



MANAGEMENT'S DISCUSSION AND ANALYSIS

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Honoring Sergeant Major L. John Canley

Pictured Above: John Canley saluting.

John Canley was the first living Black Marine to receive the Medal of Honor—50 years after he demonstrated valor in Vietnam.

In 1953, at age 15, Canley borrowed his older brother's credentials to enlist in the Marines. Inspired to join after watching the 1949 John Wayne movie "Sands of Iwo Jima," he served three combat tours.

By January 1968, when his company of mostly teenage troops was deployed to the city of Huế in central Vietnam during the Tet offensive, he had already served in Japan and South Korea.

During the Battle of Huế, Canley, already wounded, repeatedly rushed across fire-swept terrain to carry fellow wounded Marines to safety. When his commanding officer was severely wounded, he took command and led the 150-man company during three days of counterattacks against North Vietnamese positions, bringing relief to his surrounded comrades.

Twice in full view of the enemy, Canley scaled a wall to draw fire and expose the North Vietnamese positions. Armed with grenades, he charged enemy machine gun nests, allowing his comrades to escape while he rescued the wounded.

For his undaunted courage, selfless sacrifice, and unwavering devotion to duty, he was awarded the Medal of Honor on October 17, 2018.

Canley passed away on May 11, 2022. We honor his service.

MISSION

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

VA’s mission statement is adapted from President Lincoln’s immortal words, delivered in his second inaugural address more than 155 years ago. We care for Veterans, their families, and survivors—men and women who have responded when their Nation needed help. VA’s mission is clear-cut, direct, and historically significant. It is a mission that every employee is proud to fulfill.



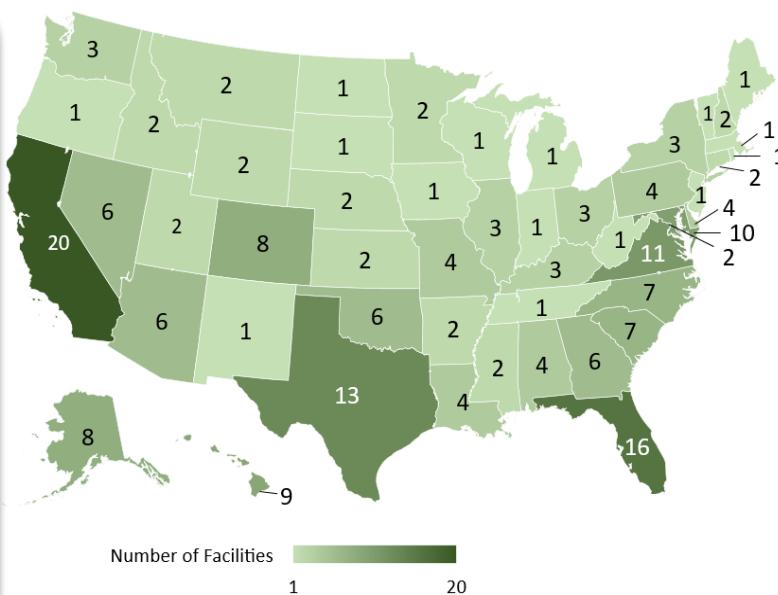
VA carries out four specific missions to make good on that commitment: Veterans benefits, health care, national cemeteries, and our fourth mission. VA’s fourth mission, supported by all the Administrations, is to improve the Nation’s [preparedness](#) for response to war, terrorism, national emergencies, and natural disasters by developing plans and taking actions to ensure continued service to Veterans, as well as to support national, state, and local emergency management, public health, safety, and homeland security efforts.

ORGANIZATION

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

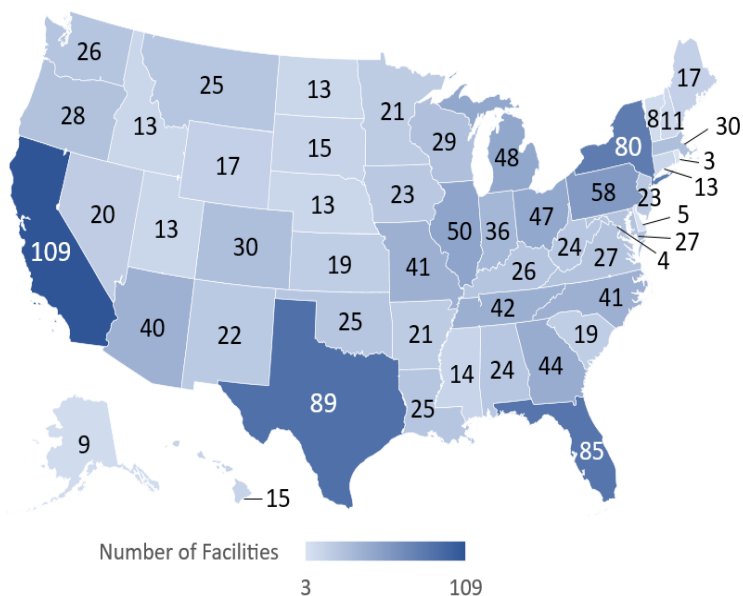
VBA provides various benefits to Veterans and their families. These benefits include military-to-civilian transition assistance services, Disability Compensation, pension, fiduciary services, educational opportunities, Veteran readiness, and employment (VR&E) services, home loan guarantee and life insurance. VBA has 216 facilities in the United States, Guam, Puerto Rico, and the Philippines.

Social Media Links:



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
ORGANIZATION



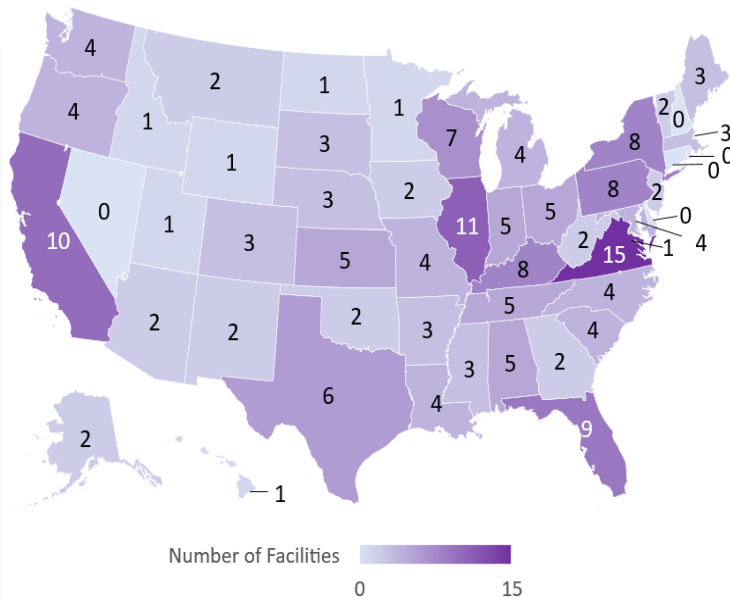
The U.S. heat map shows the number of VHA facilities in each U.S. state. Additional VHA facilities can be found in Puerto Rico, Virgin Islands, American Samoa Islands, the Philippines, and Mariana Islands.

VHA provides a broad range of primary care, specialized care, and related medical and social support services that are uniquely related to Veterans' health or special needs. VHA also advances medical research and development in ways that support Veterans' needs by pursuing research in areas that most directly address the diseases and conditions that affect Veterans. VHA has 1,507 health care facilities including VA medical centers (VAMC) and outpatient sites.

Social Media Links: [YouTube](#) [Facebook](#) [Twitter](#) [LinkedIn](#) [Instagram](#)

NCA provides burial and memorial benefits to Veterans and their eligible family members. These benefits include burial at national cemeteries, headstones and markers, Presidential Memorial Certificates, outer burial receptacles, and medallions. VA runs 155 national cemeteries and 35 soldiers' lots and monument sites in the United States and Puerto Rico. NCA also awards cemetery grants to state and tribal Veterans' cemeteries.

Social Media Links: [Facebook](#) [YouTube](#) [Twitter](#) [LinkedIn](#) [Instagram](#)






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

THE VETERAN JOURNEY

The [Veteran Journey](#) is an integrated approach offered to ensure Veterans receive the support they need through each phase of life. VBA, VHA, and NCA provide a wide range of programs and initiatives tailored to the Veteran's specific stages of life. By providing comprehensive resources and assistance, the VA aims to empower Veterans to lead fulfilling lives after their military service. See below for a sample of the programs available to Veterans, which are mapped to the Administrations by icon.






ACTIVE-DUTY PROGRAMS

-  **Pre-Deployment Health Assessments:** Ensures Service members' medical readiness before deployment.
-  **Servicemembers Group Life Insurance (SGLI):** Provides low-cost life insurance coverage to active-duty members.
-  **Traumatic Servicemembers' Group Life Insurance (TSGLI):** Offers financial support to Service members who have experienced traumatic injuries.







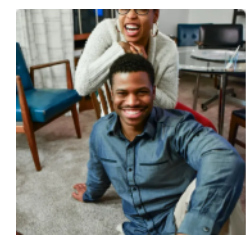
TRANSITION PROGRAMS

-  **Transition Assistance Program (TAP):** Provides comprehensive support for Service members transitioning to civilian life, including employment assistance, education benefits, and health care information.
-  **Veterans Employment Center:** Assists Veterans and transitioning Service members in finding employment opportunities.
-  **Veteran Readiness & Employment (VR&E):** Helps Veterans with service-connected disabilities prepare for, find, and maintain suitable employment.






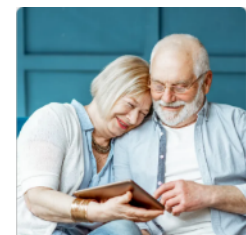
CIVILIAN LIFE PROGRAMS

-  **Health Care:** Provides Veterans with comprehensive medical services, mental health care, preventive care, and pharmacy benefits.
-  **Home Loans:** Offers home loan guarantees and other housing-related programs to help Veterans purchase, build, repair, or adapt homes.
-  **Education Benefits:** Includes the Post-9/11 GI Bill (PGIB) and Montgomery GI Bill (MGIB) programs.
-  **Disability Compensation Program:** Provides financial assistance to wartime Veterans with service-connected disabilities.

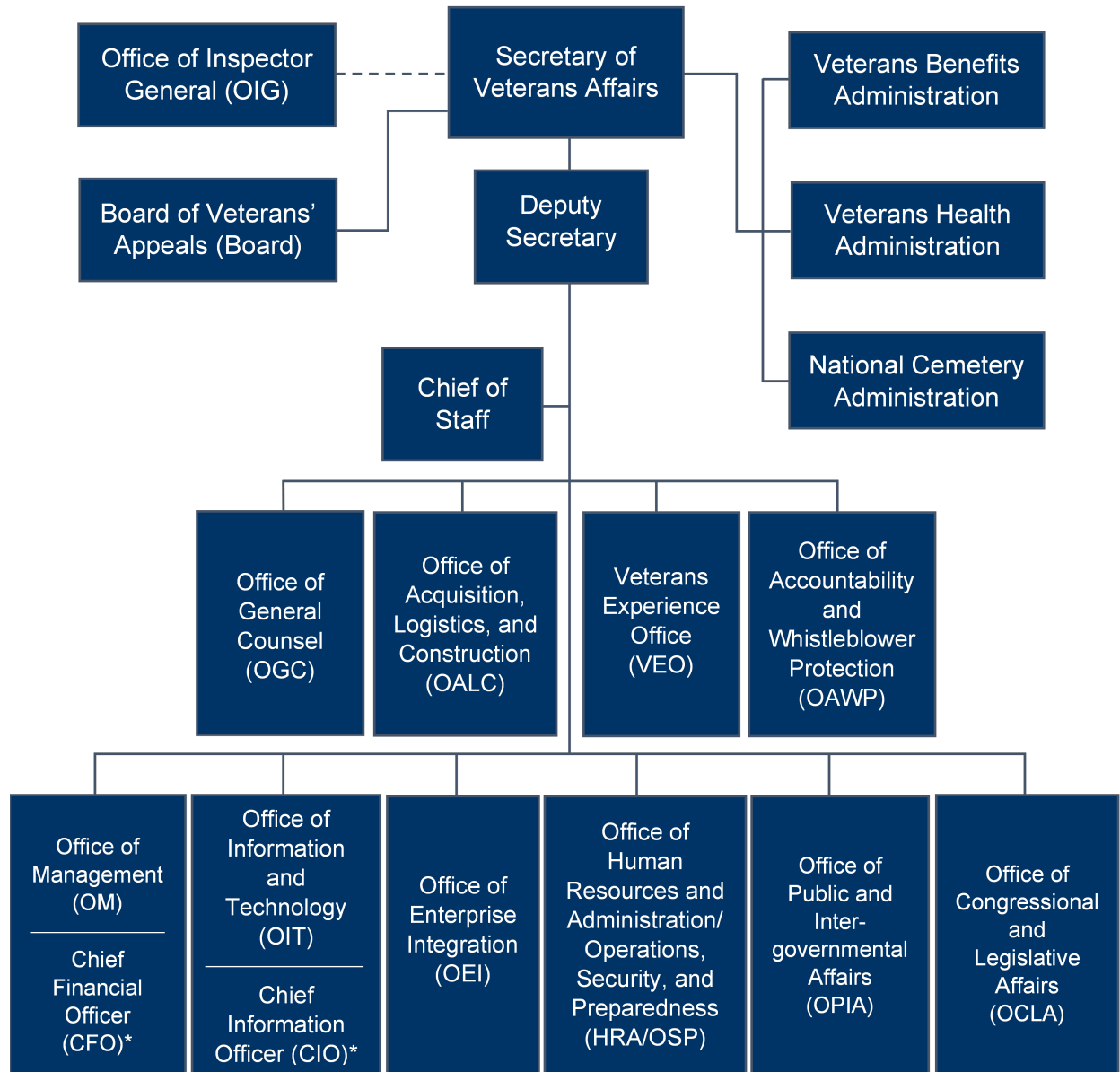


RETIREMENT AND BURIAL PROGRAMS

-  **VA Pension:** Provides financial assistance to wartime Veterans with limited income, including those who have reached retirement age.
-  **VA Caregiver Support:** Supports caregivers of disabled Veterans, including access to respite care, training, and counseling services.
-  **VA Burial Benefits:** Offers various benefits for eligible Veterans and their family members, including burial allowances, cemetery plots, and memorial items.



DEPARTMENT OF VETERANS AFFAIRS ORGANIZATIONAL STRUCTURE



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

PERFORMANCE GOALS, OBJECTIVES, AND RESULTS

The Government Performance and Results Act Modernization Act (GPRAMA) requires CFO Act agencies to develop long-term strategic plans that detail the agency's goals, strategies, and objectives. VA updates the Strategic Plan every 4 years, approximately 1 year after a new Presidential term begins, to accurately reflect the priorities of the new administration. In FY 2023 and FY 2024, VA operated under the [FY 2022-28 Strategic Plan](#).

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

- **FY 2023:** VA presents final performance results in the following sections: *Strategic Goal Results Summary* and *Performance and the Financial Connection*.
- **FY 2024:** VA presents preliminary Quarter 3 or Quarter 4 performance results with the latest available data in the following sections: *Agency Priority Goals (APG)* and *Performance and the Financial Connection*.

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



DID YOU KNOW?

Women have served in the U.S. military since the American Revolution. Despite their longstanding service, many women Veterans struggle to feel recognized, respected, and valued as Veterans in civilian life.

That's why Army combat Veteran Brooke Jackson Kahn founded She's the Veteran, an organization with a mission to empower and improve the lives of women Veterans through community building, mental health support, and groundbreaking research.

Women Veterans face unique challenges that are often overlooked, including a higher likelihood of developing Post-traumatic Stress Disorder (PTSD), becoming homeless, and struggling with hunger compared to their male counterparts.

Since its launch in 2020, She's the Veteran has been providing a supportive community for women Veterans in South Carolina, a state home to over 45,000 women who served. The organization hosts monthly skill-based activities such as fishing, horseback riding, and shooting clays. The activities are designed to help participants retrain their brains and turn negative experiences into positive ones.





VA STRATEGIC GOALS & OBJECTIVES

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

FY 2022 - FY 2028 STRATEGIC PLAN



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

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

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



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

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

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

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

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

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



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

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

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



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

Objective 4.1: (Our Employees Are Our Greatest Asset) VA will transform its human capital management capabilities to empower a collaborative culture that promotes information sharing, diversity, equity, and inclusion and a competent, high-performing workforce to best serve Veterans and their families.

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

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

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

AGENCY PRIORITY GOALS (APG)

The GPRAMA requires VA to select four to five APGs every 2 years and review performance on a quarterly basis to evaluate progress and update implementation strategies. VA's FY 2024 – FY 2025 APGs are discussed below and mapped by icons to the strategic goals and objectives that support them. To learn more about VA's APGs, visit [Performance.gov](https://www.performance.va.gov).

CONNECT VETERANS TO THE SOONEST AND BEST CARE



VA will deliver the soonest and best care to Veterans, through continuously improving processes and technology that impact Veteran access to direct and community care. By September 30, 2025, VA will reduce or sustain average wait times for direct and community care and will improve Veteran satisfaction with timeliness of care. In FY 2024, direct care wait times improved for mental health, primary care, and specialty care by 16.3%, 22.7%, and 12.3%, respectively, compared to the FY 2023 baseline.

VETERANS WITH MILITARY ENVIRONMENTAL EXPOSURES



To recognize and honor the sacrifices of Veterans, VA is committed to the delivery of exceptional, high-quality, and preventive health care services, access to disability and related benefits for eligible Veterans, and support of research that enhances scientific understanding of the health outcomes of Military Environmental Exposures (MEE), and development of treatments and preventive strategies. By September 30, 2025, VA will ensure that at least six million VHA enrollees will have a documented toxic exposure screening, proportionately screening Women Veterans. In FY 2024, 5.7 million enrollees have received the toxic exposure screening, an increase of 2 million over the FY 2023 baseline. VA has consistently met or exceeded milestones for the total number of enrollees screened ahead of schedule.

DISABILITY CLAIMS DIGITAL EXPERIENCE



VA will improve the digital customer experience and build trust in VA during the disability claims process. By September 30, 2025, VA will increase the Disability Compensation Claims Survey trust score, increase available online claim application types, enhance online claim status capabilities, and improve usability of the online claim applications. As of FY 2024, VA increased the total number of online forms for disability compensation by 77% from the FY 2023 baseline, and more Veterans are able to complete an online disability application in a single session.

END VETERAN HOMELESSNESS



VA is committed to ending homelessness among Veterans because it is our Nation's duty to ensure all Veterans have a place to call home. By September 30, 2025, VA will place at least 76,000 unique Veterans into permanent housing and ensure that at least 90% of at-risk Veterans are prevented from becoming homeless. During 2023 and 2024, over 46,000 and nearly 48,000 Veterans were placed into permanent housing, respectively.

PREVENT VETERAN SUICIDE



VA's top clinical priority is preventing Veteran suicide, which requires a public health approach, combining community and clinical-based interventions. For FY 2024 and FY 2025, VA established new measures to track progress toward this APG. By September 30, 2025, VA will achieve at least a 75% distribution rate of Lethal Means Safety resources to VA's network of clinical providers and community partners and increase the completion of timely suicide screenings in VHA ambulatory clinics by at least 10%. As of FY 2024, VA has increased the completion of timely screenings by nearly 5%.

VHA HIRE FASTER AND MORE COMPETITIVELY

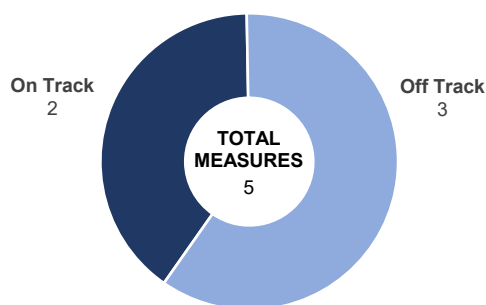


For FY 2024 and FY 2025, VA established new measures to track progress toward this APG. VA will invest in VHA's pipeline; establish affordable position inventory; invest in VHA hiring manager experiences; and improve applicant experiences to strengthen hire faster and more competitively. By September 30, 2025, VHA will achieve 100% placement of VHA trainees in mental health and primary care scholarship programs; increase the number of VHA standardized staffing functions from 3 to 40, with developed and validated staffing models; and achieve candidate satisfaction improvements on the VA Entrance and Onboarding Survey.

STRATEGIC GOAL RESULTS SUMMARY

The results presented in this section are derived from performance data in the FY 2023 APP&R and are aligned with the strategic goals in the FY 2022–FY 2028 Strategic Plan. For each measure in the APP&R, VA sets a target that helps drive continuous improvement. On track measures are those where the target has been met or exceeded. Off track measures represent areas for improvement.

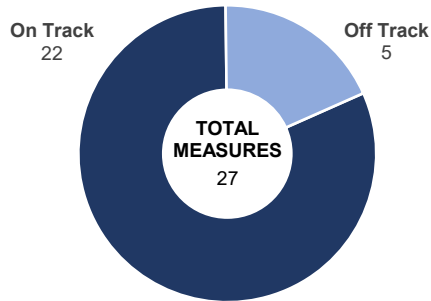
STRATEGIC GOAL 1: *VA consistently communicates with its customers and partners to assess and maximize performance, evaluate needs, and build long-term relationships and trust.*



VA's off-track measures under this goal primarily relate to Strategic Objective 1.2—Lifelong Relationships and Trust. Off-track measures include overall trust in VA; Veterans, their families, caregivers, and survivors felt like valued customers when receiving needed care or services; and ease to receive VA care or services. To drive improvements in these performance measures, VA will continue to supply timely and relevant information through customer communications and strategic partnerships, including community-driven

Veteran organizations. Additionally, VA will sustain Veterans Experience Action Center (VEAC) events, which are collaborative outreach events that include representation from VHA, VBA, NCA, the Board, and community partners. VA will scale VEAC events through a train-the-trainer model for VA facilities, providing more Veterans one-on-one support by training local facilities to conduct their own events.

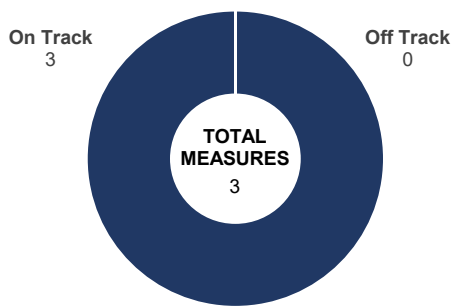
STRATEGIC GOAL 2: VA delivers timely, accessible, high-quality benefits, care, and services to meet the unique needs of Veterans and all eligible beneficiaries.



VA's off-track measures under this goal primarily relate to Strategic Objective 2.1—Underserved, Marginalized, and At-Risk Veterans. Off-track measures include the percentage of pension rating claims processed within 125 days and the percentage of housing vouchers allocated that resulted in a homeless Veteran obtaining permanent housing. VA is continuing to modernize claim application forms through enhanced automation, which will result in faster benefit decisions. For homeless Veterans, VA will

expand collaborative case management models of care, which expand capacity by allowing internal and external partners to provide a portion of the services offered to Veterans who have received a housing voucher.

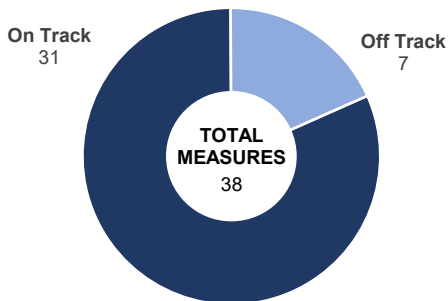
STRATEGIC GOAL 3: VA builds and maintains trust with Stakeholders through proven stewardship, transparency, and accountability.



The measures under this Strategic Goal, which align to Strategic Objective 3.2—Internal and External Accountability, were all on-track. Over the last two years, OAWP significantly improved its investigative processes by increasing training and professional development for its investigators and established an Investigative Attorney Division to review investigation reports for legal sufficiency. Based on these and other improvements, OAWP eliminated its backlog and decreased the average

number of days it takes to complete an investigation from 166 in FY 2022 to just 81 days in FY 2023.

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



VA's off-track measures under this goal primarily relate to Strategic Objective 4.1—Our Employees are Our Greatest Asset and reflect performance related to VA workforce time-to-hire. Even when time-to-hire was longer than desired, VA still executed the hiring necessary to the benefit of the Veteran community, our ultimate customer. VA leveraged multiple recruitment tools to include the PACT Act, which allows VA to offer competitive salaries to attract and retain top talent, and various direct and special hiring authorities to quickly fill mission critical occupations.

With decreasing turnover rates, preserving experienced talent helped to bring about success for VA in providing improved health care and benefits to Veterans.

PERFORMANCE AND FINANCIAL CONNECTION

VA's financial statements reflect the resources required or used to accomplish the Department's goals and objectives. This section links the Department's activities to achieve those goals with budgetary resources from the Statement of Budgetary Resources (SBR) and costs from Statement of Net Cost (SNC). To mirror the components of the SNC, performance at each administration (VHA, VBA and NCA), plus the indirect administrative offices, is discussed.

VETERANS HEALTH ADMINISTRATION

PERFORMANCE HIGHLIGHT

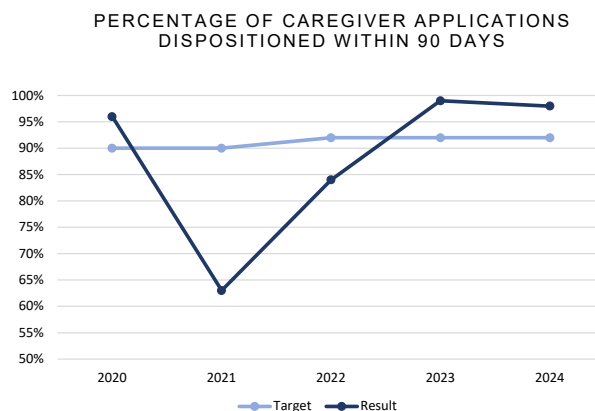


Total VHA budgetary resources were \$179.6 billion and \$163.7 billion and total gross costs were \$156.2 billion and \$136.4 billion for FY 2024 and FY 2023, respectively, for activities related to providing a broad range of primary care, specialized care, and related medical and social support services. Activities performed by VHA help VA to achieve objectives for all Strategic Goals 1, 2, 3, and 4.

Two areas of focus for VHA in alignment with the Department's APGs are (1) caregiver support and (2) suicide prevention through mental health services. For FY 2024, VHA received \$2.4 billion, an increase of \$556 million from FY 2023, for services to help empower family caregivers of eligible Veterans. VHA received \$559 million in budgetary resources, an increase of \$61 million over FY 2023, to enhance suicide prevention outreach activities. In FY 2024 and FY 2023, costs related to caregiver support and suicide prevention services amounted to \$2.2 billion and \$1.7 billion, respectively, which aided in the following accomplishments.

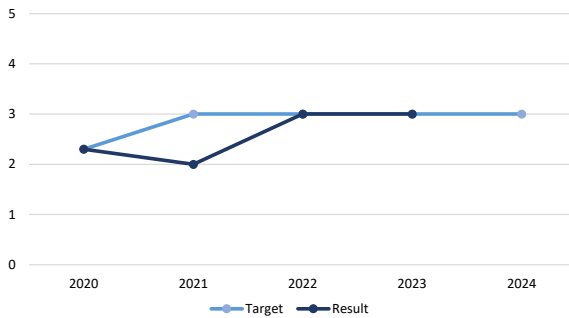
VHA offers the Program of Comprehensive Assistance for Family Caregivers (PCAFC) to provide enhanced clinical support for family caregivers of eligible Veterans. PCAFC caregiver benefits may include a monthly stipend, access to health care insurance, mental health counseling, certain beneficiary travel benefits, and 30 days of respite care per year.

VA tracks the percentage of PCAFC applications dispositioned within 90 days. As illustrated in the graphic at right, VHA experienced a 350% increase in applications in FY 2021 that resulted in the metric becoming off-track. Since FY 2021, VA increased capacity to process the influx of applications through improved staff hiring and training. In FY 2024, VHA exceeded its target for the caregiver application metric by processing 98% of applications within 90 days. In FY 2025, VHA will focus on maintaining its application disposition rate and providing technical support to the few remaining facilities working to reach the 92% target.



MANAGEMENT'S DISCUSSION AND ANALYSIS PERFORMANCE GOALS, OBJECTIVES, AND RESULTS

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



VA tracks improvement in self-reported mental health symptoms in the 3 to 4 months after the start of mental health treatment with patients scoring improvement on a scale of 1 to 5, one being minimal and five being maximal. This metric is used as one indicator of positive clinical outcomes of mental health treatment in the first 3 months of care. In FY 2023, VA met its target with a mental health symptom improvement rate of 3, remaining consistent with the prior year.

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



DID YOU KNOW?

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



PERFORMANCE IN ACTION



Ramon Gallimore with two dogs in the PAWS program.

Ramon Gallimore spent 30 years in the Marine Corps, deploying multiple times. He bottled up a lot of things during those years. “I had a real rough childhood, witnessing a lot of horrible things,” he says, including the loss of his mother months before deployment. When he left the military, the pain he had compartmentalized surfaced, and he was diagnosed with PTSD. Coming to VA for help, he got more than a helping hand. He got a helping paw.

Gallimore is part of a pilot program at West Palm Beach VA called [Puppies Assisting Wounded Service Members \(PAWS\)](#). A novel therapeutic approach, Veterans with PTSD train service dogs for fellow Veterans. It helps participants feel a sense of purpose and self-worth through helping others.

Gallimore gets to witness what his work does for other Veterans. “Seeing a service dog in action, like alerting a Veteran during a fire alarm drill, was incredible. It showed me the profound difference these dogs can make,” he says.

And at the same time, it is helping him. “Working with the dogs and handling them, seeing them respond to commands, was a breakthrough for me,” he says. “My PTSD episodes became shorter, and my anxiety levels dropped significantly.” Gallimore’s experience shows the pilot program is a win for the trainers and those receiving the service dogs.

VETERANS BENEFITS ADMINISTRATION

PERFORMANCE HIGHLIGHT



Total VBA budgetary resources were \$234.7 billion and \$220.6 billion and total gross costs were \$192.9 billion and \$165.6 billion for FY 2024 and FY 2023, respectively, for activities related to providing various benefits to Veterans and their families. Activities performed by VBA help VA to achieve objectives for Strategic Goals 1, 2, and 3.

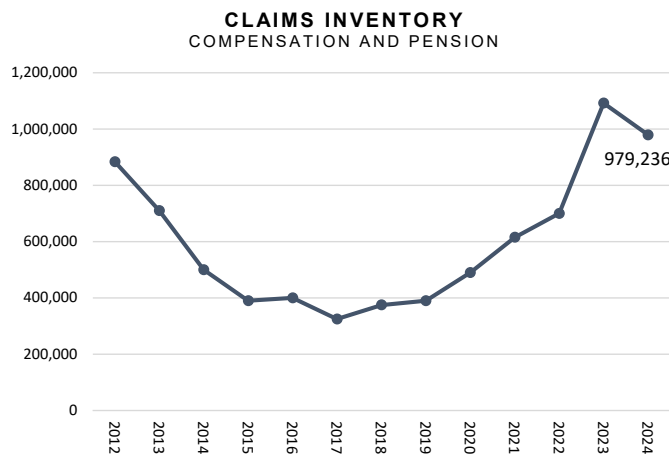
Strategic Goals 1, 2, and 3.

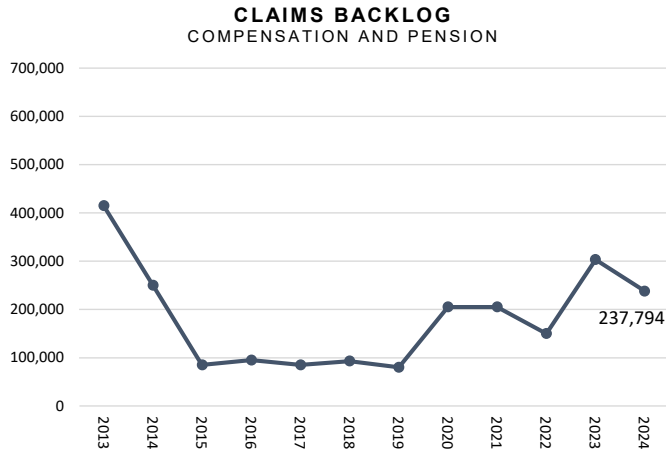
One of VBA's primary functions is to process education, pension, disability compensation, and survivor claims and appeals with a focus on timeliness and quality. For FY 2024, VBA's total budget authority for General Operating Expenses, which helps to process benefit claims, was \$9.1 billion, an increase of \$1.1 billion from FY 2023. In FY 2024 and FY 2023, costs related to the General Operating Expenses were \$8.8 billion and \$5.9 billion, respectively.

The claims inventory includes disability compensation and pension claims VA receives that normally require a rating decision. Commonly known as the rating bundle, it includes claims for Disability Compensation, dependency and indemnity compensation for survivors and Veterans' pension benefits, including both original and supplemental claims. Once VA decides a claim, then it is no longer in the claims inventory. If a Veteran appeals a benefits decision, the appealed claim is tracked separately. When claims in the inventory exceed 125 days, they are considered "backlogged."

The charts presented demonstrate that the claims inventory and backlog decreased significantly from FY 2012 through FY 2015 and remained steady until FY 2020, when the COVID-19 pandemic halted medical examinations and caused inflated processing times. In August 2022, the PACT Act was signed into law and ushered in the largest expansion of Veterans benefits

and care in more than three decades, resulting in a significant increase in the claims inventory. At the beginning of FY 2024, the inventory peaked at 1.1 million claims. In FY 2024, VA processed claims faster than ever before, resulting in a reduction of over 112,000 claims in the inventory. VA's improved efficiency is evidenced by VA processing its one millionth Veteran benefits claim on March 14, 2024, the earliest in VA history and nearly six weeks faster than the previous all-time record (from FY 2023).





In FY 2024, the claims backlog also decreased due to the improved pace in processing. VBA continues to achieve single day processing milestones – VA processed between 9,000 and 10,000 Veteran claims on 86 days and more than 10,000 Veteran claims on 129 days during FY 2024. Before FY 2024, VA had only had three 9,000 claim production days in history.

To further reduce the backlog, VA will continue to invest in continuous learning for all claims processors, and make

technology improvements to ensure that Veterans, family members, caregivers, and survivors receive the benefits they've earned and deserve as quickly and accurately as possible. VA has grown the claims processing workforce more than 50% since FY 2021. This growth, along with new technology to assist those processors, has allowed VA to meet the historic demand for benefits precipitated by the passage of the PACT Act in FY 2022.

PERFORMANCE IN ACTION



Air Force Veteran Aquanetta Brobston attended the Women's Veteran Claims Clinic in Waco, Texas.

The Waco VA Regional Office is making sure women Veterans know about the benefits they've earned by hosting a Benefits Claims Clinic just for them.

The clinic was assembled to address the distinctive needs and challenges faced by women Veterans. As the fastest growing population in the armed forces, women Veterans encounter a range of issues that can differ significantly from their male counterparts. On average, women Veterans experience a higher rate of military sexual trauma, have gender-specific health concerns, and unique challenges as they transition into civilian life.

That is why the outreach team designed a benefit claims clinic to address these and other benefit concerns. The clinic selected 22 female claims processors, coaches, and support staff to create a trusted space for those in attendance to speak freely about their military experience. At the conclusion of their visit, women Veterans were welcome to have refreshments, speak with other Veterans, and visit with VA staff if they had additional questions.

Aquanetta Brobston, an Air Force Veteran said, "I found a VA advocate, and that is the best take away from today." An advocate is a VA representative that speaks on behalf of the Veteran and assists them in navigating their claim. "I now want my husband to apply for VA benefits too. There was so much helpful information provided today, and I am hopeful more Veterans will find out about it."

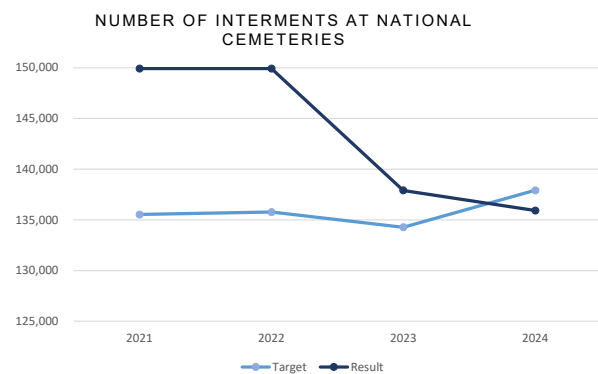
NATIONAL CEMETERY ADMINISTRATION

PERFORMANCE HIGHLIGHT



Total NCA budgetary resources were \$593 million and \$546 million and total gross costs were \$604 million and \$552 million for FY 2024 and FY 2023, respectively, for activities related to burial services, construction projects, and operations at VA's 155 national cemeteries and 35 soldiers' lots and monument sites. Total gross costs include depreciation expense that does not require budgetary resources. Activities performed by NCA help VA to achieve objectives for Strategic Goals 1 and 2.

One of NCA's most significant performance metrics is the number of annual interments in national cemeteries, which helps NCA track anticipated growth requirements and plan for potential construction projects or expansions. In FY 2023, VA received \$140 million in major construction budgetary resources and \$157 million in minor construction budgetary resources for cemetery expansion and improvement projects, advance planning, and design funds and land acquisition. In FY 2024, VA received \$112 million in major construction program budgetary resources and \$183 million in minor construction program budgetary resources for the same purposes.



In FY 2024, major construction resources were used for a gravesite development project at Tahoma National Cemetery, serving the greater Puget Sound area of Washington, and a gravesite expansion project at Jefferson Barracks National Cemetery, serving Northeastern Missouri and Southwestern Illinois. Minor construction resources were used for additional gravesite expansion projects and for emergency repairs resulting from hurricanes, tornadoes, and other significant weather events. For more information on NCA locations, refer to the map on page 7.

PERFORMANCE IN ACTION



Stacey Belle's aunt, left, re-enlists and takes the oath.

Stacey Belle is a supply systems analyst with VHA serving a detail with NCA. When she started her detail with NCA, she saw it as a way to manage the grief of losing her aunt, Janie Lou Adamson, a Veteran.

When she got to NCA, she learned about the [Veterans Legacy Memorial](#) (VLM), a digital platform dedicated to the memory of nearly 10 million Veterans interred in VA's national cemeteries, VA-funded state, tribal, and territory Veteran cemeteries, Department of Defense-managed cemeteries, National Park Service cemeteries, and private cemeteries within and outside the U.S. Belle was encouraged to build her aunt's personal page, add photos of her, write up her biography, and add documents from her service in the U.S Army.

Building her aunt's VLM page made it easier to cope with the grief. Now Belle feels energized and equipped to assist others on their journey through loss and grief.

INDIRECT ADMINISTRATION

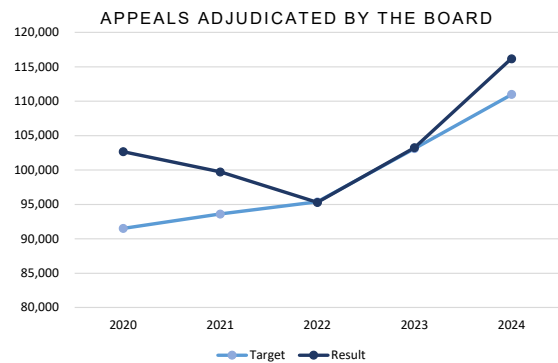
PERFORMANCE HIGHLIGHT



Total indirect administrative budgetary resources were \$7.2 billion and \$6.9 billion and total gross costs were \$3.9 billion and \$3.3 billion for FY 2024 and FY 2023, respectively, for activities to support Department operations not directly attributable to VHA, VBA, or NCA, including human resources, CFO and CIO operations, OIG investigations, and Board programs. Indirect administrative activities help VA to achieve objectives for Strategic Goals 2, 3, and 4.

One of the most critical functions under indirect administration relates to the Veterans' appeals process managed by the Board, which decides appeals from VHA, VBA, NCA, and OGC. In FY 2023, VA received \$285 million to support the Board's mission-critical goals of conducting hearings and adjudicating appeals for Veterans properly in a timely manner. In FY 2024, VA received \$287 million, an increase of \$2 million, primarily to position the Board to continue to recruit and train judges, attorneys, and administrative staff. At the end of FY 2024 and FY 2023, costs related to the Board's activities were \$279 million and \$243 million, respectively.

VA tracks the number of appeals adjudicated, which directly relates to the Board's mission of issuing decisions on behalf of the Secretary. In FY 2024, the Board held 19,559 hearings, while also issuing a record 116,192 decisions to Veterans and their families.



In FY 2024, the Board also was able to reduce the number of pending original legacy appeals to less than 1,100. Legacy appeals are those submitted prior to the Veterans Appeals Improvement and Modernization Act (AMA) in FY 2017. Since FY 2017, the Board has contributed to reducing legacy appeals from a high of 472,066 to 38,824 as of September 30, 2024, with over 94% of those being remanded appeals that have previously received a decision by the Board.

PERFORMANCE IN ACTION



With the reduction of legacy appeals, the Board has been able to increase the resources available to adjudicate AMA appeals. The Board met its goal of having AMA decision output be the majority of all cases decided in FY 2024, roughly double the number of AMA appeals decided last year. Workload models indicate that the aspirational AMA timeliness goals set in FY 2022 may be realized during FY 2025. This is an encouraging

sign that Veterans will be experiencing faster resolution of AMA appeals when compared to the slow rates of resolution under the older legacy system. In FY 2024, the average time to fully resolve an AMA appeal was 3.4 years less than the time required to fully resolve a legacy appeal.

ANALYSIS OF THE FINANCIAL STATEMENTS

BALANCE SHEET

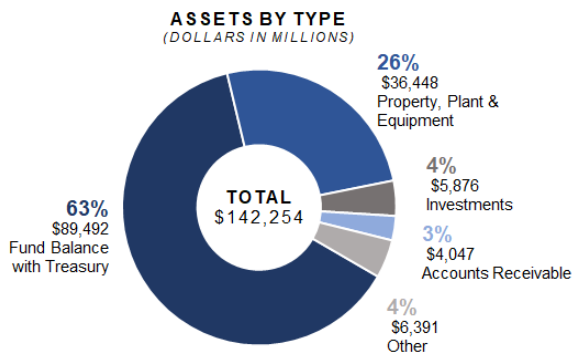
The Balance Sheet provides a snapshot of the Department's financial position and comprises assets, liabilities, and net position. The following table shows VA's key asset and liability components and the total change for each component compared to the prior fiscal year.

Balance Sheet Key Components

<i>(dollars in millions)</i>	2024	2023	\$ Change	% Change
Assets				
Fund Balance with Treasury	\$ 89,492	\$ 91,627	\$ (2,135)	-2%
Property, Plant, & Equipment	36,448	32,469	3,979	12%
Accounts Receivable	4,047	4,061	(14)	-
Investments	5,876	5,715	161	3%
Other	6,391	7,200	(809)	-11%
Total Assets	\$ 142,254	\$ 141,072	\$ 1,182	1%
Liabilities				
Veterans Benefits and Actuarial FECA* Liability	\$ 7,432,808	\$ 7,304,001	\$ 128,807	2%
Accounts Payable	19,762	4,444	15,318	345%
Loan Guarantee Liability, Net Federal Employee, Salary, Leave, and Benefits Payable	7,320	9,175	(1,855)	-20%
Other	5,026	4,550	476	10%
	11,739	9,361	2,378	25%
Total Liabilities	7,476,655	7,331,531	145,124	2%
Total Net Position	(7,334,401)	(7,190,459)	(143,942)	-2%
Total Liabilities and Net Position	\$ 142,254	\$ 141,072	\$ 1,182	1%

*Federal Employees' Compensation Act

ASSETS



Assets represent items owned by the Department that have probable economic benefits. The graphic at left depicts the composition of VA's total asset balance. As of September 30, 2024, the largest asset was Fund Balance with Treasury (FBWT) at \$89.5 billion. FBWT represents VA's right to draw funds from the U.S. Department of Treasury (Treasury) for allowable expenditures. The FBWT balance did not change significantly from FY 2023.

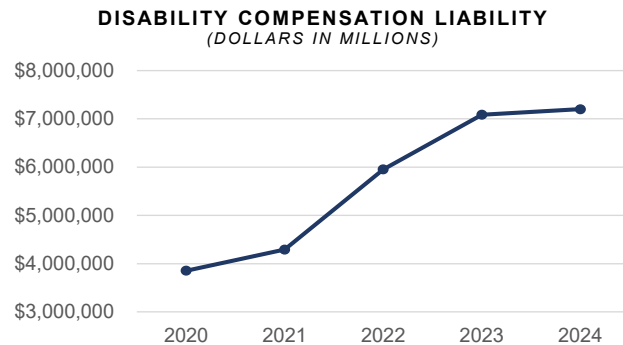
The second largest asset was Property, Plant, and Equipment (PP&E) at \$36.5 billion, which is primarily composed of buildings, structures, equipment, and internal use software (IUS). In FY 2024, the PP&E balance increased by \$4.0 billion, or 12%, compared to prior year. The increase is attributable to an increase in medical facility improvement projects to modernize VA's assets and infrastructure. In addition, the recognition of lessee right-to-use (RTU) assets in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 54:

Leases. SFFAS No. 54 became effective in FY 2024 and requires VA to record lease assets for all material, non-short-term, and non-intragovernmental leases. For more information on the components of the change in the PP&E balance, refer to the PP&E roll-forward schedule in [Note 9](#).

The other category includes Loans Receivable, Advances and Prepayments, Cash, and Inventory and Related Property totaling \$6.4 billion, a decrease of \$809 million or 11%, compared to prior year. The change is primarily attributable to a decrease in Advances and Prepayments to the U.S. Army Corps of Engineers for major construction projects. Advances and Prepayments are reduced as services are performed.

LIABILITIES

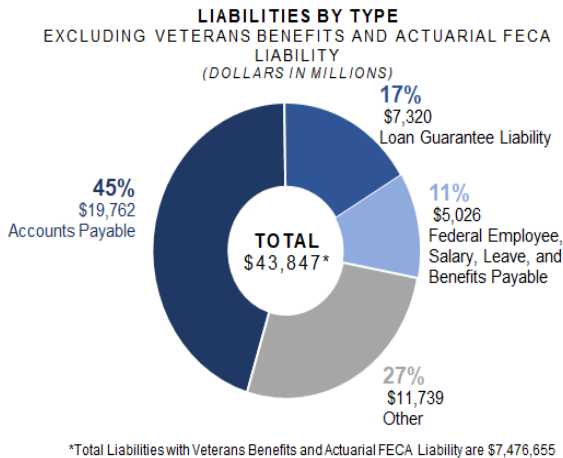
Liabilities represent probable future outflows or other sacrifices of resources as a result of past transactions or events. As of September 30, 2024, the largest liability was the Veterans Benefits and Actuarial FECA Liability at \$7.4 trillion, which primarily includes the liability for Disability Compensation representing amounts owed to Service members (or their dependents) who died or were disabled due to active military service-related causes. The liability is an estimate of the future cost to provide benefits to participants, measured at 100-years and expressed in today's dollars. The graphic below presents the year-to-year increase in the Disability Compensation Liability from FY 2020 – FY 2024. The slight increase in FY 2024 is primarily attributable to changes in experience that include changes from beneficiary counts, average benefit payment amounts, and adjustments to prior year assumptions related to the PACT Act, including yearly adjustments to interest on the liability, and amounts paid. The (gain)/loss from changes in actuarial assumptions also had an immaterial impact to the liability. Refer to page 25 for discussion of actuarial cost, excluding changes in actuarial assumptions and (gains)/losses from changes in actuarial assumptions as reflected on the SNC and page 189 in the Appendix for an explanation of VA's complex compensation liability.



VA also provides eligible wartime Veterans and/or their dependents with pension benefits if the Veteran died, is over age 65 or is totally disabled, based on annual eligibility reviews. The Pension Program is not accounted for as a “Federal employee pension plan” under SFFAS No. 5; therefore, a future liability for pension benefits is not recorded due to differences between its eligibility conditions and those of Federal employee pensions. The present value of the projected amount of future payments for pension benefits (presented for informational purposes only) as of September 30, 2024 and 2023, was \$141.6 billion and \$146.6 billion, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS
ANALYSIS OF THE FINANCIAL STATEMENTS

The composition of the remaining liability balance is illustrated in the graphic below. The Department's second largest liability was Accounts Payable at \$19.8 billion, an increase of \$15.3 billion, or 345%, compared to prior year. Accounts Payable increased due to the timing of the compensation and pension disbursement in FY 2024 compared to FY 2023.



The Loan Guarantee Liability was \$7.3 billion, a decrease of \$1.9 billion, or 20%, compared to prior year. The liability decreased primarily due to the VASP modification subsidy, which reflects VA's cost savings to the loan guarantee program. The modification cost savings represent a one-time adjustment to bring the Loan Guarantee Program in alignment with the VASP policy.

The other category, presented in the Balance Sheet Key Components table on page 21, includes Debt, Environmental and Disposal Liabilities, and Other Liabilities totaling \$11.7 billion, an increase of \$2.4 billion, or 25%, compared to prior year. The increase is primarily related to the unfunded lease liability, which was recorded in accordance with SFFAS No. 54 in FY 2024.

CHANGES IN NET POSITION

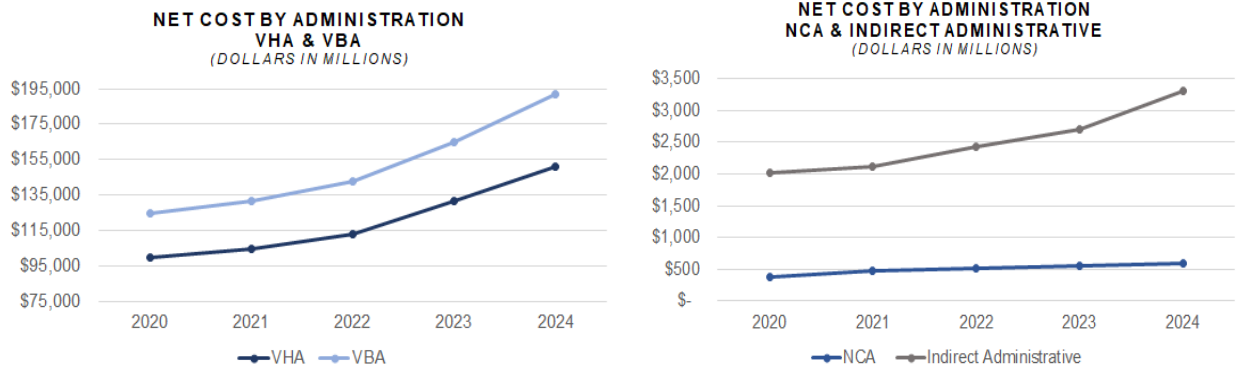
The Statement of Changes in Net Position (SCNP) combines the net cost of operations with nonexchange sources of financing to arrive at a net position. Net position decreased by 2% from a deficit of \$7.2 trillion in FY 2023 to a deficit of \$7.3 trillion in FY 2024. The decrease was attributable to the net cost of operations as discussed in the next section.

NET COST OF OPERATIONS

Net cost of operations is the cost incurred less any exchange revenue earned. The SNC is designed to show net cost separately for each of VA's Administrations: VHA, VBA, and NCA. Indirect administrative program costs support Department operations not directly attributable to VHA, VBA, or NCA and include human resources, CFO and CIO operations, OIG investigations, and Board programs. The total net cost of operations for the Department was \$475 billion and \$1.5 trillion in FY 2024 and FY 2023, respectively. The decrease primarily relates to a decrease in Veterans Benefits Actuarial Cost of \$433 million, compared to prior year. Additionally, the decrease relates to a gain of \$37.8 billion in FY 2024 compared to a loss of \$558.8 billion in FY 2023 from changes in actuarial assumptions. The gain from changes in actuarial assumptions is discussed further on page 25.

PROGRAM NET COST

The following graphics present program net cost by Administration, excluding actuarial cost and gains/losses, from FY 2020 to FY 2024. VHA and VBA have experienced significant increases in net cost over the past 5 years, while indirect administrative net cost has increased steadily with a significant increase in the last fiscal year. NCA net costs have remained relatively consistent.



In FY 2024, VHA's net cost was \$150.9 billion, an increase of \$19.5 billion, or 15%, compared to prior year. The costs for medical services continued to expand to align with the Secretary's top priority to fully implement the PACT Act under the Cost of War Toxic Exposures Fund (TEF). The TEF supports approximately 9,000 full-time employees and funds health care delivery associated with environmental hazards, as well as medical research relating to exposure to environmental hazards.

In FY 2024, VBA's net cost (excluding actuarial) was \$191.9 billion, an increase of \$26.9 billion, or 16%, compared to prior year primarily due to increases in compensation payments to Veterans and their beneficiaries. VBA issued 3.9 million more payments in FY 2024 compared to FY 2023. VBA continued to process claims with improved timeliness and accuracy, which resulted in approximately 303,000 more active beneficiaries at the end of FY 2024 compared to FY 2023.

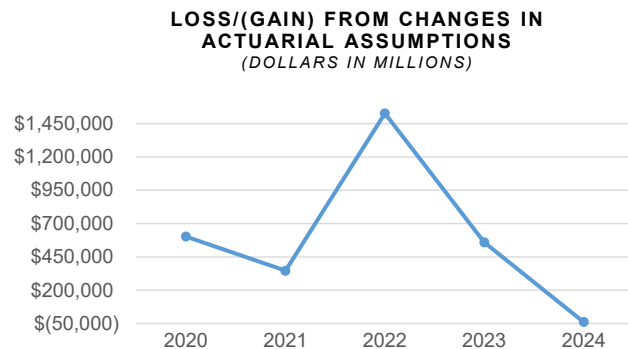
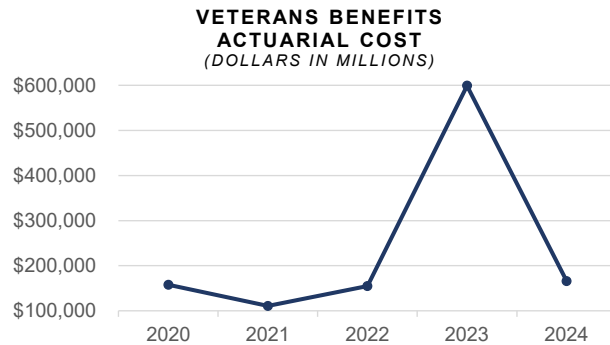
In FY 2024, indirect administrative net cost was \$3.3 billion, an increase of \$615 million, or 23%, compared to prior year primarily due to an increase in cost for information technology (IT) services to support VA's Financial Management Business Transformation (FMBT), specifically the Integrated Financial and Acquisition Management System (iFAMS). For more information on iFAMS, refer to the Financial Systems Framework section beginning on page 32.

ACTUARIAL COST & (GAIN)/LOSS

VA provides Disability Compensation, Burial, Education, and VR&E benefits to eligible Veterans and beneficiaries. The liability for future benefit payments is calculated using an actuarial model (see [Note 13](#) in the Financial Section). On a periodic basis, the liability is adjusted for changes in assumptions, which results in the recognition of actuarial cost and/or a (gain)/loss. The actuarial cost and (gain)/loss are composed of the elements below.

Actuarial Cost		(Gain) / Loss	
	• Interest on Liability Expense		• Discount Rate
	• Changes in Experience (Veteran counts)		• Cost of Living Adjustments (COLA)
	• Prior Service Cost		• Other Assumptions
	• Less Amounts Paid		

The Veterans Benefits Actuarial Cost was \$166.3 billion and \$599.6 billion for FY 2024 and FY 2023, respectively. Compared to FY 2023, the actuarial cost decreased. The sharp increase in FY 2023 was attributable to prior service costs from plan amendments for the PACT Act, which expands and extends eligibility of VA benefits for Veterans with toxic exposures and Veterans of the Vietnam, Gulf War, and Post-9/11 eras. Prior service costs represent adjustments made to align the actuarial liability estimates with current law. For FY 2024, some of the experience data related to the PACT Act is now included in the regular updates to the Disability Compensation Liability model.

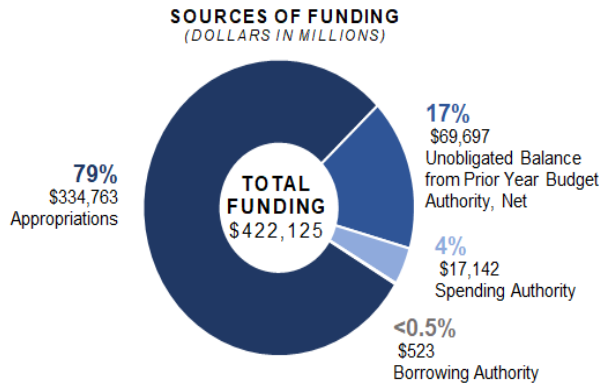


Changes in Actuarial Assumptions resulted in a gain of \$37.8 billion and a loss of \$558.8 billion for FY 2024 and FY 2023, respectively. The difference is primarily due to an FY 2023 assumption update in disability ratings that resulted in an increase in the estimated FY 2023 compensation liability. In FY 2024, there were no significant assumption updates made.

BUDGETARY RESOURCES

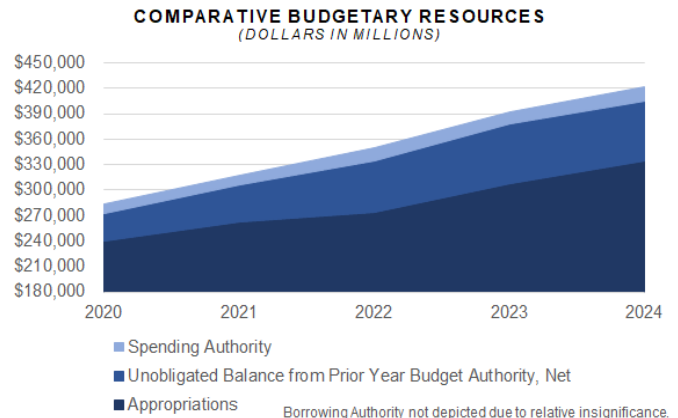
The SBR provides information on the sources and status of funding available to the Department. The primary sources of VA funding are Appropriations from Congress and the Unobligated Balance from Prior Year Budget Authority. VA expends a substantial amount of its budgetary resources on Medical Service and Care, Compensation, Pension, Burial, Education, and VR&E benefits for Veterans, their beneficiaries, and dependents.

The graphic at right depicts the composition of VA's sources of funding from the SBR. Appropriations were VA's largest source of funding at \$334.8 billion, or 79%, of total resources in FY 2024.



The increase in Budgetary Resources has been driven primarily by Appropriations. In addition, the rise in Budgetary Resources resulted in an increase in New Obligations totaling \$47.7 billion, or 15%, compared to prior year. The continuous increases in Appropriations and associated increases in New Obligations are primarily due to:

- As a result of Veteran use of community care nearly doubling since 2019, the expansion of community care programs for health care provided to Veterans at non-VA medical facilities;
- Medical services provided at VA medical facilities resulting from an increase in the number of services provided to Veterans;
- Funding designated to provide support for the delivery of Veterans' health care associated with the PACT Act; and
- Increased funding for Compensation benefits to cover increases to Veteran and survivor caseloads and a higher average degree of disability for Veterans.



LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements are prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. § 3515 (b). These are prepared from the books and records of the entity in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by OMB and are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government.

The PACT Act:

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



Vietnam



Gulf War Era



Post-9/11 Afghanistan and Iraq

What is the PACT Act?

The Sergeant First Class Heath Robinson Honoring our Promise to Address Comprehensive Toxics Act of 2022 (PACT Act), public law (P.L.) 117-168, was signed into law on August 10, 2022, expanding VA health care and benefits for Veterans exposed to burn pits, Agent Orange, and other toxic substances.

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

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

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

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

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

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

What progress has VA made in PACT Act implementation?

The following [performance metrics](#) as of September 2024 measure the overall impact of the PACT Act in terms of its expansion on health care and benefits.



How did the PACT Act impact VA's FY 2024 budgetary financials?

As part of the PACT Act, Congress authorized TEF to fund increased costs above 2021 funding levels for health care and benefits for Veterans exposed to various service-related environmental hazards. Funds appropriated to the TEF ensure there are sufficient resources available to cover these costs without shortchanging other requirements of Veteran medical care, benefit delivery, and other related activities. Through FY 2024, VA received \$25.8 billion in TEF funding. In addition, \$24.5 billion has been appropriated for FY 2025. The allocation and obligation details as of September 30, 2024, are provided in the table below.

<i>(dollars in millions)</i>				
As of September 30, 2024	Allocated	Obligated	Unobligated	Outlays
VHA	\$ 20,971	\$ 17,368	\$ 3,603	\$ 17,367
VBA	2,553	2,051	502	1,834
Medical & Prosthetic Research	48	22	26	18
OIT	2,022	1,539	483	935
Board	15	-	15	-
Staff Offices	157	48	109	32
Total TEF Funding	\$ 25,766	\$ 21,028	\$ 4,738	\$ 20,186

Of the \$25.8 billion in appropriated TEF funding, \$21 billion has been obligated through September 2024. The majority of the obligations have been attributed to VHA, VBA, and OIT. VHA's obligations of \$17.4 billion supported approximately 9,000 full-time employees and funded health care delivery associated with environmental hazards, as well as medical research relating to exposure to environmental hazards. VBA's TEF obligations of \$2.1 billion supported accelerated hiring of additional claims processors to support the increased workload resulting from the PACT Act. The obligations also supported the extraction, scanning, and digitization of Veterans medical records to allow for timely adjudication of claims decisions.

OIT's \$1.5 billion in TEF obligations supported IT system modernization and enhancement efforts needed to meet increased demand for Veterans claims processing under the PACT Act legislation. Enhancement to the Veterans Benefits Management System (VBMS) and Veterans Service Network (VETSNET) remains a top priority along with VA.gov, Digital Veterans Platform (DVP), and many other VA systems that provide Veteran access to benefits information and services.

In addition to the TEF funding, VA received \$922 million for enhanced-use leases (EUL) and \$1.9 billion to begin entering into 31 major medical facility leases authorized by the PACT Act to support delivery of health care to impacted Veterans. Five of the 31 PACT Act leases have been awarded with the remaining 26 leases undergoing procurement. For more information on VA's EUL program, refer to [Note 16](#) in the Financial Section of this AFR.



MAKING A DIFFERENCE

Lenard Dollarhide served in the U.S. Navy from 1961 through 1965. In April 2022, he filed a claim for conditions based on Agent Orange exposure. The VA denied his claim, citing their inability to acknowledge Agent Orange exposure during his service in Guam. After the passage of the PACT Act, Dollarhide reopened his claim in September 2022. On February 2, 2023, he was granted service connection with an effective date of August 10, 2022, based on Agent Orange exposure. Dollarhide expressed that the benefits he gained have been life changing. He noted that the effort was small, and he encourages other Veterans to take the time to file a claim as well.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

MANAGEMENT'S STATEMENT OF ASSURANCE



THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

November 15, 2024

The United States Department of Veterans Affairs (VA or the Department) management is responsible for managing risks and maintaining effective internal controls to meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA) section 2 and section 4. VA conducted its assessment of risks and internal controls in accordance with the Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on the assessment results, VA can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2024, except for the following reported material weaknesses:

- Controls over Significant Accounting Estimates.
- Financial Systems and Reporting
- Information Technology Security Controls.

The Department noted noncompliance with the following:

- FMFIA section 2 and section 4.
- Payment Integrity Information Act of 2019.
- Federal Financial Management Improvement Act (FFMIA).

FFMIA requires agencies to implement and maintain financial management systems that substantially comply with Federal financial management system requirements, Federal accounting standards, and the United States Standard General Ledger (USSGL) at the transaction level. VA assessed its Financial Management System (FMS) to determine conformance with FFMIA. FMS substantially complies with Federal accounting standards. However, it does not comply with Federal financial management system requirements and the USSGL at the transaction level. Therefore, management cannot provide reasonable assurance that VA is in conformance with FFMIA.

Sincerely,

(/s/) Denis McDonough

SUMMARY OF MATERIAL WEAKNESSES

- (1) Controls over Significant Accounting Estimates:** VA identified internal control deficiencies in the control environment related to the Veterans benefits liability estimate. The Veterans Benefits Administration (VBA) Chief Financial Officer's office continues to implement a corrective action plan (CAP) to improve actuarial liability audit readiness, including building upon the current formal governance process by enhancing management's review process, updating policies and procedures for actuarial model roles and responsibilities, redesigning necessary data requests to ensure timely report updates, and adding controls to strengthen VBA's accounting and financial reporting of actuarial models. Estimated completion date: Fiscal Year (FY) 2025.
- (2) Financial Systems and Reporting:** VA's outdated legacy Financial Management System (FMS) continues to require manual processes, reconciliations, and journal entries for VA to produce a set of auditable financial statements. VA continues to have various financial reporting issues, though certain areas have improved over the years. VA is implementing a multi-year migration plan for the new accounting system, the Integrated Financial and Acquisition Management System (iFAMS). Until iFAMS is fully deployed across all Administrations and Staff Offices, VA will continue to perform various reconciliations to FMS. Estimated completion date: FY 2031.
- (3) Information Technology (IT) Security Controls:** VA maintains a material weakness in its Agency-wide Access Management, Contingency Planning, Security Management, and Configuration Management Program. VA established both operational and procedural capabilities to evaluate, prioritize, plan, and execute actions designed to mitigate or close the material weakness conditions. These new capabilities are focused on emphasizing personal accountability for designated subject matter experts to address and eliminate each finding. VA adopted the Objectives and Key Results management framework to manage these activities. VA continues to pursue a prioritized set of actions designed to improve or mature the overall cybersecurity state of the environment to address the material weakness, such as building effective, practical, and compliant cybersecurity capabilities into all new VA IT initiatives, which include the PACT Act and Electronic Health Record Modernization. Estimated completion date: FY 2026.

SUMMARY OF MATERIAL NONCOMPLIANCE

- (1) Federal Managers' Financial Integrity Act of 1982 (FMFIA) section 2 and section 4:** VA developed an internal controls assessment process to implement the requirements to substantially comply with FMFIA section 2 and OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, to include documentation of transaction-level testing to support the assurance statement. VA is developing robust CAPs to remediate historic material weaknesses and material noncompliance to ensure fulfillment of FMFIA's requirement to remediate audit findings timely. VA is implementing a new accounting system, iFAMS, to replace FMS to comply with FMFIA section 4. Refer to Federal Financial Management Improvement Act (FFMIA) section for details. VA will test iFAMS system functionality and modified controls as it is incrementally deployed. VA continues to make significant progress integrating internal control functions with enterprise risk management. Estimated completion date: FY 2031.

- (2) Payment Integrity Information Act of 2019:** In FY 2024, VA reduced improper and unknown payments by approximately \$1 billion, or 31.55%. This is VA's sixth consecutive year of reductions and represents the lowest reported improper and unknown payments since FY 2014. VA continues to enact specific corrective actions and mitigation strategies to remediate the root causes of improper and unknown payments and strategically strengthen payment integrity while ensuring Veteran access to health care and benefits. VA developed detailed CAPs for each program reporting improper and unknown payments to address the findings and deficiencies identified during annual payment integrity testing. Estimated completion date: FY 2028.
- (3) FFMIA:** VA assessed FMS to determine conformance with FFMIA and FMFIA section 4, in accordance with OMB Circular A-123, Appendix D. Based on the results, although FMS substantially complies with Federal accounting standards, FMS does not substantially comply with Federal financial management system requirements and application of the USSGL at the transaction level. Therefore, management cannot provide reasonable assurance that VA is in conformance with FFMIA. VA is undergoing a multi-year rollout of a new accounting system, iFAMS, to replace FMS. iFAMS is designed to be compliant with FFMIA. Estimated completion date: FY 2031.

SUMMARY OF INTERNAL CONTROLS ASSESSMENT

VA's Office of Business Oversight (OBO) oversees the internal control program and assists VA's major organizations (reporting entities) in completing an internal controls assessment to support their annual statements of assurance. OBO developed an Internal Controls Assessment Tool for evaluating each of the 17 principles in the Government Accountability Office Standards for Internal Control in the Federal Government (Green Book). The 17 principles fall into the following 5 components of internal control: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. In FY 2024, VA assessed the following three distinct but overlapping objectives of internal control: operations, compliance, and reporting.

In FY 2024, the Department required all Administrations and major Staff Offices to complete an internal controls assessment, identifying how the reporting entity met the control objectives for each Green Book principle and concluding on the overall effectiveness of the principle, the control component, and the system of internal controls. If deficiencies were identified, Administration or Staff Office management, in accordance with OMB Circular A-123, exercised judgment in determining the severity of the deficiency.

Each Administration and Staff Office signed a statement of assurance based on the results of its internal controls assessment. The statement of assurance provides an informed judgment of the overall adequacy and effectiveness of the reporting entity's internal controls. OBO analyzed internal controls assessment submissions and statements of assurance to ensure the statements appropriately captured material weaknesses identified during the assessments.

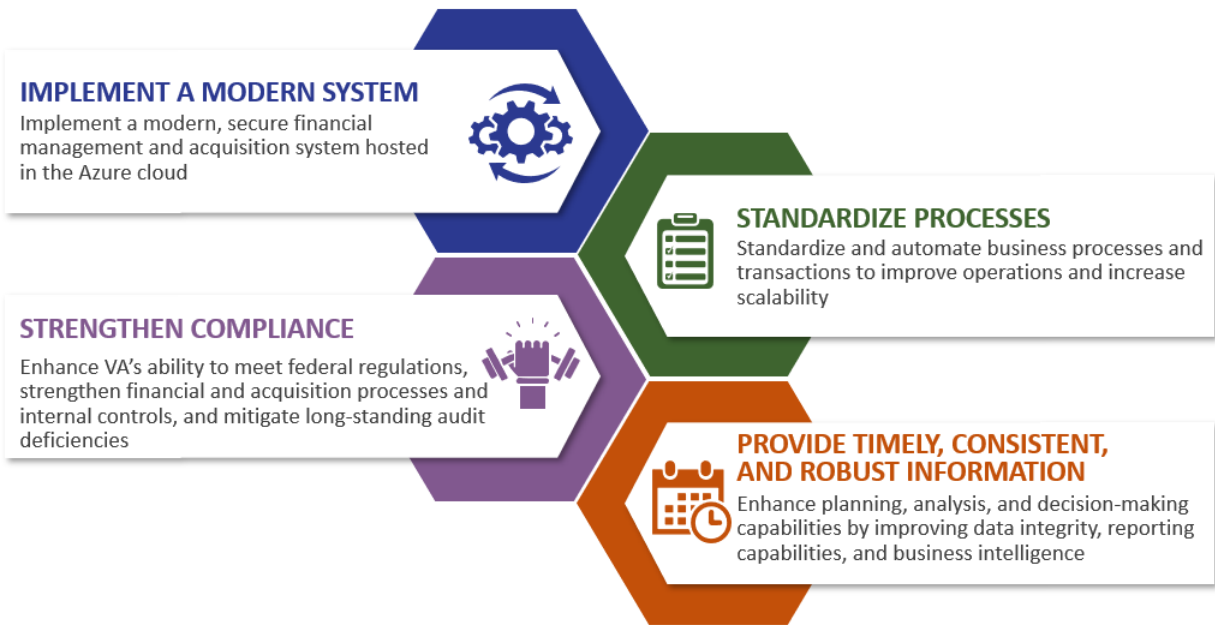
In FY 2024, OBO conducted OMB Circular A-123, Appendix A, tests of design and tests of effectiveness over specified business processes and key controls. OBO focused its efforts on developing business process narratives and testing at an enterprise level, documenting actual operations, and identifying key financial controls or gaps in the design of controls.

FINANCIAL SYSTEMS FRAMEWORK

VA'S FINANCIAL AND ACQUISITION MANAGEMENT SYSTEMS STRATEGY AND GOALS

VA's FMBT program is increasing the transparency, accuracy, timeliness, and reliability of financial and acquisition information, resulting in improved fiscal accountability to American taxpayers and offering a significant opportunity to improve services to those who serve our Veterans.

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



CURRENT FINANCIAL MANAGEMENT SYSTEM FRAMEWORK

VA's existing financial and acquisition management systems consist of the core Financial Management System (FMS) and the core acquisition system, known as the Electronic Contract Management System (eCMS), along with several interfacing systems: Integrated Funds Distribution, Control Point Activity Accounting and Procurement (IFCAP); Veterans Information Systems and Technology Architecture (VistA); Management Information Exchange (MinX); and Centralized Automated Accounting Transaction System (CAATS).

FUTURE FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK





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

- Migrating to a financial and acquisition management solution compliant with Federal regulations;
- Replacing the financial management functionality of IFCAP and CAATS and the procurement functionality of eCMS;
- Implementing a new business intelligence solution and data warehouse for financial reporting; and
- Interfacing iFAMS with designated VA systems.

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

IFAMS BENEFITS

iFAMS is a modern Enterprise Resource Planning (ERP) solution that provides VA with the benefits shown below. VA is also gaining additional security, storage, and scalability with the new system.

<p>STANDARDIZED PROCESSES</p>  <p>Standardizing, integrating, and improving financial processes</p>	<p>REAL-TIME INTEGRATION</p>  <p>Real-time financial and acquisition integration through a single, consolidated system</p>	<p>STRENGTHENED DECISION-MAKING</p>  <p>Strengthening management decision-making by providing advanced analytics and projections for planning purposes</p>	<p>AUTOMATED CONTROLS</p>  <p>Automated internal controls and edit checks improving data quality</p>
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IFAMS DEPLOYMENT APPROACH, STATUS, AND TIMELINE

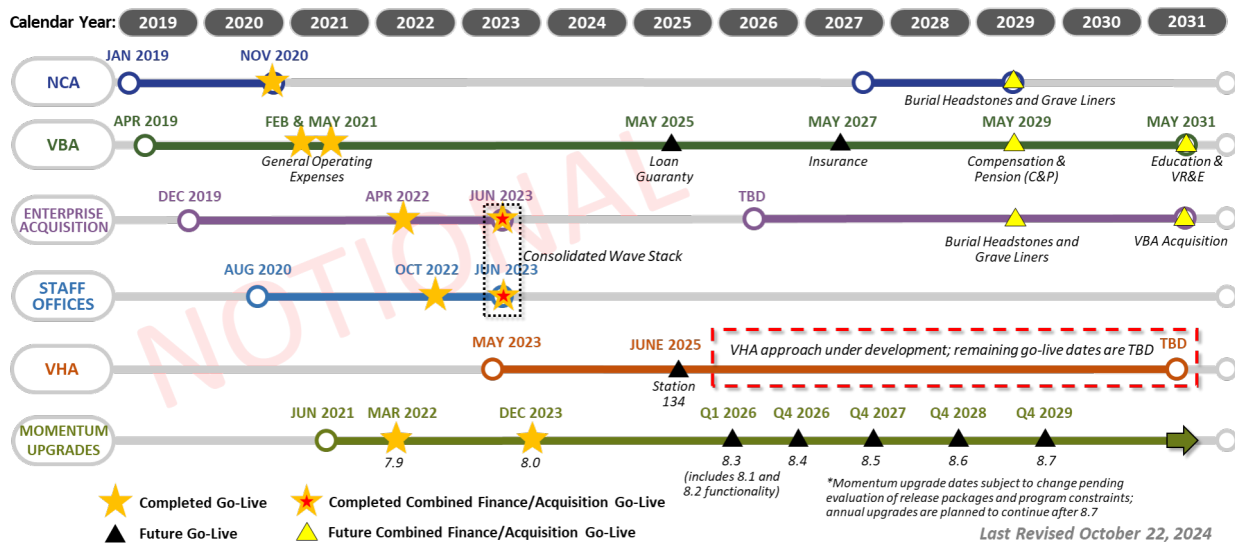
iFAMS is being deployed in a phased approach through a series of implementation “waves.” Each completed system delivery, or go-live, represents the point of transition of one or more VA organizations from their legacy systems to iFAMS. FMBT deliberately structured the overall iFAMS implementation timeline to deliver the new system to the smaller and less complicated administrations and staff offices first, thus allowing program personnel to gain experience and identify key lessons learned that will ease future implementations.

As of September 2024, FMBT has completed six successful deployments of iFAMS, encompassing numerous offices and sub-offices and approximately 4,400 users across the enterprise. The deployments include all of NCA, a portion of VBA, and several major staff offices, including OM; OIT; OIG; OALC; and Office of Construction and Facilities Management: Major Construction.

The program has also delivered two major upgrades to the core Momentum solution, ensuring iFAMS remains up to date with security and legislative requirements and providing a range of improvements to system performance, functionality, and ease of use. FMBT will continue upgrading iFAMS with new versions of Momentum as they become available; the next Momentum upgrade is anticipated to be completed in calendar year 2026. In addition, FMBT deploys smaller iFAMS enhancements on a monthly basis to address specific user issues and correct any defects identified.

Looking ahead, the VBA Loan Guaranty wave is scheduled to go live in May 2025. Implementation efforts also are underway for VHA, VA’s largest Administration, with the VHA Central Office go-live planned for June 2025. The full VHA implementation timeline is under development.

FMBT will continue deploying iFAMS in a phased approach across VA until enterprise-wide implementation is achieved. The following graphic shows the notional FMBT high-level implementation timeline, which was last revised in September 2024. Each star and triangle represent a discrete delivery of the iFAMS solution to one or more VA organizations.



LESSONS LEARNED AND CONTINUOUS IMPROVEMENT

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

The infographic consists of nine colored boxes arranged in two rows. Each box contains an icon at the top and a text block below. The icons represent: a clipboard, a line graph with an upward arrow, a document with a pencil, a three-way arrow, a magnifying glass over a document, a scale of justice, three people with a lightbulb, a gear with a circular arrow, and a flowchart with a return arrow.

- Pre-wave initiation activities with VA organizations must be defined, conveyed, and tracked in a schedule**
- Admin-level roles and commitment are greater than we realized**
- Admins have their own set of internal workforce readiness activities**
- Users must have opportunities to interact with the system in advance of and in addition to formal training**
- Training content must be reviewed by the core audience who will receive that training**
- The successful adoption of iFAMS requires additional core competencies compared to FMS**
- The case for change comes from leaders within the Administrations**
- Implementation activities do not end at go-live**
- Aligning with Admins on metrics is critical to success**

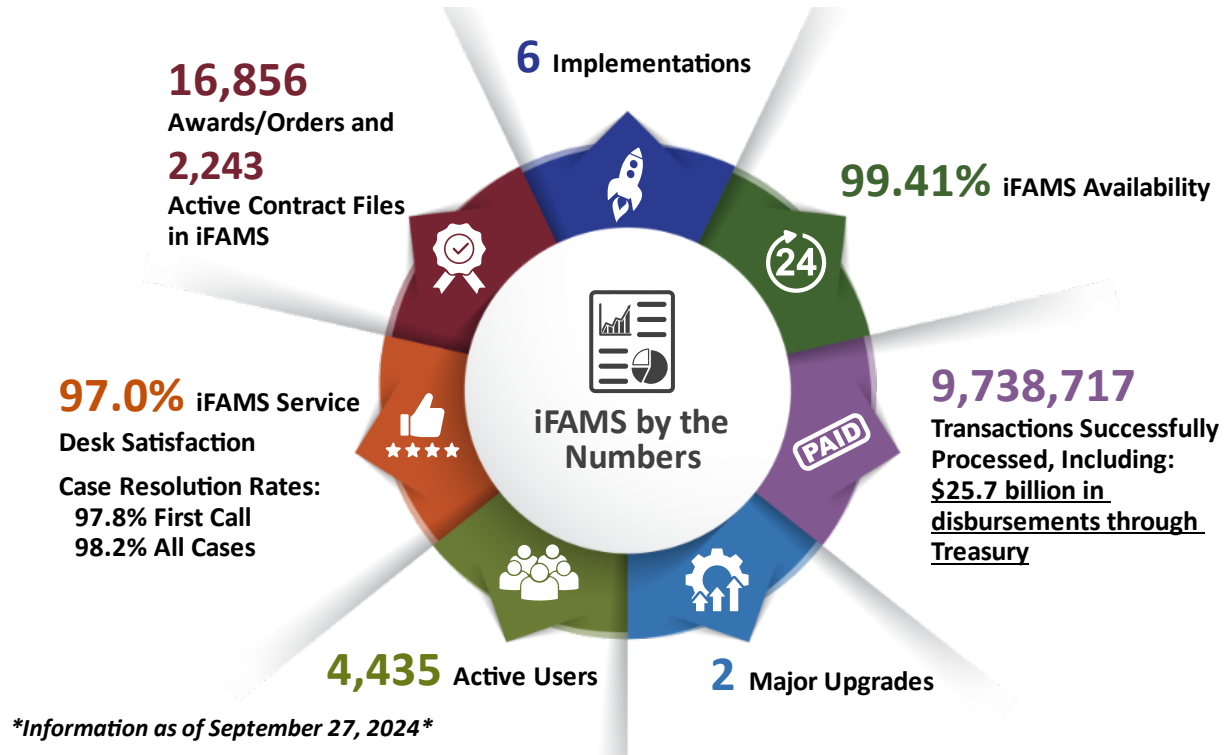
By identifying and internalizing these lessons—as well as many others—FMBT has progressively improved its operations over time.

FMBT also conducts site visits to proactively engage key users and managers responsible for iFAMS operations to assess areas of improvement for future iFAMS enhancement releases. These interactions have been very productive, helping FMBT identify and prioritize a wide range of new features and system changes that will aid finance and acquisition personnel. The feedback is also aiding the program in enhancing training and knowledge resources and tailoring future communications to better target specific user groups.

All of these activities have empowered FMBT with the experience and confidence to continue moving forward into increasingly more difficult and complex waves. These activities have contributed to the success of the most recent go-live, which was the largest system rollout to date and the first to simultaneously deliver the financial and acquisition components of iFAMS.

IFAMS BY THE NUMBERS

The following graphic presents key statistics on iFAMS as of September 27, 2024.



CONNECTION TO VA PRIORITIES

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



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

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

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

PROGRAM RISKS

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

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

FORWARD-LOOKING INFORMATION

RISKS

Like every organization, VA faces risks that impact its ability to function and deliver on its mission, and Veterans are our mission. VA understands that risks can occur on the strategic level as well as the operational level. As it begins scanning the environment and researching trends as the first steps in developing the next strategic plan, the Department will develop a sharp and clear understanding of long-term risks. The challenges these risks present will be addressed conceptually in the new plan. In the meantime, VA remains committed to addressing operational risks around such issues as hiring and retention, aging infrastructure, and IT modernization as they arise in internal reviews.

CLIMATE-RELATED FINANCIAL RISK

Extreme weather events and natural disasters driven by climate change have become more common, driving widespread changes to both natural and human systems. With a broad mission and geographical distribution of facilities, VA recognizes that agency services, operations, programs, and assets have been and will continue to be impacted. In FY 2021, VA published the Department's [Climate Action Plan](#), which outlined VA's response to the projected impacts of climate change with the goal of ensuring sustained operations to support the uninterrupted delivery of benefits and services and VA's fourth mission. VA built upon this plan in FY 2024, publishing the Department's [2024-2027 Climate Adaptation Plan](#). This plan outlines the projected impacts of climate on VA, as well as critical actions planned for the next several years. Specific vulnerabilities identified include infrastructure impacts during extreme weather, which could threaten maintaining continuous care for Veterans, adverse medical impacts of climate change to Veteran and VA employee health, increased health care needs and expenditures related to changes in climate change and extreme weather events, and disruption to the supply chain, critical stockpiles, or utilities.

VA has identified specific adaptation actions to decrease its vulnerability to the impacts of climate change. Examples include implementing changes to building design standards, assessing the resilience of VA facilities, and developing robust public health surveillance systems and strategies to address current and future impacts of climate on Veteran and employee health and on VA health care burden and cost.

VA uses the Strategic Capital Investment Planning (SCIP) process to provide annually updated comprehensive plans to improve the quality, access, and cost efficiency of the delivery of VA benefits and services through modern facilities that match the location and demands—current and future—where Veterans live. In 2023, VA completed a desktop-level climate vulnerability study of the most critical VA facilities. It identifies which facilities are at the highest risk due to extreme weather from climate change. Further analysis will be used to identify projects to mitigate significant climate-related risks. Information from these efforts will be used to begin to evaluate updates to future-year SCIP processes, including incorporation of specific climate adaptation goals, gaps, targets, and decision processes that will support prioritization of projects that address at-risk facilities.

VA BY THE NUMBERS

The following information presents key statistics on Veteran population and VA programs as of September 30, 2024. Collection and analysis of this data helps VA to support planning, analysis, and decision-making activities. For additional information, please visit [VA's National Center for Veterans Analysis and Statistics](#).

