

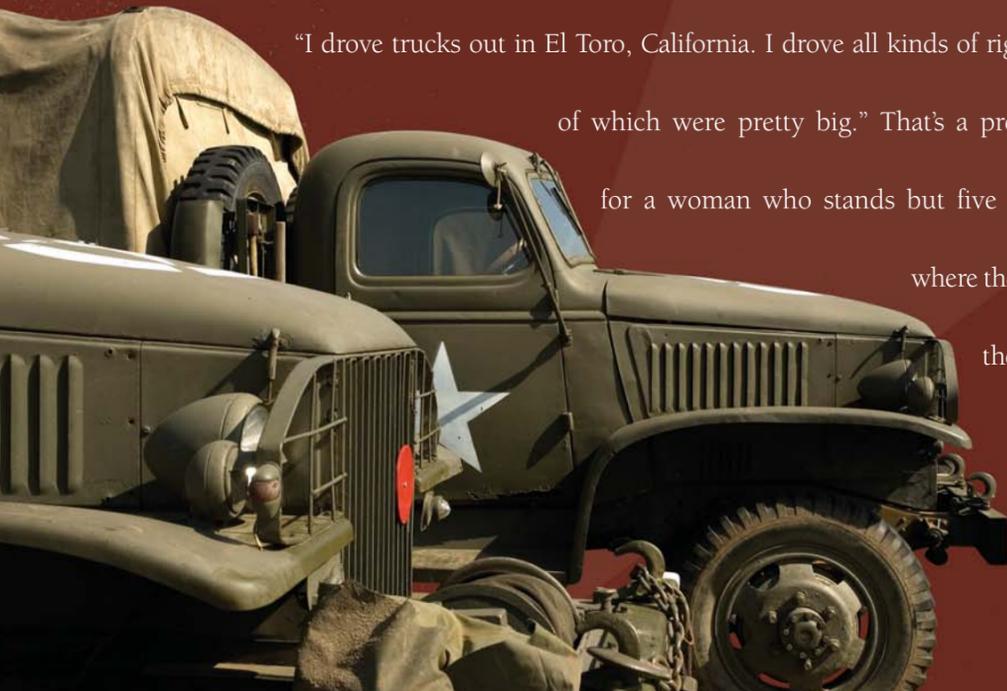
Accompanying Information

Willa Farrell comes from a long line of American patriots in her extensive family tree. “My ancestors have served in four major American conflicts – the American Revolution, the War of 1812, the Civil War ... and yours truly, during World War II,” she said. Ironically, her great-great uncle, Thomas Jefferson Henderson, was a Brevet Colonel in the Civil War and ultimately served on the board of directors at the US Soldiers’ Home. The very same establishment



where Willa lives today. She knows all about her family history because she’s an avid genealogist. All told, Willa has been researching her family’s decorated military past for 12 years now. And she was ready and willing to share her personal wartime photos and letters with us. Willa originally joined the Marine Corps in 1944 because she wanted a challenge.

“I drove trucks out in El Toro, California. I drove all kinds of rigs, too – some of which were pretty big.” That’s a pretty tall order for a woman who stands but five feet tall. Still, where there’s a Willa ... there’s a way.



The Challenges to Overcome

Management Challenges:

The IG identified the top challenges now facing the Home. As we overcome them, our workforce, partners and contractors are accountable for AFRH Trust Fund dollars. Naturally, oversight and enforcement is needed to ensure progress and fiscal responsibility.

Executing the Washington Master Plan

Throughout the Home's history, we have financed operations with interest from the AFRH Trust Fund. Yet, we must supplement this to ensure fiscal

stability for future Veterans. So, Congress provided AFRH (via DoD) the authority to sell or lease real estate (per the FY02 National Defense Authorization Act). We intend to capitalize by offering portions of our valuable real estate for development.

Our 272-acre campus has buildings and land that no longer serve AFRH operations. So, we created our Master Plan to address development – and a competitive process to choose partners is underway. A sound plan with regular due diligence is a must if we are to generate new and reliable revenue streams.

Deploying the Gulfport Master Plan

Congress just appointed GSA as the agent to rebuild Gulfport. So AFRH and GSA must form a good working relationship. AFRH must also maintain good stewardship over the Congressional rebuild funds and be helpful advisors as GSA oversees construction.

Handling operational, financial and human capital strategies

As we discussed, our strategies for operational, financial, and human capital have not been fully realized. So we must press forward in these areas. We will push to integrate our strategies with our budget. Implement our new performance plans. And work on our capital improvement plans. With consistent oversight and our new Internal Control measures, we expect progress in FY07.

Shuttle transportation is available to residents, especially those with special needs.



**Armed Forces Retirement Home
Office of the Chief Operating Officer
3700 N. Capitol Street, P.O. Box 1303
Washington, DC 20011-8400**

November 14, 2006

Memorandum

To: Timothy C. Cox, Chief Operating Officer

Re: Management Challenges for FY 2007

In accordance with the Reports Consolidation Act of 2000, we have identified the most serious management and performance challenges facing Armed Forces Retirement Home in FY 2007. AFRH is working to address these challenges and improve operations through various initiatives and by implementing recommendations made by my office and other inspection activities.

Those challenges are:

- Implementation of the AFRH-Washington Master Plan
- Implementation of the AFRH-Gulfport Master Plan to rebuild AFRH-Gulfport
- Handling operational, financial, and human capital strategies

To improve the efficiency and integrity of AFRH's programs and operations, we will continue to monitor progress in these areas of concern.

MAURICE SWINTON
Inspector General

Improper Payments Information Act (IPIA)

In concert with BPD, each AFRH business program was reviewed to estimate potential improper and erroneous payments. In separate scenarios, AFRH had three incidentals that caused a total of 30 improper payments in FY06.

Much attention has been focused on this area, because these incidents eclipse last year's single improper payment. The Home and its partners are committed to catching erroneous

payments, making corrections and raising awareness – especially in resident fees. We have emphasized the importance of doing so and have taken steps to ensure that these types of problems won't happen again.

With the launch of our RIS in FY06, and the financial module in FY07, we will soon have more detailed and accurate information. So next year, the ability to manipulate and track our data will give us a tremendous advantage in spotting problems.

Improper Payments:	FY05: 1	FY06: 30
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The Community to Serve

For years, the Home has prided itself on active staff and resident volunteering. Community involvement enriches the lives of everyone involved. And it reaffirms the spirit of giving and self-sacrifice that has made America such a great nation.

AFRH Volunteer Service

According to Executive Order 13401 in May 2006, each Federal agency must support and encourage volunteer community service in its Federal workforce. An annual report must be submitted that affirms this service. The first report is due in early FY07 and must designate annual performance indicators and measurable objectives. As such, we have developed our yearly requirements.

Annual Volunteer Requirements:

- Employees in grade GS9 & above must serve 10 hours
- Staff members in GS-8 & below must perform 5 hours

These hours may be served in each employee's local community – whether it is DC, Maryland or Virginia. To ensure this service, our above requirement will be incorporated into each individual's performance plan. In the end, our staff will do more than help our Veterans prosper. It will also help the community thrive.

Julie Carey of NBC4 Washington interviews resident Leonard Drozell about being away from the Gulf Coast during Thanksgiving.



AFRH employee volunteers like management analyst Tim Bourgeois serve our residents at an ice cream social. Ms. Tommie Lucas-Peterson (Navy Veteran) ponders, "If you think I want that topping, you're nuts."

Acronyms

Acronym	Meaning
AAFES	Army and Air Force Exchange Service
AFRH	Armed Forces Retirement Home
BPD	Bureau of Public Debt
CFO	Chief Financial Officer
COO	Chief Operating Officer
COTS	Commercial-Off-The-Shelf
DEOMI	Defense Equal Opportunity Management Institute
DFAS	Defense Finance and Acquisition System
DoD	Department of Defense
FAR	Federal Acquisition Regulation
FASAB	Federal Accounting Standards Advisory Board
FECA	Federal Employees Compensation Act
FEMA	Federal Emergency Management Agency
FEDInvest	Federal Investment (software application)
FFMIA	Federal Financial Management Improvement Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers Financial Integrity Act
FTE	Full-time Equivalents
FY	Fiscal Year
GPRA	Government Performance and Results Act
GSA	General Services Administration
IPAC	Intragovernmental Payment and Collection System
IPIA	Improper Payments Information Act
IC	Internal Controls
IT	Information Technology
IP	Internet Protocol
JCAHO	Joint Commission on Accreditation of Healthcare Organizations
JFMIP	Joint Financial Management Improvement Act
KHC	King Health Center
MCOC	Management Control Oversight Council
MDS	Minimum Data Set
MOA	Memorandum of Agreement
NAVFAC	Naval Facilities Command
NFC	National Finance Center
NLT	No Later Than
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OSD	Office of the Secretary of Defense
OSHA	Occupational Safety and Health Administration
PART	Program Asset Rating Tool
PPE	Property, Plant, and Equipment
RIF	Reduction in Force
RIS	Resident Information System
Seabees	Naval Construction Battalion
STAR	Systems Time and Attendance Report
U.S.C.	United States Code
USSGL	US Standard General Ledger

Residents Carl Smith & Claire Dimler celebrate their marriage in the AFRH chapel, as residents look on. The two originally met in Gulfport and became the closest of friends.



We'd like to thank you

The management and staff would like to send sincere appreciation and heartfelt thanks to all who helped in the Katrina recovery. From local officials and volunteers, to our workforce and business partners.

Special appreciation goes to all those who donated time, money, clothing and personal items. We appreciate your generous support. And many kudos go to our former staff members of Gulfport, MS.

In reality, you've all given us a lot more than just support. You've helped us all believe that now truly is ...

... The Time to Thrive

We'd like to hear from you

Thank you for reviewing our 2006 PAR. Did we present information in a useful way? Where did we succeed in this Report? What can we improve for next year? We welcome your input. Simply contact us:

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A historical black and white photograph of a street scene in Naples, Italy. The scene is set on a street with buildings on either side. A sign above a doorway reads 'ROMA' with an arrow pointing to the left. A vintage truck is parked on the right side of the street, and a group of people, including men in military uniforms and women in period clothing, are gathered on the sidewalk. The background shows a building with a sign that says 'NAPOLI' and another sign that says 'EGE' N. 3'.

Protecting a promise *Renewing a trust.*

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