed Plan links individual employee performance directly to the AFRH Business Plans. In turn, the Business Plans are firmly linked to the broader AFRH Strategic Plan.

Improved Financial Performance

Transferring many of the Home's accounting func-

tions to the Bureau of Public Debt in April 2004 helped boost our performance. This move gave managers online access to an integrated financial management system – including payroll, travel, procurement actions, credit card purchases and a reporting tool.

Initiated the development a capital Real Estate Master Plan for AFRH-Washington

This key endeavor helped us identify real property essential to the core mission of the AFRH. At the same time, it helped us identify non-critical facilities, target them for lease and establish a revenue stream for the future. Specifically, the Lessee revenue will enable us to renovate our aging buildings.

Partnered with Federal Agencies

We further reduced our overhead by realigning costly, non-core operations with Federal strategic partners. They include the Department of Defense, Department of Treasury (Bureau of Public Debt), Department of Agriculture (National Finance Center), General Services Administration and the Office of Management and Budget.

Achieved a "Moderately Effective" rating

We earned the second highest possible rating (under the Program Assessment Rating Tool, or PART) for the asset management of AFRH real property.

Reduced square footage requirements and identified potential leasing opportunities.

AFRH-Washington achieved 90% of its goal to reduce 610,000 square footage.

*The Government Performance and Results Act, the Chief Financial Officers Act of 1990, the Accountability of Tax Dollars Act of 2002, the Federal Managers Financial Integrity Act of 1982, the Federal Financial Management Improvement Act of 1996, the Government Management Reform Act and the Inspector General Act.



The Strength to Endure

Welcome to the Armed Forces Retirement Home (AFRH). For nearly two centuries, this has been a haven for many of our Nation's war heroes in retirement. Our attentive staff proudly serves these Veterans with the same level of honor and commitment in which they served our beloved Country. Generations ago, our Nation made a promise to safeguard its Veterans, as well as the Trust Fund that ensures them an affordable retirement alternative. We are pleased to report that now, more than ever, the AFRH is ...

Protecting a Promise and Renewing a Trust.

Today, our facility is *the* premier retirement community. It is also the provider of choice in continuing care for eligible US Armed Forces Veterans. This Performance and Accountability Report (PAR) serves as a tool to share the status of our organization with the AFRH community and to meet various US Government reporting requirements*. Yet, this book also presents us with a tremendous opportunity to tell the American people about our organization, its recent progress ... and our latest challenges.

Presently, the AFRH is standing tall in the wake of Hurricane Katrina. This unprecedented

storm slammed our pristine Gulfport, Mississippi campus on August 29, 2005. This disaster forced the temporary closing of all buildings and the relocation of some 351 southern residents to our Washington, DC campus. Ironically, our DC campus was *also* hit by strong torrential winds in late July – toppling some 300 mature trees. These major events have dramatically shifted our focus from long-range goals to short-term necessities. Many of us are still recovering from the storms of this past summer. Yet, we remain resolute – and look forward to the dawn of a new era at the AFRH, where we may rebuild anew.

In the coming pages, we will provide a detailed account of our performance in FY 2005. We will outline our progress in achieving the annual goals and long-term objectives for our programs, management and budget. This PAR also includes detailed performance information and financial statements. Plus, it

features our management's challenges – and the plans and efforts to overcome them.

The storm's impact on our Home and its residents will be discussed as a part of the required reporting. The architecture of this PAR entails three key sections:



Part 1: Management Discussion and Analysis

This section is a broad portrait of our performance achievements. We will showcase the efforts, accomplishments and resources of our premier facility. Part 1 will address our response to challenges and high-risk areas identified by our staff and outside organizations. Also included is our progress on implementing the President's Management Agenda.

Part 2: Performance

This section provides detailed information on our progress in achieving milestones and goals as defined in the Strategic Plan and the FY 2005 Performance Management Plan. Part 2 also describes the actions that AFRH will take in the future to achieve those goals that have not been met in FY 2005.

Part 3: Financial

This section includes the AFRH financial statements. Also included is an in-depth audit of these statements by independent accountants, in accordance with government auditing standards.

“I chose to stay on the Coast, despite warnings. But there were no restaurants left – so we dined on two slices of bread, a sliver of spam and prayer. I asked God to forgive me for being so stubborn. And, ever since our arrival in DC, we have been treated with the greatest courtesy, hospitality and generosity I’ve ever experienced.”