

U.S. Department of Veterans Affairs
Fiscal Year 2025
Agency Financial Report

HONORING ALL WHO SERVED

VA

U.S. Department
of Veterans Affairs

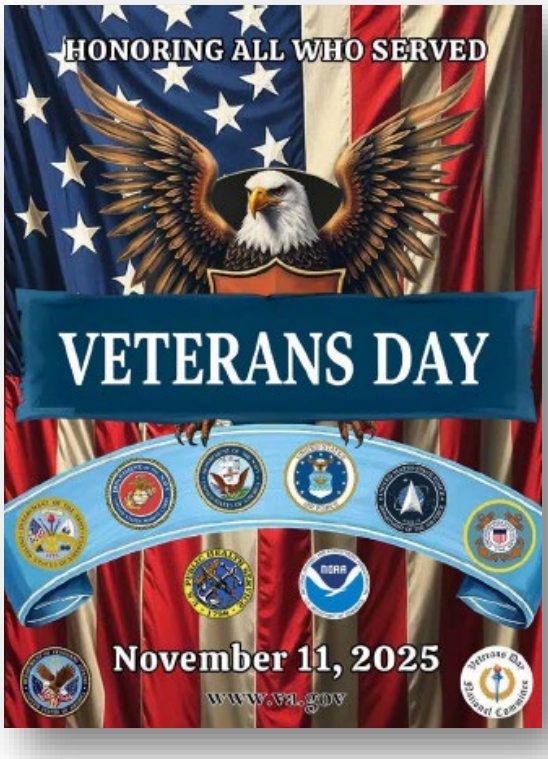
ABOUT THE COVER

The Veterans Day National Committee called on professional and amateur artists to create picture-perfect designs that reflect the theme of this year's Veterans Day observance. There were more than 180 entries from artists with varied backgrounds and levels of experience.

The winner of the 2025 Veterans Day Poster Contest is Jeremy D. Carpenter, whose creation "Unified by Service" reflects the 2025 Veterans Day theme "Service to Our Nation" by visually uniting all uniformed services under one flag and one purpose. The original poster, which inspired the Agency Financial Report (AFR) cover, can be seen below.

Carpenter is an Army Veteran living in Lowell, Arkansas, with his wife and son. Though not a professional artist, he turns to creative outlets like design, music, and writing when inspiration strikes. For him, art is a way to reflect on experiences, express emotion, and share meaning with others. He is grateful for the opportunity to contribute in this small way and hopes that his work can speak to others in ways that matter to them.

"Unified by Service" is "formal, structured, and patriotic. It pays tribute to all Veterans regardless of when or where they served, and it emphasizes that service to the Nation is not confined to one uniform, one battlefield, or one generation. The eagle, flag, and seals work together to portray unity, honor, and a continued commitment to freedom," said Carpenter.



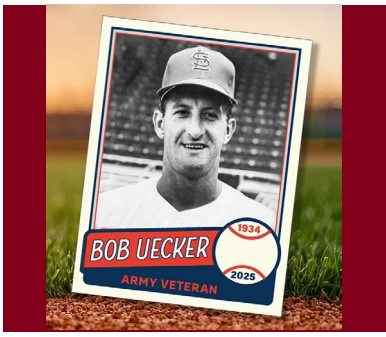
Original Veterans Day 2025 poster created by Jeremy D. Carpenter. The poster includes all U.S. uniformed services, represented by the official seal of each.

TABLE OF CONTENTS

MESSAGE FROM VA'S SECRETARY....1
ABOUT THE AGENCY FINANCIAL REPORT....2
CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING....3



MANAGEMENT'S DISCUSSION AND ANALYSIS....4
MISSION & ORGANIZATION....6
KEY PERFORMANCE RESULTS & ASSOCIATED COSTS....8
ANALYSIS OF THE FINANCIAL STATEMENTS....12
VA'S COMPENSATION BENEFITS LIABILITY....15
MANAGEMENT ASSURANCES....17
FINANCIAL SYSTEMS FRAMEWORK....20



FINANCIAL SECTION....24
MESSAGE FROM VA'S CHIEF FINANCIAL OFFICER....26
FINANCIAL STATEMENTS....27
NOTES TO THE FINANCIAL STATEMENTS....32
REQUIRED SUPPLEMENTARY INFORMATION....82
INSPECTOR GENERAL'S TRANSMITTAL LETTER....88
INDEPENDENT AUDITOR'S REPORT....91



OTHER INFORMATION....116
INSPECTOR GENERAL'S MANAGEMENT AND PERFORMANCE CHALLENGES....118
SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES....136
PAYMENT INTEGRITY INFORMATION ACT REPORTING....137
CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION....147
GRANT PROGRAMS....148
FINANCIAL REPORTING-RELATED LEGISLATION....149



APPENDIX....150
ABBREVIATIONS AND ACRONYMS....152
VA ONLINE....155
ACKNOWLEDGMENTS....156



MESSAGE FROM VA'S SECRETARY

THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

January 16, 2026



When President Trump nominated me to be Secretary of the United States Department of Veterans Affairs (VA or the Department), he provided a very clear charge. He said, "I want you to take great care of our Veterans." In the first year of this Administration, I am proud to report that VA is implementing key reforms towards fulfilling the mission President Trump presented to me. VA's fiscal year (FY) 2025 Agency Financial Report (AFR) reflects our commitment to fiscal transparency and responsibility as we transition to my Veterans First strategy. Too often in the past, VA wasted taxpayer dollars on non-mission-critical programs. Those days are over. Today at VA, the Veteran is at the center of everything we do. The Veteran is the mission.

Part of putting Veterans first is finding new and better ways to do our jobs and focus our resources. VA reduced total staff by 30,000 in FY 2025. By eliminating layers of bureaucracy, we can improve our service delivery to Veterans. We have eliminated divisive Diversity, Equity, and Inclusion policies saving $14 million in taxpayer funding. Through the cancellation of wasteful contracts, grants, and leases, VA redirected $900 million away from programs and initiatives that do not directly benefit the Veterans we are privileged to serve.

By all measures, VA's FY 2025 was historic. We reached an all-time high of over 3 million disability rating claims issued. The backlog of Veterans waiting for VA benefits dropped by 43%. We improved our physical footprint by opening 16 new health care clinics across the country and invested over $800 million in infrastructure improvements to ensure VA facilities are safe and provide state-of-the-art patient care. We also delivered earned care and benefits quicker and easier than ever before. We made major reforms in how eligible survivors and dependents of deceased Veterans and Service members apply for, and receive, VA benefits and services. We eliminated barriers for VA-enrolled Veterans to access care from non-VA providers at the Department's expense. And finally, VA offered Veterans nearly 1 million appointments outside of normal operating hours, giving Veterans more timely and convenient options for care that fits VA into their lives, rather than the other way around.

Amid all this progress on behalf of Veterans, I am pleased to announce that the Department received its 27th consecutive unmodified audit opinion from the independent public accounting firm, Kearney & Company, for the FY 2025 financial statement audit. This audit signifies that VA's financial statements are fairly presented in all material respects and demonstrates our commitment to transparency and exceptional fiscal stewardship. We remain focused on addressing any material weaknesses, significant deficiencies, and noncompliance identified, with detailed remediation efforts outlined in the Management's Statement of Assurance on page 17 of this AFR.

However, our work is far from finished. I look forward to working with our dedicated VA staff and external partners to continue making historic reforms refocusing the Department on its core mission: providing the best possible care and services to Veterans, families, caregivers, and survivors.

Sincerely,

(/s/) Douglas A. Collins

ABOUT THE AGENCY FINANCIAL REPORT

The Department of Veterans Affairs (VA) Fiscal Year (FY) 2025 AFR provides fiscal and summary performance results that enable the President, Congress, and the American people to assess our accomplishments for the reporting period October 1, 2024 through September 30, 2025. The AFR consists of the following three primary sections.

- *Management's Discussion and Analysis:* showcases VA's mission, organizational structure, and the dedicated work of VA employees in support of the Nation's Veterans. It provides summary-level performance information, an overview of financial results, management assurance regarding internal controls, and the financial systems framework.
- *Financial Section:* details VA's financial position as of the fiscal year ended September 30, 2025. This section presents VA's FY 2025 audited financial statements and footnote disclosures along with the results of the independent auditors' report.
- *Other Information:* contains the Office of Inspector General's (OIG) VA Management and Performance Challenges, a summary of financial statement audit and management assurances, and Payment Integrity Information Act reporting, among other requirements.

Pursuant to the Office of Management and Budget (OMB) Circular No. A-136, the Department chose to produce an AFR and an Annual Performance Plan and Report (APP&R). The FY 2025 APP&R will be provided along with the Congressional Budget Justification in February 2026. The AFR, APP&R, and Congressional Budget Justification are available on VA's website at https://department.va.gov/about/va-plans-budget-finances-and-performance/.

FOR MORE INFORMATION

Information about VA's programs is available at www.va.gov.

VA's social media pages:

https://www.facebook.com/VeteransAffairs
https://twitter.com/DeptVetAffairs/
https://news.va.gov/
https://www.flickr.com/photos/VeteransAffairs/
https://www.youtube.com/user/DeptVetAffairs
https://www.instagram.com/deptvetaffairs/

Help us improve!

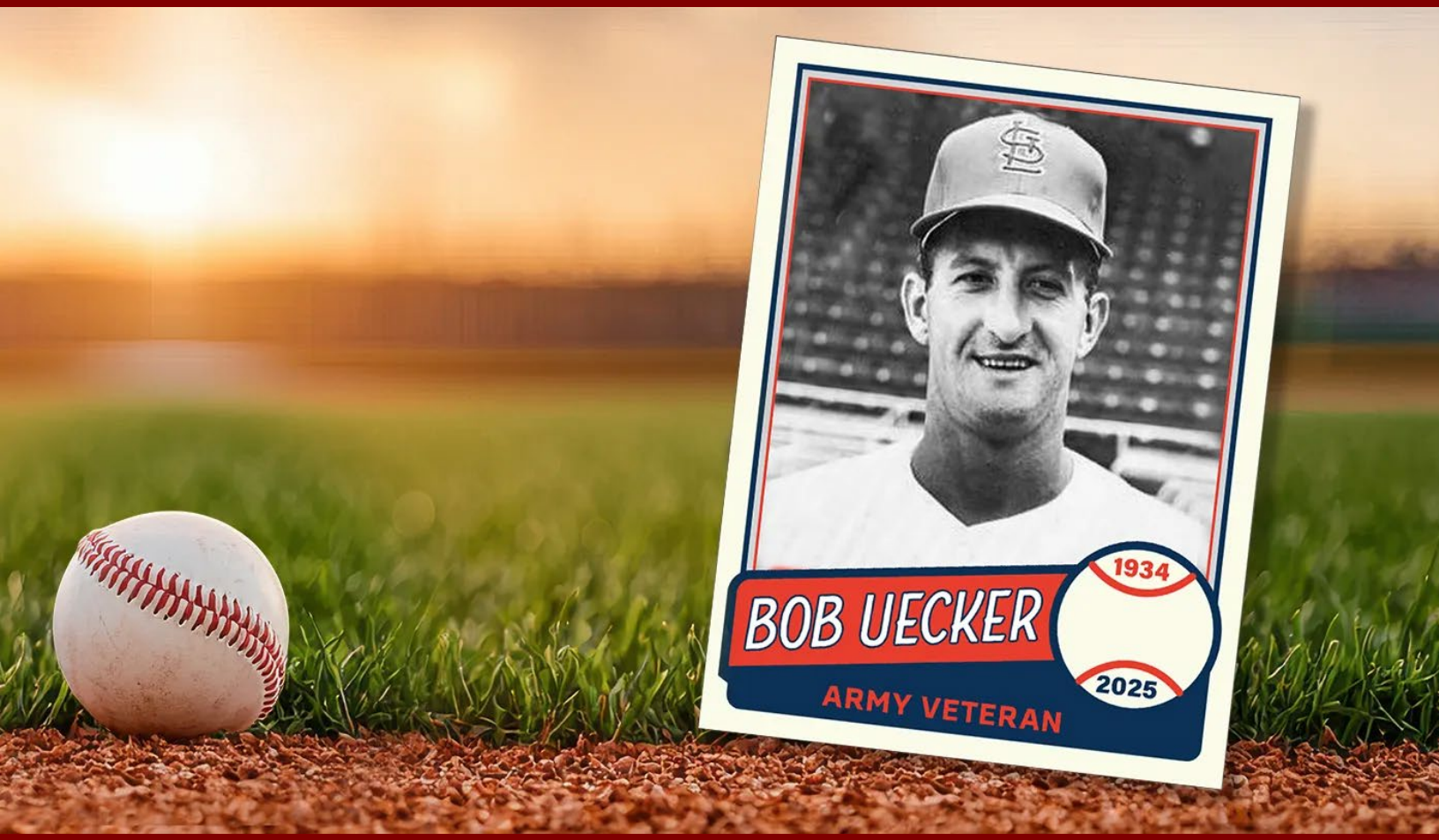
We value your feedback and invite you to share your comments and suggestions by completing the AFR survey. Your insights play a critical role in helping us enhance the AFR each year. The survey is located at Agency Financial Report - U.S. Department of Veterans Affairs (va.gov).

CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING

VA is proud to announce that its FY 2024 AFR was awarded the Association of Government Accountants' (AGA) Certificate of Excellence in Accountability Reporting (CEAR) at a ceremony held on May 21, 2025. CEAR is the highest form of recognition in Federal Government financial reporting, and FY 2024 is the sixth consecutive year in which VA received this distinguished award. VA also won a Best-in-Class award for an excellent presentation of performance in an AFR. In awarding VA with the Best-in-Class, the AGA noted that "overall, the agency provides an effective presentation of the fiscal year's performance. It clearly identifies the agency's strategic goals and objectives and provides clear and concise information." The AGA, in conjunction with the Chief Financial Officers Council and OMB, established the CEAR Program to improve accountability through streamlined, effective reporting that clearly shows agency accomplishments with taxpayer dollars and the challenges that remain.







MANAGEMENT'S DISCUSSION AND ANALYSIS

Mission & Organization……6
Key Performance Results & Associated Costs……8
Analysis of the Financial Statements……12
VA's Compensation Benefits Liability……15
Management Assurances……17
Financial Systems Framework……20

Remembering Army Veteran Bob Uecker

Bob Uecker was born in January 1934 in Milwaukee, Wisconsin, to a Swiss immigrant father, Gus, and mother, Mary, from Michigan. The eldest of three, Uecker spent his youth playing baseball and cheering for the hometown Milwaukee Brewers, then of the “American Association.”

Little is known of Uecker’s military service, but after leaving high school, he enlisted in the Army in 1954 and spent the next 2 years playing baseball at Fort Leonard Wood in Missouri and Fort Belvoir in Virginia. When his enlistment ended, the aspiring catcher signed with Major League Baseball’s (MLB) then-named Milwaukee Braves.

The future broadcast Hall of Famer was not known for his in-game skill—behind the plate or at it. One of his many stories was about a scout coming to the family home, saying he would take Uecker for $3,000. Uecker said his father replied, “This family doesn’t have that kind of money.”

After several years in the minor leagues, Uecker played for four MLB teams from 1962 to 1967—winning a World Championship with the St. Louis Cardinals as a backup catcher in 1964.

After the 1967 season in which he led the National League in passed balls and catcher errors, and with a career .200 batting average and -1.0 career wins above replacement statistic, Uecker retired. Bud Selig, a Milwaukee native and future MLB commissioner, who was the then-owner of the Brewers, hired Uecker as a scout.

“The worst scout in baseball history,” Selig said of Uecker in September 2021. “My instinct told me he could be a hell of an announcer.”

Selig was right.

Beginning in 1971, Uecker would spend the next 54 years calling games for his beloved Brewers. “Mr. Baseball,” Johnny Carson nicknamed him, after scores of appearances on the comedian’s late night “Tonight Show,” would also go on to film TV commercials, host “Saturday Night Live,” and star in the TV comedy, “Mr. Belvedere.” Outside of Milwaukee, Uecker was perhaps best known for his role as the lovably intoxicated exaggeration-of-himself broadcaster Harry Doyle, in the 1989 baseball comedy “Major League.”

Uecker was enshrined in the National Sportscasters and Sportswriters Association Hall of Fame, the National Radio Hall of Fame, the celebrity wing of the World Wrestling Entertainment Hall of Fame, and as the 2003 Ford C. Frick Award recipient by the National Baseball Hall of Fame and Museum.

Uecker, 90, died at his home in Wisconsin on January 16, 2025. We honor his service.

MISSION & ORGANIZATION

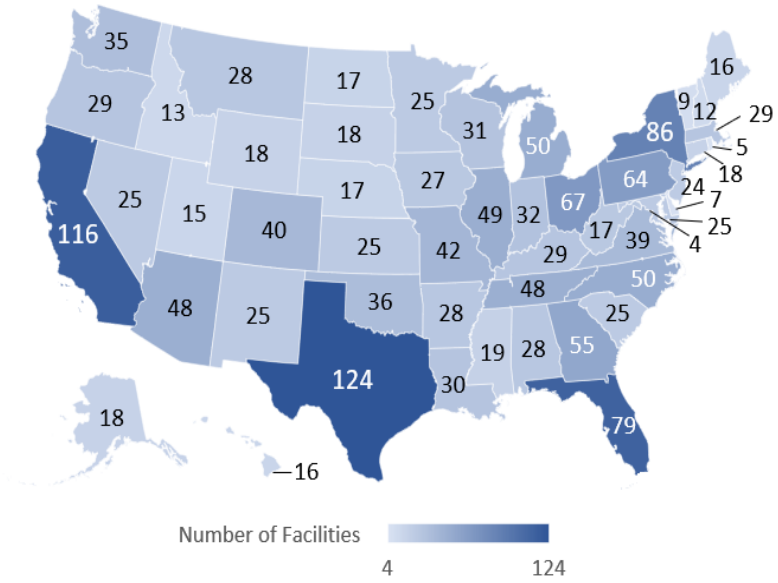
"To fulfill President Lincoln's promise to care for those who have served in our Nation's military and for their families, caregivers, and survivors."

VA's mission statement is adapted from President Lincoln's immortal words, delivered in his second inaugural address. 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.

For more information on VA's history, visit the VA History Summary.

As reflected in the Statement of Net Cost (SNC), VA comprises three administrations responsible for delivering services to Veterans—Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), and the National Cemetery Administration (NCA)—and Staff Offices that support the Department, categorized on the SNC as Indirect Administrative.

Indirect Administrative programs support Department operations not directly attributable to VHA, VBA, or NCA, including human resources, Chief Financial Officer (CFO) and Chief Information Officer (CIO) operations, OIG investigations, and the Board of Veterans' Appeals (Board). For more information on VA's organizational structure, visit VA's Administrations and Offices webpage.



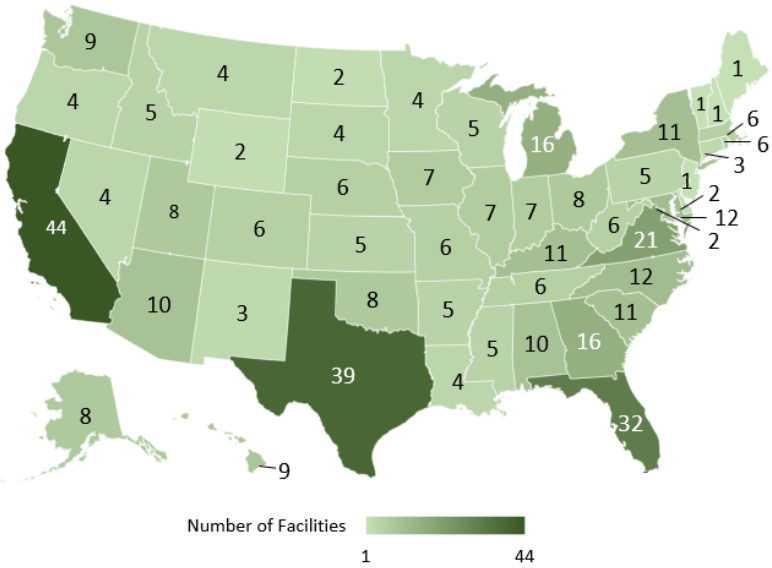
The U.S. heat map shows the number of VHA facilities including all medical centers, clinics, and Vet Centers in each U.S. state. Additional VHA facilities can be found in Puerto Rico, Virgin Islands, American Samoa Islands, the Philippines, and Mariana Islands.

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 1,776 health care facilities including VA medical centers (VAMC) and outpatient sites.

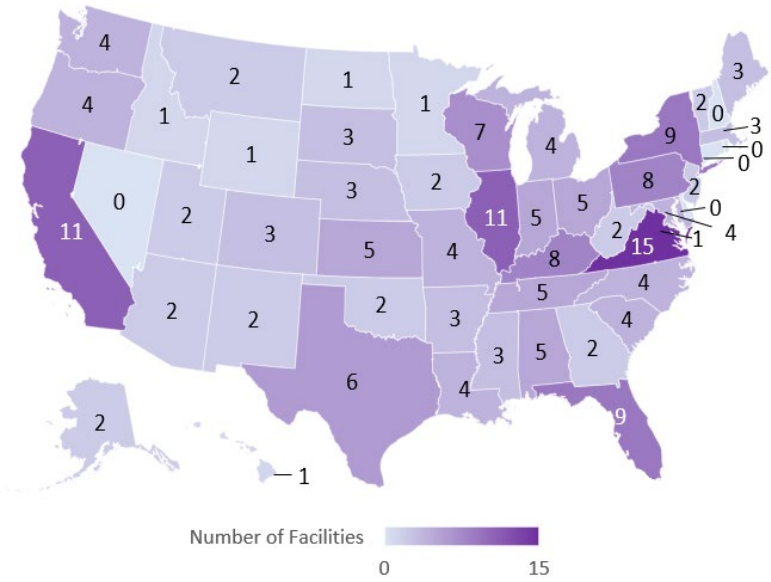
Social Media Links:

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 433 facilities in the United States (U.S.), 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 including all regional offices, readiness, and pre-discharge sites. Additional VBA facilities can be found in Guam, Puerto Rico, and the Philippines.



The U.S. heat map shows the number of NCA facilities including national cemeteries, solider lots, and monument sites, in each U.S. state and the District of Columbia. Two additional NCA facilities can be found in Puerto Rico.

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, commemorative plaques and urn, burial flags, and medallions. VA runs 157 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:

Note: The increase in facilities at VHA and VBA compared to prior year is reflective of a change in the methodology for counting facilities. For example, a single campus may have multiple facilities, which are counted separately.

KEY PERFORMANCE RESULTS & ASSOCIATED COSTS

STRATEGIC GOALS

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. The new Strategic Plan is currently under development and will be published to VA's Plans, Budget, Finances, and Performance webpage once complete.

VA's current strategic goals are presented below. VA tracks performance metrics against these strategic goals and presents annual 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. Detailed performance information can be found in VA's APP&R.

	**GOAL 1: Improve access and health outcomes for Veterans.**
	**GOAL 2: Transform benefits processing and service delivery.**
	**GOAL 3: Strengthen oversight, accountability, performance management, and workforce optimization.**
	**GOAL 4: Modernize VA systems and enhance Veteran-centric service delivery.**
	**GOAL 5: Ensure fiscal responsibility and align with administration priorities.**

KEY PERFORMANCE HIGHLIGHTS

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 the financial impact to assets, liabilities, program costs, and budgetary resources from the Balance Sheet, SNC, and Statement of Budgetary Resources (SBR). To mirror the components of the SNC, performance at each administration (VHA, VBA, and NCA), plus the indirect administrative programs, are discussed.

VETERANS HEALTH ADMINISTRATION

Activities performed by VHA help VA to achieve objectives for Strategic Goals 1, 3, 4, and 5. For FY 2025, total VHA budgetary resources were $187.8 billion and total gross costs were $165.5 billion for activities related to providing a broad range of primary care, specialized care, and related medical and social support services.

The Sergeant First Class Heath Robinson Honoring our Promise to Address Comprehensive Toxics Act of 2022 (PACT Act) expands VA health care and benefits for Veterans exposed to

burn pits, Agent Orange, and other toxic substances, and represents one of VHA's most significant performance priorities. As part of the PACT Act, Congress authorized the Cost of War Toxic Exposures Fund (TEF) to ensure there are additional resources available to cover PACT Act expanded benefits eligibility without impacting other requirements of Veteran medical care, benefit delivery, and other related programs. In FY 2025, VA received $30.5 billion in TEF funding, which has helped VA meet the performance metrics discussed below.

Toxic Exposure Screenings: All Veterans enrolled in VA health care can receive a toxic exposure screening to identify and document any potential exposures to toxins during military service. These screenings provide exposure-informed care, support long-term health plans, and connect Veterans with follow-up resources. They also help Veterans and their health care providers determine whether Veterans have a presumptive condition, enabling them quicker access to deserved disability benefits. In FY 2025, VHA aimed to provide at least 6 million enrollees with a toxic exposure screening. As of September 30, 2025, VHA exceeded that target by providing over 6.3 million screenings.

Airborne Hazards & Open Burn Pit Registry (Burn Pit Registry) Exams: The Burn Pit Registry is a critical tool that is advancing research through combining Veteran and Service member data. The registry enables VA to identify and research health challenges of Veterans and Service members who were exposed to airborne hazards and burn pits during their military service. Over time, the knowledge gained through this research will be used to fuel advancements in treatments, provide more precise predictive medicine, inform decisions related to presumptive conditions, and deliver targeted proactive and preventative care. In FY 2025, VHA aimed to complete at least 95% of requested Legacy Burn Pit Registry exams. As of September 30, 2025, VHA exceeded that target by completing 100% of requested exams.

VETERANS BENEFITS ADMINISTRATION

Activities performed by VBA help VA to achieve objectives for Strategic Goals 2, 3, and 5. For FY 2025, total VBA budgetary resources were $298.0 billion and total gross costs were $226.1 billion for activities related to providing various benefits to Veterans and their families.

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. VA develops an actuarial estimate to determine the future obligation to fund compensation payments over the next 100 years. In FY 2025, VBA's disability compensation program liability was estimated at $7.3 trillion. Increases in the disability compensation liability are attributable to changes in legislation that expand Veteran benefits (for example, the PACT Act) and revised experience studies. For more information, see pages 14-16, and Note 13.

For FY 2025, VBA's total budget authority for General Operating Expenses, which helps to process benefit claims, was $13.3 billion, while costs related to the General Operating Expenses were $9.6 billion.

Claims Inventory: The claims inventory includes disability compensation and pension claims 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."

In FY 2025, VA processed benefit claims faster than ever before, resulting in a reduction of over 350,000 claims in the inventory. VA's improved efficiency is evidenced by VA processing its one millionth Veteran benefits claim on February 20, 2025, the earliest in VA history and nearly 2 weeks faster than the previous all-time record despite receiving 10% more claims than prior year. VA also broke the record for most claims completed in a single year in August 2025 and completed over 3 million claims in total in FY 2025, exceeding last year's record by over 19%.

Claims Backlog: The claims backlog also decreased by more than 100,000 claims in FY 2025 due to the improved pace in processing. VBA continues to achieve single day processing milestones—VA processed more than 10,000 Veteran claims per day on 233 days during FY 2025 and also broke the record for most claims processed in a single day on May 29, 2025, with 15,364 claims processed.

To further reduce the backlog, VA continues to invest in continuous learning for all claims processors and makes technological improvements to ensure that Veterans, family members, caregivers, and survivors receive the benefits they have earned and deserve as quickly and accurately as possible.

NATIONAL CEMETERY ADMINISTRATION

Activities performed by NCA help VA to achieve objectives for Strategic Goals 3 and 5. For FY 2025, total NCA budgetary resources were $614 million and total gross costs were $642 million for activities related to burial services, construction projects, and operations at VA's 157 national cemeteries and 35 soldiers' lots and monument sites. Total gross costs include depreciation expense, which allocates the cost of general Property, Plant, and Equipment (PP&E) across its useful life and does not require budgetary resources.

Cemetery Construction: 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 2025, VA received $155 million in major construction budgetary resources and $276 million in minor construction budgetary resources for cemetery expansion and improvement projects, advance planning, and design funds and land acquisition.

In FY 2025, 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.

INDIRECT ADMINISTRATIVE PROGRAMS

Indirect administrative activities help VA to achieve objectives for Strategic Goals 3, 4, and 5. For FY 2025, total indirect administrative budgetary resources were $7.5 billion and total gross costs were $4.1 billion for activities to support Department operations not directly attributable to VHA, VBA, or NCA, including human resources, CFO and CIO operations, investigations, and Board programs.

Integrated Financial and Acquisition Management System (iFAMS): The iFAMS implementation, which falls under the oversight of the CFO's office, supports VA's goal to deliver integrated, interoperable, secure and state-of-the art systems, ultimately improving the delivery of benefits, care, and services. For more information on progress related to the iFAMS implementation, refer to page 20.

Veterans' Appeals: 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 Office of General Counsel (OGC). The Board's mission is to conduct hearings and decide appeals in a timely manner on behalf of the Secretary. In FY 2025, the Board's budgetary resources totaled $319 million and gross costs were $303 million, which enabled the Board to hold 19,891 hearings while adjudicating 123,962 appeals, which is a 7% increase over the previous record of 116,192 decisions issued in FY 2024. This marks the third consecutive year in which a new decision record was set.

Additionally, significant progress was made to reduce the number of pending appeals and decrease the wait times in the Veterans Appeals Improvement and Modernization Act (AMA) Direct and Evidence Dockets. At the end of FY 2025, the Average Days Pending (ADP) for Veterans and Dependents Appeals in the Evidence Docket was 410 days, 140 days less than the 550-day goal. Even better, the ADP for Veterans and Dependents Appeals in the Direct Docket was 249 days—116 days faster than the 365-day goal.

Veterans' Appeals Terms to Know

Direct Docket: The fastest way to receive a decision when a Veteran or appellant believes everything needed to approve their claim is already in the file. The Board will not consider any new evidence, and the Veterans Law Judge (VLJ) will decide their case based on the evidence in the record at the time of the decision they are appealing.

Evidence Docket: Some Veterans know they want or need to add additional evidence into their file before consideration by a VLJ. In that case, the Evidence Docket allows for additional evidence to be submitted by the Veteran or their representative within 90 days of appealing to the Board.

ANALYSIS OF THE FINANCIAL STATEMENTS

BALANCE SHEET

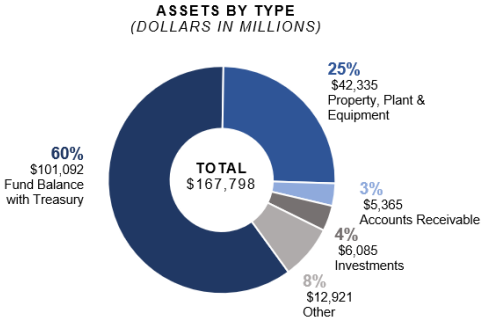
The Balance Sheet provides a snapshot of the Department's financial position and comprises assets, liabilities, and net position. The following table shows VA's key asset and liability components.

Balance Sheet Key Components

(dollars in millions)	**2025**
Assets	
Fund Balance with Treasury (FBWT)	$101,092
Property, Plant, & Equipment (PP&E), Net	42,335
Accounts Receivable, Net	5,365
Investments, Net	6,085
Other	12,921
Total Assets	$167,798
Liabilities	
Veterans Benefits and Actuarial FECA* Liability	$7,572,977
Accounts Payable	21,575
Loan Guarantee Liabilities	10,450
Federal Employee, Salary, Leave, and Benefits Payable	5,399
Other	17,156
Total Liabilities	7,627,557
Total Net Position	(7,459,759)
Total Liabilities and Net Position	$167,798

**Federal Employees' Compensation Act (FECA)*

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, 2025, the largest asset was Fund Balance with Treasury (FBWT) at $101.1 billion. FBWT represents VA's right to draw funds from the U.S. Department of Treasury (Treasury) for allowable expenditures. For more information, refer to Note 3.

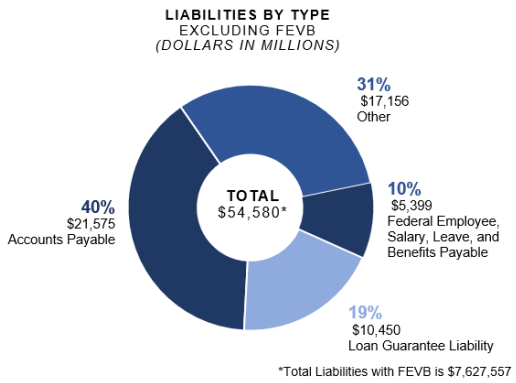
The second largest asset was PP&E at $42.3 billion, which is primarily composed of buildings, structures, equipment, and internal use software (IUS). In FY 2025, PP&E increased due to the capitalization of expenditures for IUS and IUS in development for the Electronic Health Record Modernization (EHRM) program. For more information, refer to Note 9 and Note 23.

The other category includes Loans Receivable, Advances and Prepayments, Cash, and Inventory and Related Property totaling $12.9 billion. Increases to the other category compared to prior year were driven by Loans Receivable. In FY 2025, Loans Receivable increased due to the Veterans Affairs Servicing Purchase (VASP) program, under which VA purchased Veterans' loans from mortgage lenders to provide more affordable monthly mortgage payments. The VASP program is no longer accepting new entrants as of May 2025.

LIABILITIES

Liabilities represent probable future outflows or other sacrifices of resources as a result of past transactions or events. As of September 30, 2025, the largest liability was the Veterans Benefits and Actuarial FECA Liability at $7.6 trillion, which primarily includes VA's future cost to provide disability compensation, education, Veteran Readiness and Employment (VR&E), and burial benefits. For more information, refer to Note 13.

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 Statement of Federal Financial Accounting Standards (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*; 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, 2025, was $126.7 billion.



The composition of the remaining liability balance is illustrated in the graphic at left. The Department's second largest liability was Accounts Payable at $21.6 billion, which includes compensation and pension payments that have not yet been disbursed.

The Loan Guarantee Liability of $10.5 billion represents VA's future estimated obligation, projected over 30 years, based on the present value of expected cashflows for the loan guarantee programs. In FY 2025, the Loan Guarantee Liability increased primarily due to the termination of the VASP program, which resulted in a modification subsidy cost of $2.1 billion. For more information, refer to Note 7.

The other category, presented in the Balance Sheet Key Components table on page 12, includes Debt, Environmental and Disposal Liabilities, and Other Liabilities totaling $17.2 billion.

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 VHA, VBA, NCA, and indirect administrative costs. At September 30, 2025, the total net cost of operations for the Department was $529.6 billion.

PROGRAM NET COST

At September 30, 2025, VHA's net cost was $160.2 billion. Significant contributors toward VHA costs included expansion of medical services to align with the implementation of the PACT Act under the TEF. The TEF funds health care delivery associated with environmental hazards, as well as medical research relating to exposure to environmental hazards.

At September 30, 2025, VBA's net cost (excluding actuarial) was $225.0 billion. VBA's primary cost driver is compensation payments to Veterans and their beneficiaries. VBA issued nearly

4.4 million more payments in FY 2025 compared to prior year and continued to process claims with improved timeliness and accuracy, which resulted in approximately 7 million active beneficiaries at the end of FY 2025.

ACTUARIAL COST & (GAIN)/LOSS

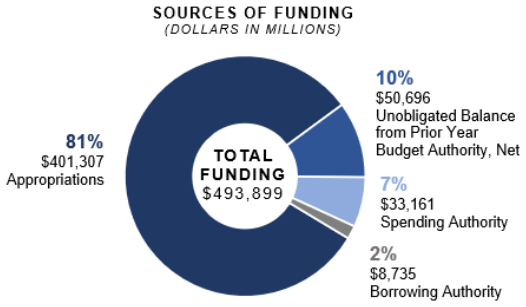
VA provides Disability Compensation, Burial, Education, and VR&E benefits to eligible Veterans and beneficiaries. The liability for future benefit payments is calculated using an actuarial model (see Note 13). On a periodic basis, the liability is adjusted for changes in assumptions, which results in the recognition of actuarial cost and/or a (gain)/loss. The actuarial cost and (gain)/loss are composed of the elements below. At September 30, 2025, the Veterans Benefits Actuarial Cost was $184.6 billion. Changes in Actuarial Assumptions resulted in a gain of $44.2 billion.

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

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 below depicts the composition of VA's sources of funding from the SBR. As of September 30, 2025, appropriations were VA's largest source of funding at $401.3 billion, or 81%, of total resources. Annual increases in budgetary resources from appropriations support the following:



- 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;
- The delivery of Veterans' health care associated with the PACT Act; and
- 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 financial statements are prepared to report the financial position, financial condition, and results of operations of the entity, consistent with the requirements of 31 U.S.C. § 3515 (b). The statements are prepared from records of the entity in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

VA'S COMPENSATION BENEFITS LIABILITY

Understanding a Complex Balance

VA's largest accounting balance is the disability compensation benefits liability at $7.3 trillion. This unfunded liability represents VA's projected future costs to fund compensation payments over the next 100 years. Although the liability is unfunded, VA's obligation for compensation payments is probable because of existing laws and a well-established practice of caring for America's Veterans. It is also measurable through actuarial methods and sufficient historical data on Veterans. VA funds the current year costs of compensation through its annual appropriations.

The compensation benefits liability is an actuarial estimate calculated as the present value of projected benefit payments to the following beneficiary types:

Current Benefit Recipients



Veterans and survivors currently receiving benefit payments.

Future Benefit Recipients



Current Veterans – those who are expected to begin receiving benefit payments in the future (and their survivors).



Future Veterans – an estimate of active-duty Service members who have gained eligibility as of the valuation date* and will become future beneficiaries (and their survivors).

*The valuation date represents VA's fiscal year-end, which is September 30.

Technical Terms to Know

Liability* A probable future outflow or other sacrifice of resources as a result of past transactions or events. A liability must meet two conditions:

- Probable – more likely than not to occur; and
- Measurable – reasonably estimable.

Actuarial Relating to the practice of applying probability and statistics to develop estimates for matters that involve uncertainty. Actuarial estimates generally satisfy the liability condition related to measurability.

* Per FASAB SFFAS No. 5, *Accounting for Liabilities of the Federal Government*



DID YOU KNOW?

VA issued American Civil War era benefits payments as recently as 2020 when the last beneficiary passed away, 155 years after the end of the war. The beneficiary was the daughter of a soldier who fought first for the Confederacy and later for the Union during his service in the Civil War.

To fully understand the magnitude of the compensation liability balance, it is also important to understand the potential length of time for which VA makes compensation benefit payments attributed to each conflict. Derived from VA's Annual Benefits Report, the following table presents the total number of Veterans and beneficiaries by conflict who received compensation benefits as of September 30, 2024. The FY 2025 Annual Benefits Report is expected to be available in February 2026.

Since compensation benefits begin for a Veteran and continue through their survivors, the benefit projection period is 100 years to capture all significant liabilities for each benefit recipient. In FY 2024, about 6.5 million Veterans and Veterans' survivors received Disability Compensation payments. Through actuarial methods, future beneficiaries are projected based on existing demographic data maintained by VA and other Federal entities such as the Department of Defense.

Compensation Benefit Recipients as of September 30, 2024

Conflict	Veterans	Surviving spouse, children, or parents
Wars of the 1800s*	-	2
World War I 1917 - 1918	-	62
World War II 1941 - 1946	8,024	19,713
Korean Conflict 1950 - 1955	50,508	24,220
Vietnam Era 1961 - 1975	1,403,881	368,098
Gulf War Era 1990 - Present	3,678,404	58,133
Peacetime (Other)	852,150	49,222
Total	**5,992,967**	**519,450**

*Wars of the 1800s include the Spanish-American War and the Mexican Border Period.

COMPUTATION INPUTS

When computing the liability, VA actuaries make assumptions about the future. These assumptions and other inputs work together to provide a reasonable estimate of the future compensation payable. There are three primary classifications of actuarial assumptions: economic, demographic, and regulatory, described as follows.



ECONOMIC ASSUMPTIONS include rate adjustments that are impacted by economic conditions. Rates are updated annually and derived from national averages.

- **Discount Rate** – The discount rate converts future years' benefit payments (nominal) to a current year basis as of the financial statement date. The discount rate has an inverse relationship to the actuarial liability. For example, the higher the discount rate, the lower the actuarial liability, all other things being equal.
- **COLA Rate** – The COLA is derived from the amount of money required to maintain a standard of living (for example, housing, food, clothing, utilities, taxes, and health care). COLA is generally derived from changes in the previous year's consumer price index, which measures the overall price change in goods and services over time. COLA is factored into the actuarial liability so that payments for Disability Compensation keep pace with inflation.



DEMOGRAPHIC ASSUMPTIONS include population data and experience rates related to beneficiaries currently receiving or expected to receive compensation. The data is updated annually or as needed based on experience. Examples include:

- **Total Beneficiary Counts** – The number of Veterans and dependents receiving payment in each projection year.
- **Disability Ratings** – Ratings assigned based on the expected severity of a Veteran's service-connected disability. The higher the disability rating, the higher the compensation payment.
- **Mortality Rates** – Mortality rates are applied to all Veterans and survivors in each projection year.



REGULATORY ASSUMPTION examples include administrative, judicial, or legislative changes that result in changes to compensation benefit eligibility and amount. Internal VA policies, court rulings and new laws all play a role in the compensation benefits liability estimate. For example, these changes may result in an expansion of the total number of presumptive conditions. A service-connected presumptive condition is a disability that VA presumes was caused by military service. If a presumptive condition is diagnosed in a Veteran, they can be awarded Disability Compensation benefits.

MANAGEMENT ASSURANCES

THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

January 16, 2026

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, 2025, except for the following reported material weaknesses:

- Information Technology Internal Controls.
- Internal Use Software.

The Department noted noncompliance with the following:

- FMFIA section 2 and section 4.
- 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/) Douglas A. Collins

SUMMARY OF MATERIAL WEAKNESSES

(1) **Information Technology (IT) Internal 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 Presumptive Benefits for War Fighters Exposed to Burn Pits and Other Toxins Act of 2021 (PACT Act) and Electronic Health Record Modernization. Estimated completion date: FY 2027.

(2) **Internal Use Software (IUS):** VA did not design or implement effective controls to identify, track, and accumulate IUS costs to support proper accounting classification and financial reporting requirements. To correct the accounting error, VA performed an analysis of expenses to identify costs that should be recorded as a capital asset, which resulted in a $4.6B adjustment to prior and current year balances. VA will ensure internal control activities are designed and implemented to properly track and record costs associated with all IUS in-development projects. Estimated completion date: FY 2027.

SUMMARY OF MATERIAL NONCOMPLIANCE

(1) **Federal Managers' Financial Integrity Act of 1982 (FMFIA) section 2 and section 4:** VA is developing robust Corrective Action Plans (CAP) 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, the Integrated Financial and Acquisition Management System (iFAMS), to replace the Financial Management System (FMS) to comply with FMFIA section 4. Refer to the Federal Financial Management Improvement Act (FFMIA) section for details. VA will test iFAMS system functionality and modified controls as it is incrementally deployed. Estimated completion date: FY 2028.

(2) **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 2028.

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 2025, VA assessed the following three distinct but overlapping objectives of internal control: operations, compliance, and reporting.

In FY 2025, 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.

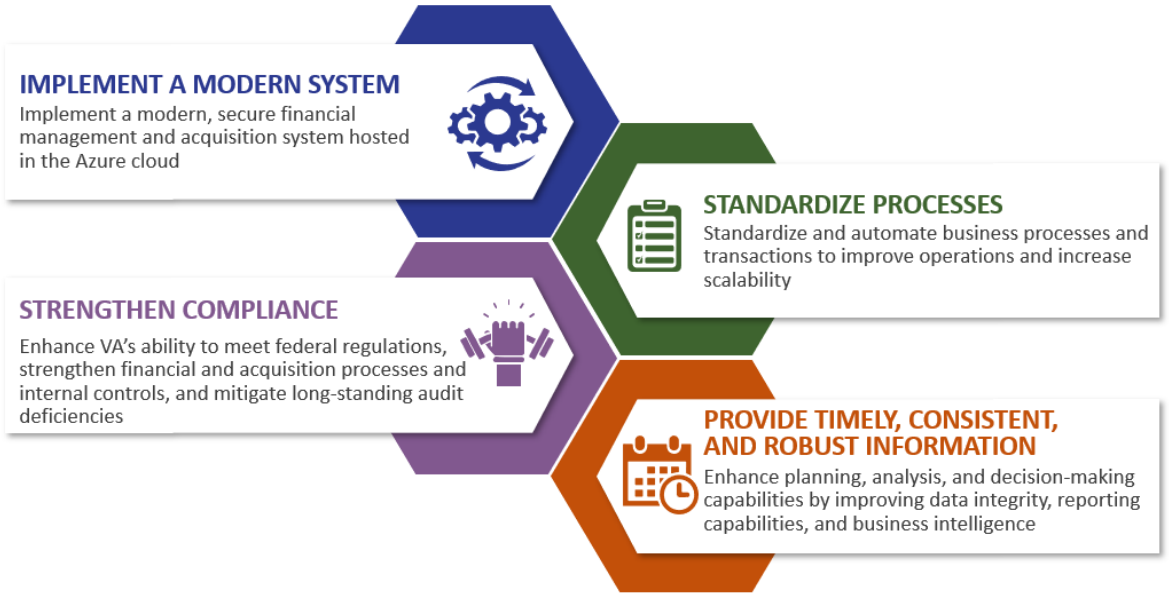
In FY 2025, OBO conducted OMB Circular A-123, Appendix A, tests of design and tests of effectiveness over specified business processes and key controls. OBO focused its efforts on developing business process narratives and testing at an enterprise level, documenting actual operations, and identifying 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 Financial Management Business Transformation (FMBT) program is increasing the transparency, accuracy, timeliness, and reliability of financial and acquisition information, resulting in improved fiscal accountability to American taxpayers and improving services to those who serve Veterans. FMBT is managed by the Financial Management Business Transformation Service (FMBTS), which is under VA's Office of Management (OM).

The FMBT Program Goals are as follows:



CURRENT STATE TO FUTURE STATE

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. The legacy FMS is over 35 years old and does not comply with Federal financial regulations and mandates, including the Digital Accountability and Transparency Act of 2024 or the FFMIA.

The scope of the FMBT program is focused on migrating VA from 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 Integrated Funds Distribution, Control Point Activity, Accounting and Procurement System (IFCAP) and Centralized Automated Accounting Transaction System (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.

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 2025, FMBT has achieved eight successful deployments of iFAMS—two of which were completed in FY 2025—encompassing numerous offices and sub-offices and approximately 3,890 users across the enterprise. This number decreased from the prior fiscal year due to employee departures from VA. The deployments include NCA, several offices within VBA, VHA Station 134 (Offices of Finance and Healthcare Transformation), and several major staff offices, including OM; Office of Information and Technology (OIT); OIG; Office of Acquisition, Logistics, and Construction (OALC); and Office of Construction and Facilities Management: Major Construction. The recent implementation at Station 134 is the first delivery of iFAMS to VHA—VA's largest and most complex administration—representing a significant milestone in the mission to implement a single, integrated financial and acquisition solution across the Department.

Looking ahead, FMBT continues to build capabilities to support future VHA implementation efforts; the program will continue deploying iFAMS in a phased approach across VA until enterprise-wide implementation is achieved. iFAMS will have approximately 125,000 users across VA once fully deployed, and it will be the financial and acquisition system of record for the Department, bringing VA into compliance with the requirements of the FFMIA.

While the iFAMS implementation timeline is still under review and awaiting final approval, VA remains committed to implementing iFAMS within 36 months.

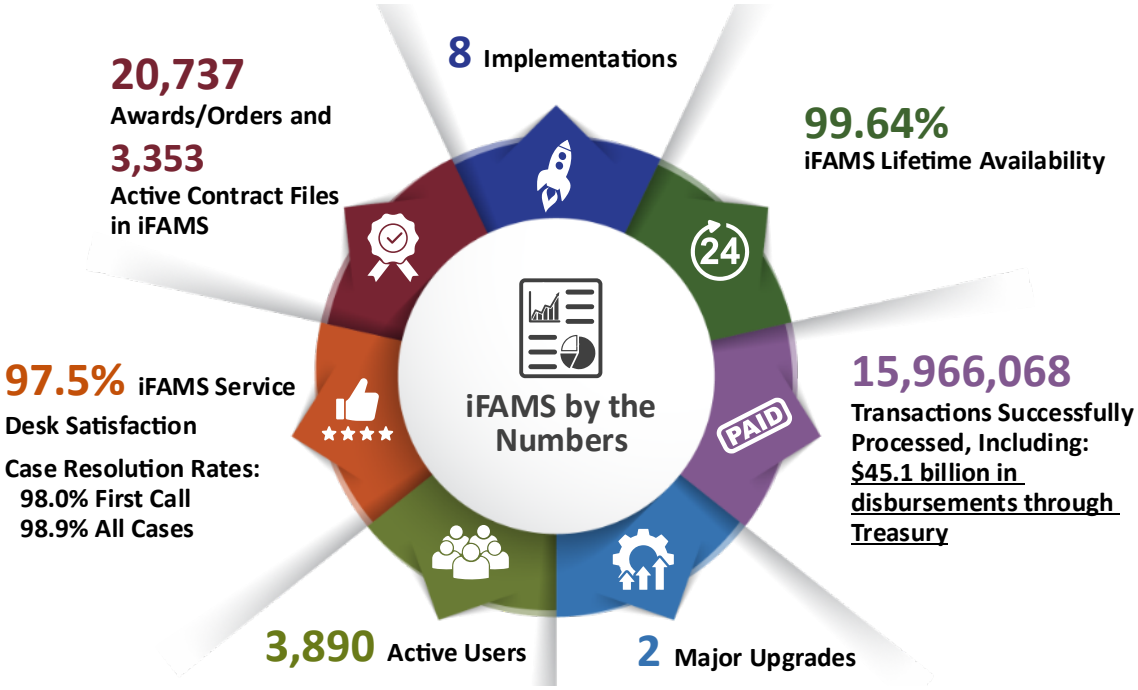
PROGRAM RISKS

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 closely monitored, and the program communicates 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.

iFAMS BY THE NUMBERS

The following graphic presents key statistics on iFAMS as of September 30, 2025.



DID YOU KNOW?

From August 25–29, 2025, VA hosted the 18th annual National Veterans Summer Sports Clinic (NVSSC) in San Diego, California. Nearly 150 recently injured Veterans were welcomed at the opening ceremony at Petco Park, ready to take on adaptive sports like cycling, surfing, sailing, kayaking, and fitness.

The clinic provides early intervention to promote health, independence, and community. For many, it's a life-changing experience. "I went from hopelessness to happiness in one wave," said Coast Guard Veteran Gary Jezierski after learning to surf on the beaches of La Jolla. The clinic is about more than just sports; it's about building camaraderie and discovering new strengths. "Being part of a team feels good," shared Army Veteran Stella Zu after a cycling session. That sentiment was echoed on Mission Bay, where Navy Veteran Peggy Elzie found connection while learning to sail, saying, "I found family here." For first-time participants like Air Force Veteran Kevin Figueroa, the week was a source of renewed drive. "I'm going back home motivated," he said.

The skills honed at the NVSSC can even propel an athlete to the Paralympic Games, and many Veterans who have participated in VA adaptive sports have gone on to compete. As the clinic concluded, it celebrated the resilience of its athletes and the dedication of the volunteers, coaches, and sponsors who made it possible.

For more information, visit the NVSSC website.







FINANCIAL SECTION

Message from VA's Chief Financial Officer.....26
Financial Statements.....27
Notes to the Financial Statements.....32
Required Supplementary Information.....82
Inspector General's Transmittal Letter.....88
Independent Auditor's Report.....91

Taking Flight

Dr. Irene Trowell-Harris served 38 years in the Air Force and Air National Guard. The retired major general was the first Air National Guard nurse to command a medical clinic. In 2001, she became director of VA's Center for Women Veterans, a position she held for 12 years. And it all started with a look to the sky in her parents' cotton field. Trowell-Harris knew what she wanted to do from a young age. She was working on the family farm with her 10 brothers and sisters in South Carolina when she got her inspiration. "I was in the field picking cotton with my family and I saw an airplane flying over," Trowell-Harris said. "It was then I told myself one day I would fly and work on an airplane." "My brothers and sisters just laughed at me when I told them what I intended to do," she says. "It seemed completely crazy that I could ever achieve a dream such as that at that time. But I was determined that I would fly."

Soon Trowell-Harris, who always excelled in her studies, got a job at a local diner. She worked her way through high school and gave the earnings to her family to supplement their income. She still had the dream of flying, but nursing seemed a more reasonable occupation—one her mother had wished to pursue herself, so that was the route she took. An honors student throughout school, Trowell-Harris won full scholarships to the School of Public Health at Yale and Teachers College at Columbia graduating with top honors.

She credits her family and community with supporting her. Her parents, who left school at third grade, believed in giving their children a better life and education. At church, the members pooled their dimes, nickels, and quarters to help her get to nursing school. After nursing school, Trowell-Harris turned to the military to take to the skies. She began her 38-year military career as a flight nurse in the New York Air National Guard; the only role women were permitted to have in the Guard at the time. It was the perfect combination of her love for airplanes and her commitment to nursing.

By 1993, she was the first Black woman in the Air National Guard promoted to brigadier general. Being the first, she commanded men unused to female leadership, let alone a nurse of color. "It was difficult, but I focused on getting to know the system really well—the written and unwritten rules—and on doing the right thing,'' she said of her experience.

When she retired from the Air National Guard in 2001, she still wanted to serve. She turned to VA to do it. Starting with VA's OIG, it was not long before she led the Center for Women Veterans. About the position, she said, "I needed to solve difficult and complex problems, ranging from access to health care and housing to childcare and employment for women Veterans. It wasn't about working in your own job but finding others to collaborate with, be it Congressional members or state departments, I worked across party lines. In my opinion it doesn't matter who gets the credit, collaboration is a win-win for all and gets the work done."

Now 85, Trowell-Harris' life is full of achievement, but her most cherished accomplishment is the one she had as a child.

"Even with all the places I've been and all the wonderful opportunities I've had, the most exciting moment of my life was when I received my wings," she said. "That crazy idea I told my brothers and sisters in the cotton field in 1954 came true."

MESSAGE FROM VA'S CHIEF FINANCIAL OFFICER

DEPARTMENT OF VETERANS AFFAIRS
ASSISTANT SECRETARY FOR MANAGEMENT
WASHINGTON DC 20420

January 16, 2026



Fiscal year (FY) 2025 marked my first year serving as the Department of Veterans Affairs (VA or the Department) Assistant Secretary for Management and Chief Financial Officer (CFO). As a Veteran, I am proud to join the VA. I am committed to the Department's mission of providing world-class health care and benefits to our Nation's Veterans and their families. In FY 2025, Congress appropriated $401 billion for VA, an increase of $66 billion over FY 2024. This 20% increase enables VA to carry out President Trump's commitment to Veterans, including enhancing the delivery and quality of services provided.

This year, VA recommitted to the deployment of our long-overdue Integrated Financial and Acquisition Management System (iFAMS). Although we implemented the system at the Veterans Benefits Administration Loan Guaranty program in May 2025, and at the Veterans Health Administration Central Office in June 2025, significant work remains to be done. I am committed to reducing the cost and complexity of iFAMS delivery, and to fully completing the system's implementation within 36 months. Full deployment of iFAMS is crucial to modernizing VA's financial infrastructure and ensuring the accuracy of our financial reporting.

Additionally, VA's efforts to combat fraud, waste, and abuse continued to be a top priority as VA works to be good stewards of taxpayer dollars. To support this priority, Executive Order 14247, *Modernizing Payments To and From America's Bank Account*, directed the elimination of paper check payments, which are more susceptible to fraud. Through our outreach, more than 600,000 previously unbanked Veterans are now enrolled in direct deposit, ensuring timely and secure access to their benefits while reducing fraud vulnerabilities.

In FY 2025, VA terminated 585 non-mission-critical or duplicative contracts. The termination of these contracts eliminated government waste and helped VA redirect $900 million towards our core mission: providing the best possible care and services to Veterans, their families, caregivers, and survivors. Through normal attrition, the Deferred Resignation Program, Voluntary Early Retirement Authority, and the Federal hiring freeze, the Department reduced total VA staff by approximately 30,000 employees to improve operational efficiency. Be assured, we have implemented multiple safeguards to ensure these reductions have no impact on Veteran care, benefits, or services.

This year, VA transitioned to a new independent public accounting firm, Kearney & Company, for our financial statement audit. The team worked hard to deliver the Department's 27th consecutive unmodified ("clean") audit opinion for the FY 2025 financial statement audit. The auditors identified two material weaknesses related to information technology internal controls and internal use software, and three significant deficiencies related to the loan guarantee liability; service organization monitoring; and medical service revenue and accounts receivable. We concur with their findings and recommendations. Our remediation efforts are detailed in the Management's Statement of Assurance on page 17.

I extend my sincere gratitude to the financial community within VA. Thank you for all you do to serve our Nation's Veterans. I share your passion for our mission, and I am confident that with your continued commitment we will make strides in the year ahead.

Sincerely,

(/s/) Richard F. Topping

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET *(dollars in millions)*

As of September 30,	**2025**
Assets	
Intragovernmental Assets	
Fund Balance with Treasury (Note 3)	$ 101,092
Investments, Net (Note 5)	6,085
Accounts Receivable, Net (Note 6)	81
Advances and Prepayments	2,103
Total Intragovernmental Assets	109,361
Other Than Intragovernmental Assets	
Cash (Note 4)	2
Accounts Receivable, Net (Note 6)	5,284
Loans Receivable, Net (Note 7)	10,602
Inventory and Related Property (Note 8)	179
Property, Plant, and Equipment, Net (Note 9)	42,335
Advances and Prepayments	35
Total Other Than Intragovernmental Assets	58,437
Total Assets	**$ 167,798**
Heritage Assets (Note 10)	
Liabilities	
Intragovernmental Liabilities	
Accounts Payable	$ 154
Debt (Note 11)	9,051
Advances From Others and Deferred Revenue	73
Other Liabilities (Note 15)	2,783
Total Intragovernmental Liabilities	12,061
Other Than Intragovernmental Liabilities	
Accounts Payable	21,421
Federal Employee, Salary, Leave, and Benefits Payable (Note 13)	5,399
Veterans Benefits and Actuarial Federal Employees Compensation Act (FECA) Liability (Note 13 and 17)	
Veterans Benefits and Actuarial FECA Liability (Note 13)	7,570,083
Life Insurance Benefits (Note 17)	2,894
Environmental and Disposal Liabilities (Note 14)	993
Loan Guarantee Liabilities (Note 7)	10,450
Advances From Others and Deferred Revenue	17
Other Liabilities (Note 15)	4,239
Total Other Than Intragovernmental Liabilities	7,615,496
Total Liabilities	**$ 7,627,557**
Commitments and Contingencies (Note 18)	

(Continued on next page)

CONSOLIDATED BALANCE SHEET *(dollars in millions)*

As of September 30,	**2025**
Net Position	
Unexpended Appropriations	
Funds From Dedicated Collections (Note 19)	$ 17
Funds From Other Than Dedicated Collections	60,448
Total Unexpended Appropriations	**60,465**
Cumulative Results of Operations	
Funds From Dedicated Collections (Note 19)	6,603
Funds From Other Than Dedicated Collections	(7,526,827)
Total Cumulative Results of Operations	**(7,520,224)**
Total Net Position	**$ (7,459,759)**
Total Liabilities and Net Position	**$ 167,798**

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF NET COST *(dollars in millions)*

For the Period Ended September 30,	**2025**
Net Program Costs By Administration (Note 21)	
Veterans Health Administration	
Gross Cost	$ 165,548
Less Earned Revenue	(5,344)
Net Program Cost	160,204
Veterans Benefits Administration	
Gross Cost	
Program Costs	226,077
Veterans Benefits Actuarial Cost, Excluding Assumption Changes (Note 13)	184,613
Less Earned Revenue	(1,116)
Net Program Cost	409,574
National Cemetery Administration	
Gross Cost	642
Less Earned Revenue	(1)
Net Program Cost	641
Indirect Administrative Program Costs	
Gross Cost	4,117
Less Earned Revenue	(740)
Net Program Cost	3,377
Net Program Costs by Administration Before (Gain)/Loss from Veterans Benefits Assumption Changes	573,796
(Gain)/Loss from Assumption Changes (Note 13)	(44,155)
Net Cost of Operations	**$ 529,641**

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION *(dollars in millions)* **For the Period Ended September 30, 2025**	**Funds from Dedicated Collections (Note 19)**	**All Other Funds**	**Consolidated Total**
Unexpended Appropriations			
Beginning Balance	$ 16	$ 51,250	$ 51,266
Appropriations Received	-	396,714	396,714
Appropriations Transferred In/Out	-	177	177
Other Adjustments	1	(1,710)	(1,709)
Appropriations Used	-	(385,983)	(385,983)
Net Change in Unexpended Appropriations	1	9,198	9,199
Total Unexpended Appropriations	$ 17	$ 60,448	$ 60,465
Cumulative Results of Operations			
Beginning Balance	$ 5,843	$ (7,391,510)	$ (7,385,667)
Prior Period Adjustment (Note 23)	-	3,828	3,828
Beginning Balance as Adjusted	5,843	(7,387,682)	(7,381,839)
Appropriations Used	-	385,983	385,983
Nonexchange Revenue	-	23	23
Donations and Forfeitures of Cash and Cash Equivalents	20	-	20
Transfers In/(Out) Without Reimbursement	(4,533)	4,687	154
Donations and Forfeitures of Property	62	-	62
Imputed Financing	-	6,964	6,964
Other	360	(2,310)	(1,950)
Net Cost of Operations (Note 21)	4,851	(534,492)	(529,641)
Net Change in Cumulative Results of Operations	760	(139,145)	(138,385)
Total Cumulative Results of Operations	**6,603**	**(7,526,827)**	**(7,520,224)**
Net Position	**$ 6,620**	**$ (7,466,379)**	**$ (7,459,759)**

The accompanying notes are an integral part of these Consolidated Financial Statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES *(dollars in millions)* **For the Period Ended September 30, 2025**	**Budgetary**	**Non-Budgetary Credit Reform Financing Account**
Budgetary Resources (Discretionary and Mandatory)		
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 22)	$ 42,282	$ 8,414
Appropriations (Discretionary and Mandatory)	401,235	72
Borrowing Authority (Discretionary and Mandatory)	-	8,735
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	15,266	17,895
Total Budgetary Resources	**$ 458,783**	**$ 35,116**
Status of Budgetary Resources		
New Obligations and Upward Adjustments (Total)	$ 412,401	$ 27,624
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	42,006	-
Unapportioned, Unexpired Accounts	101	7,492
Unexpired Unobligated Balance, End of Year	42,107	7,492
Expired Unobligated Balance, End of Year	4,275	-
Unobligated Balance, End of Year (Total)	46,382	7,492
Total Budgetary Resources	**$ 458,783**	**$ 35,116**
Outlays, Net, and Disbursements, Net		
Outlays, Net (Total) (Discretionary and Mandatory)	$ 386,349	
Distributed Offsetting Receipts (-)	(9,750)	
Agency Outlays, Net (Discretionary and Mandatory)	**$ 376,599**	
Disbursements, Net (Total) (Mandatory)		**$ 9,477**

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

VA was created as an independent agency on July 21, 1930, and was elevated to a cabinet department of the Executive Branch of the Government on March 15, 1989. The Department is organized under the Secretary, whose office includes a Deputy Secretary and a Chief of Staff. The Secretary has direct lines of authority over the Under Secretary for Health, the Under Secretary for Benefits, the Under Secretary for Memorial Affairs, and the Chairman of the Board of Veterans' Appeals. In addition, a General Counsel, an Executive Director, a Chief Officer and seven Assistant Secretaries support the Deputy Secretary. The OIG provides oversight of financial and operating activity.

B. REPORTING ENTITY

VA is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by VA may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government.

All VA component activities are included in VA's Consolidated Financial Statements and the Combined Statement of Budgetary Resources. The consolidated financial statements meet the requirements of the CFO Act of 1990 and the Government Management Reform Act of 1994. The principal financial statements report the financial position and results of operations of VA, pursuant to the requirements of 31 U.S.C. § 3515(b). VA interacts with and is dependent upon the financial activities of the Federal Government as a whole. Therefore, the results of all financial decisions reflected in these consolidated financial statements are not the sole decisions of VA as a stand-alone entity. VA's fiscal year-end is September 30.

SFFAS No. 47, *Reporting Entity*, requires information to be provided on disclosure entities and related parties. VA has relationships with many organizations from nonprofits to special interest groups that provide support to VA and advocacy for Veterans; however, none of VA's relationships are of such significance as to warrant separate or individual disclosure.

C. BASIS OF ACCOUNTING AND PRESENTATION

The principal financial statements are prepared in accordance with GAAP as promulgated by the Federal Accounting Standards Advisory Board (FASAB) and OMB Circular No. A-136, *Financial Reporting Requirements*, as revised.

The consolidated financial statements include the Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position (SCNP), which are prepared on an accrual basis of accounting. Transactions occurring among VA components are eliminated in the consolidated financial statements. The Statement of Budgetary Resources reflects the appropriation and consumption of budget and spending authority, and other budgetary resources before eliminations. The Statement of Budgetary Resources is not consolidated but combined; therefore, elimination of intra-entity transactions is not permitted.

VA receives goods and services from other Federal entities at no cost or at a cost less than the full cost to the providing Federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by VA are recognized as imputed costs in the Consolidated Statement of Net Cost and are offset by imputed financing sources in the Consolidated Statement of Changes in Net Position. Imputed costs and financing sources relate to business-type activities, employee benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

D. BUDGETS AND BUDGETARY ACCOUNTING

Budgetary accounting measures the appropriation and consumption of budget authority or other budgetary resources and facilitates compliance with legal constraints and controls over the use of funds. Under budgetary reporting principles, budgetary resources are consumed at the time of purchase.

The Statement of Budgetary Resources reports Total Budgetary Resources, Status of Budgetary Resources, and Outlays. VA's budget authorities include Appropriations, Borrowing Authority, and Spending Authority from Offsetting Collections. Details by major accounts are shown in the Combining Statement of Budgetary Resources in the Required Supplementary Information (RSI) section.

See Note 22 for further disclosure on budgets and budgetary accounting.

E. REVENUES AND OTHER FINANCING RESOURCES

VA collects revenues for exchange and nonexchange activities. Exchange revenue is an inflow of resources to VA that is recognized when earned with other Federal agencies or the public where each party to the transaction sacrifices value and receives value in return. Exchange revenues are presented on the Statement of Net Cost and are discussed further in Note 20.

Nonexchange revenue is an inflow of resources to VA that is a specifically identifiable, legally enforceable claim to cash or other assets where VA does not give value directly in exchange for the inflow of the resources. It is recognized to the extent that collection is probable and the amount is measurable. Examples include voluntary donations or payments in the form of penalties. Nonexchange revenue is presented as Other Financing Sources on the Statement of Changes in Net Position and consists primarily of Imputed Financing, Donations and Forfeitures of Property, and Transfers In and Out of VA Without Reimbursement. Most of the transfers in and out are between VA funds.

F. TRANSFERRING BUDGET AUTHORITY TO OTHER AGENCIES

VA, as the transferring (parent) entity, is a party to allocation transfers with the Department of Defense (DoD), the transferee (child) entity. Generally, all financial activity related to these allocation transfers (for example, budget authority, obligations, and outlays) is reported in the financial statements of the parent entity from which the underlying legislative authority, appropriations, and budget apportionments are derived.

G. FUND BALANCE WITH TREASURY

Treasury performs cash management activities for all Federal Government agencies. The FBWT represents VA's right to draw funds from the Treasury for allowable expenditures. The balances in Note 3 are reconciled to Treasury and primarily consist of trust, revolving, special, and appropriated funds.

H. INVESTMENTS

Investments are reported in Note 5 at cost, net of amortized premiums or discounts, and accrued interest, and are redeemable at any time for their original purchase price. Interest rates for Treasury special securities are initially set based on average market yields for comparable Treasury issues.

I. ACCOUNTS RECEIVABLE

In accordance with SFFAS No. 1, *Accounting for Selected Assets and Liabilities*, and Technical Bulletin 2020-1, *Loss Allowance for Intragovernmental Receivables*, accounts receivable are reported in Note 6 at net realizable value, measured as the carrying amount less an allowance for loss provision or contractual adjustment for medical care, as considered necessary. VA determines the allowance based on the contractual nature of the current balance due and historical experience with collections including a rolling 12-month analysis.

Contractual adjustments represent the difference between the billed amount and the amount the provider has agreed to accept. VA and its third-party providers contractually agree upon these pre-determined amounts. Contractual adjustments are typically based on reasonable charges for similar care or services as provided by other facilities in the same geographic area. This convention is consistent with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*, and 38 U.S.C. § 1729. See Note 1.E and Note 20.

Overpayments to Veterans or beneficiaries are the main cause of compensation, pension, and education receivables. Allowances on these receivables are determined based on historical experience with collection efforts during the prior fiscal year. Even though VA was previously authorized by 38 U.S.C. § 5315 (amendment 2022) to charge interest and administrative costs on benefit debts similar to charges levied on other debts owed to the Federal Government, VA has not charged interest and administrative fees for such programs. In FY 2023, Congress passed legislation within Omnibus Bill § 253, which prohibits VA from charging interest and administrative costs on a loan, loan guaranty, or loan insurance program; a disability compensation program; a pension program; and an education assistance program. As a result, VA does not charge such costs for new debts occurring on or after December 29, 2022, for the Veterans Benefits Administration's benefit programs.

J. LOANS RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES

Direct loan obligations and loan guarantee commitments made after FY 1991 are governed by the Federal Credit Reform Act of 1990 (Credit Reform Act or FCRA). Disclosures are in accordance with SFFAS No. 2, *Accounting for Direct Loans and Guarantees*; SFFAS No. 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees;* and SFFAS No. 19, *Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees*. Under the Credit Reform Act, the present value of the estimated net cash flows paid by VA must be recognized as a subsidy cost in the year the loan is disbursed. Direct loans and guaranteed

loans receivable are reported net of an allowance for subsidy costs at present value, and loan guarantee liabilities are reported based on present value of future estimated cash flows.

Direct loans obligated before October 1, 1991, and any other non-Credit Reform Act direct loans and loan guarantees are not subject to the Credit Reform Act. Instead, these are recorded at the net realizable value given the remaining balance of amounts disbursed plus accrued and unpaid interest receivable. The allowance for loan losses on direct loans obligated before October 1, 1991, is recognized when it is more likely than not that the direct loans will not be totally collected. The allowance of the uncollectible amounts is re-estimated each year as of the date of the financial statements. Loan losses are re-estimated by program.

Risk factors are evaluated for each group of program loans within each year in which the loans are disbursed. Risk factors include historical loan experience, economic conditions, financial and relevant characteristics of borrowers, value of collateral to loan balance, changes in recoverable value of collateral, and new events that would affect the loans' performance. A systematic methodology based on an economic model is used to project default costs by risk category. VA specifically uses a statistical model that generates time period-specific loan guarantee commitment claims rates for the Loan Guarantee Program. Actual historical experience includes actual payments, late payments, defaults, recoveries, and amounts written off.

A loan modification is a Federal Government action, including new legislation or administrative action, that directly or indirectly alters the estimated subsidy cost and the present value of loan guarantees.

K. INVENTORY AND RELATED PROPERTY

Inventory and Related Property are comprised of inventory held for sale, operating materials, and supplies, along with stockpile materials, as reported in Note 8.

Inventory held for sale consists of retail store stock held for current sale by the Veterans Canteen Service (VCS). VCS provides retail merchandise, food, and vending services across the country. Inventory held for sale is recorded at cost using the weighted-average cost method and expensed when sold.

Operating materials and supplies consist of medical and pharmaceutical supplies held by the Supply Fund. Operating materials and supplies are recorded at cost and expensed when transferred to VAMCs, regional offices or cemeteries.

Stockpile materials are strategic and critical materials held in reserve for use in national defense, conservation, or national emergencies, per statutory requirements. Stockpile materials consist of caches of pharmaceuticals and medical supplies stored at designated treatment facilities. These materials are recorded at cost and expensed when used or issued for use.

L. PROPERTY, PLANT, AND EQUIPMENT

VA's PP&E consists of land, buildings, equipment, other structures, leasehold improvements, IUS, construction work-in-process (WIP), and right-to-use lease assets.

The three largest asset categories by net book value are:

- **Buildings** include structures used to support and operate one of the largest health care systems in the country. VA also owns buildings related to general operations and benefits delivery, including supportive housing and memorial services.
- **Construction WIP** represents the accumulated costs of ongoing major construction projects that are greater than $30 million, minor construction projects that are $30 million or less, and non-recurring maintenance. Such projects may include gravesite development and construction of new medical facilities.
- **IUS** includes software that is developed, purchased, or modified for internal needs and not intended for sale, lease, or external distribution. As an example, VA is implementing a modern electronic health record (EHR) system that enables seamless information sharing across VA, DoD, and community providers.

VA has a significant construction program for medical facilities and national cemeteries. Construction project costs are recorded in construction WIP accounts. Construction costs are recorded as construction WIP until the asset is placed in service. Costs for construction projects completed in multiple phases are recorded as construction WIP until the project phase is placed in service. Property not meeting the capitalization criteria is expensed. Buildings, equipment, other structures, leasehold improvements, and software projects are capitalized if the useful life is 2 years or more. Capitalized property is depreciated on a straight-line basis and recorded at net book value as reported in Note 9. There are no restrictions on the use or convertibility of PP&E.

Asset Category	Estimated Useful Life	Capitalization Threshold
Buildings	25 to 40 years	$1 million
Equipment	5 to 20 years	$1 million
Other Structures	2 to 40 years	$1 million
Leasehold Improvements	2 to 40 years	$1 million
IUS	Varies	$1 million

VA capitalizes right-to-use lease assets for leases with annual shell rent that meets or exceeds $4 million. Right-to-use lease assets are amortized over the life of the lease. See Note 1.S and Note 16 for further discussion.

IUS costs subject to capitalization are incurred during the software development phase. The capitalized costs are amortized in accordance with the planned lifecycle established during the software planning phase. The useful life of IUS is determined on a per-project basis, no less than 2 years, and consistent with the solution's longevity as limited by legal, regulatory, and/or contractual provisions.

Heritage Assets are properties that possess one or more of the following characteristics: historical or natural significance; cultural, educational, or aesthetic importance; or significant architectural characteristics. Accounting for historic Heritage Assets allows VA to meet its responsibilities under the National Historic Preservation Act (NHPA) to preserve Federally owned, administered, or controlled historic resources. VA's Heritage Asset inventory is reported in Note 10.

M. ADVANCES AND PREPAYMENTS

Intragovernmental advances consist primarily of payments to the U.S. Army Corps of Engineers for major construction projects. Other Than Intragovernmental Advances consist of payments to medical schools, grantees, and beneficiaries. Advances and prepayments are reduced as services are performed.

N. ACCOUNTS PAYABLE

Accounts Payable are amounts owed by VA for goods and services received. When VA accepts title to goods, whether the goods are delivered or in transit, or incurs costs for services received, VA recognizes a liability for the unpaid amount of the goods and services. If invoices for those goods and services are not available when the financial statements are prepared, the amounts owed are estimated.

Accounts Payable primarily consist of payables to Veterans such as scheduled payments for compensation, pension, and education benefits. Significant variances in Accounts Payable can occur from year to year depending on the timing of compensation and pension benefit payments.

Intragovernmental Accounts Payable consists of amounts owed to other Federal Government agencies, primarily to Department of Labor (DOL), Office of Personnel Management (OPM), and Department of Justice (DOJ). The remaining Accounts Payable consist of amounts due to the public.

O. LIFE INSURANCE BENEFITS

VA administers seven life insurance programs:

(1) United States Government Life Insurance (USGLI);
(2) National Service Life Insurance (NSLI);
(3) Veterans Special Life Insurance (VSLI);
(4) Veterans Reopened Insurance (VRI);
(5) Service-Disabled Veterans Insurance (S-DVI) provides insurance to Veterans who receive a service-connected disability rating;
(6) Veterans' Mortgage Life Insurance (VMLI) covers severely disabled Veterans, (VMLI is part of the Veterans' Insurance and Indemnities fund); and
(7) Veterans Affairs Life Insurance (VALife) provides insurance to Veterans who have received a service-connected disability rating.

Note 17 discloses liabilities for VA's life insurance programs in accordance with SFFAS No. 51, *Insurance Programs*.

USGLI, NSLI, VSLI, and VRI were available to Veterans who served during World Wars I and II, Korean Conflict, and Vietnam War eras, and are now closed to new issues. The USGLI program does not have policyholders remaining in this program, but annuity payments continue to be made to beneficiaries. The NSLI, VSLI, VRI, and VALife programs are self-supporting through the collection of premiums, which are used to fund current operations. Interest income and the release of investment reserves are used to cover funding shortfalls in these programs. In addition, interest income from insurance policy loans may be used.

The S-DVI and VMLI programs are designed to provide insurance coverage to disabled Veterans at standard premium rates; these programs require annual appropriations as they are not self-supporting and have no assets for investments. The S-DVI program ceased issuing new policies after December 31, 2022.

In the NSLI, VSLI, VRI, and S-DVI programs, qualifying insureds who have incurred a disability that prevents them from engaging in substantially gainful employment can have the premiums on their policies waived.

The insurance reserves for USGLI, NSLI, VSLI, VRI, and VALife are reported as liabilities covered by budgetary resources, while part of the S-DVI and VMLI reserves are reported as liabilities not covered by budgetary resources. A downward trend in reserve liabilities for World War II and Korean War Era Veterans exists due to the declining numbers of policyholders.

The following table includes components of the Life Insurance Liability Reserves Computation:

Program	Type of Plan	Table Used	Interest Rate
USGLI	Award Installments Payable After the Certain Period	1983 Society of Actuaries (SOA) Individual Annuity Mortality Table - Female	2.00%
NSLI	Permanent Plan	2001 Valuation Basic Male (VBM) Table (or cash value, if greater)	2.50%
	Modified Plan	2001 VBM Table (or cash value, if greater)	2.50%
	Paid up Additions using Dividends	2001 VBM Table	2.50%
	Term Policies	2001 VBM Table	3.50%
	Award Installments Payable After the Certain Period	1983 SOA Individual Annuity Mortality Table - Female	3.50%
VSLI	Permanent Plan	X-18 Table	2.50%
	Paid up Additions	2001 VBM Table	3.50%
	Term Policies	2001 VBM Table	3.50%
	Award Installments Payable After the Certain Period	1983 SOA Individual Annuity Mortality Table - Female	3.50%
VRI	Basic Policy	J: 2001 VBM Table (or cash value, if greater)	2.50%
		JR: Varying percent of 1958 CSO Basic Table based on rating code (or cash value, if greater)	2.50%
	Paid-up Additions	J: 2001 VBM Table	2.50%
		JR: 1958 CSO Basic Table	2.50%
	Award Installments Payable After the Certain Period	1983 SOA Individual Annuity Mortality Table - Female	2.50%
S-DVI	Permanent Plan	1941 CSO Table	2.25%
	5-year Term Policies	Varying percent of 1941 CSO Table	2.25%
	Term Policies Renewed for Age 70 and Over	1941 CSO Table	2.25%
	Award Installments Payable After the Certain Period	1983 SOA Individual Annuity Mortality Table - Female	2.25%
VMLI	Mortgage Life	450% of the 1958 CSO Basic Table	2.50%
VALife	Permanent Plan	Varying percent of 1941 CSO Table	2.50%

Policies in three of the administered programs, NSLI, VSLI, and VRI, are eligible for dividends. The Secretary determines annually the excess funds available for dividend payment based on an actuarial analysis of each program's claims and investment experience, compared to the mortality and interest assumptions used in that program at the end of the preceding calendar year. Dividends are declared on a calendar-year basis and paid on policy anniversary dates. Policyholders can elect to receive a cash payment; prepay premiums; repay loans; purchase paid-up insurance; or deposit the amount in an interest-bearing account. In addition, insurance dividends that are left on credit or deposited with VA accrue interest at a rate that varies by fund relative to the fund's investment portfolio earnings. For FY 2025, the interest rates range from 2.50% to 1.00%.

The reserve for dividends payable is an estimate of the present value of dividends accrued as of the valuation date. VA records the portion of the estimated policy dividend that applies to the current reporting period as a dividend liability. The following discount rates along with an appropriate accrual factor were used to calculate the FY 2025 dividends by program: NSLI 2.50%; VSLI 3.50%; and VRI 2.50%.

The methodology employed by VA to estimate the dividend liability reflects expected dividends to be paid by quarter using percentages that are based on the actual distribution of dividend anniversaries at the end of the prior year.

In addition to the seven life insurance programs VA administers directly, VA supervises the following programs:

(1) Servicemembers' Group Life Insurance Program (SGLI);
(2) Veterans' Group Life Insurance Program (VGLI); and
(3) Traumatic Injury Protection Program (TSGLI).

VA has a group policy with Prudential to administer these programs. These programs provide coverage to members of the uniformed armed services, reservists, and post-Vietnam Veterans and their families. All SGLI-insured Veterans are automatically covered under the TSGLI program, which provides insurance payments to Veterans who sustain a traumatic injury in service that results in a severe qualifying loss. SGLI and VGLI premiums are set by mutual agreement between VA and Prudential based on program experience.

VGLI premiums are paid by Veterans to Prudential directly. SGLI premiums are deducted from the Service member's pay by DoD's applicable Armed Services component. The Defense Finance and Accounting Service remits collected premiums to VA, which are then transmitted to Prudential. Prudential records the premiums for the VGLI and SGLI policies and maintains investments in their accounting records independent from VA. Prudential holds reserves needed for claims and administration while the group policy is in effect. Further, a contingency reserve is used to account for adverse fluctuations in future charges under the policy, as required by law.

Under 38 U.S.C. §§ 1971(e) and 1977(f), VA is responsible for assessing the contingency reserve balance held by Prudential. If and when the Secretary determines that the contingency reserve exceeds an adequate balance, Prudential will transfer the excess funds into VA's revolving fund. VA is then responsible for investing the excess funds in Treasury securities.

SGLI and VGLI insurance liabilities are recorded by Prudential, as the company assumes the risk of loss on these programs per the terms and conditions of the group policy; thus, the liabilities are not reflected on VA's Balance Sheet.

DoD pays for any TSGLI claim costs in excess of premiums collected from Service members in accordance with 38 U.S.C. § 1980A(e)(6) and (7). The Secretary determines the claim costs that are traceable to the extra hazards of duty in the uniformed services based on the excess mortality incurred by current and former SGLI-insured Service members above the expected mortality under peacetime conditions.

P. ANNUAL LEAVE

Federal employees' annual leave is accrued as it is earned, and the accrual is reduced annually for actual leave taken. Each year, the accrued annual leave balance is adjusted to reflect the latest pay rates for leave that has been earned but not taken. Sick and other types of nonvested leave are expensed as taken. To the extent appropriations are not available to fund annual leave earned but not used, funding will be obtained from future financing sources; therefore, these liabilities are not covered by budgetary resources and are reported as unfunded leave (reported in Note 13).

Q. VETERANS BENEFITS

The Veterans Benefits Liability for Compensation, Burial, Education, and VR&E (reported in Note 13) is recognized in accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, and presented in accordance with SFFAS No. 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates.*

SFFAS No. 33 requires the use of a yield curve based on marketable U.S. Treasury securities to determine the discount rates used to calculate actuarial liabilities for Federal financial statements. Historical experience is the basis for expectations on future trends in marketable U.S. Treasury securities. Effective for periods beginning after September 30, 2009, SFFAS No. 33 requires a minimum of five periodic rates for the yield curve input, consistency in the number of historical rates used from period to period and permits the use of a single average discount rate if the resulting present value is not materially different from what would be obtained using the yield curve.

The valuation discount rate is a schedule of interest rates, comprised of the annual yield that is equivalent to the spot rate for each maturity at 6-month intervals starting with 6 months through to the end of the projection horizon. The spot rates used are the average of the Treasury Nominal Coupon Issue Treasury Yield Curve Spot Rates that are promulgated two quarters prior to the valuation date. The spot rates are produced by Treasury's Office of Economic Policy.

COMPENSATION AND BURIAL

VA provides compensation benefits under 38 U.S.C. Chapters 11 and 13 to Veterans who are disabled by an injury or disease incurred or aggravated in active military service and to their survivors. Burial benefits are provided under 38 U.S.C. Chapters 23 and 24. These benefits are generally provided in recognition of a Veteran's military service. The liability for future compensation and burial payments is reported on the Balance Sheet at the present value of

expected future payments and is developed on an actuarial basis. Various assumptions in the actuarial model impact the liability, such as the total number of Veterans, estimated future military separations, the number of Veterans and dependents receiving payments, discount rates, COLA, presumptive service conditions resulting in disability benefits coverage, and life expectancy.

VA uses the census population data as of the end of the prior fiscal year to perform the valuation of the actuarial benefit liabilities for the current fiscal year.

EDUCATION AND VR&E

For eligible Veterans, Service members, and their dependents, VA provides four unique education/retraining programs as follows:

Program Name	Authorizing Statute	Eligibility Qualifications	Benefits
Post-9/11 GI Bill (PGIB)	38 U.S.C. Ch. 33	Veterans with at least 90 days of aggregate service after September 10, 2001, individuals honorably discharged with a service-connected disability after 30 continuous days after September 10, 2001, or individuals awarded a Purple Heart on or after September 11, 2001, and honorably discharged after any amount of service. A child or surviving spouse of an active-duty service member who died in the line of duty on or after September 11, 2001, or a child or spouse to whom benefits are transferred by a qualifying Veteran or Service member.	Tuition and fees and a monthly housing allowance, yearly textbook and supplies stipend, and one-time payment for relocation.
VR&E	38 U.S.C. Ch. 31	Veterans and Service members transitioning to civilian employment with a service-connected disability and an employment handicap or individuals with a service-connected disability pursuing independent living.	Benefits paid can include a monthly subsistence payment, tuition, books and supplies.
Survivors' & Dependents' Educational Assistance (DEA)	38 U.S.C. Ch. 35	Dependents of Veterans or Service members who are permanently and totally disabled due to a service-related condition or of Veterans or Service members who were missing in action, captured, or died while on active duty or as a result of a service-related condition.	Benefits are paid monthly based on course load and type of training.
Montgomery GI Bill-Active Duty (MGIB-AD)	38 U.S.C. Ch. 30	Veterans and Service members who have at least two years of active duty and have had their pay reduced by $1,200 or meet other eligibility requirements.	Benefits are paid monthly based on course load, type of training, length of service, category, and college fund eligibility.

The liability for future Education and VR&E benefits is reported on VA's Balance Sheet at the present value of expected future payments and is developed on an actuarial basis. Various assumptions in the actuarial model, such as the total number of Veterans with entitlement, average benefit and usage assumptions, the number of Veterans and dependents receiving payments, and discount rates impact the liability.

VA uses the census population data as of the end of the prior fiscal year to perform the valuation of the actuarial benefit liabilities for the current fiscal year for the PGIB, VR&E, DEA, and MGIB-AD programs.

Periodically, actuarial assumptions are reviewed and updated to incorporate more current experience. When a benefit program's eligibility rules or benefit amount changes and the change is expected to have a material impact on the liability, VA may be able to estimate the impact of such a change that is not yet reflected in the actuarial assumptions or census data. The results of these estimates, and all other projections in the actuarial valuations, are dependent on the assumptions used. Actual results may differ due to actual experience deviating from the assumptions used. Changes made to actuarial models and assumptions are treated as a change in estimate and recognized immediately on a prospective basis.

MEDICAL CLAIMS

The Consolidated Appropriations Act, 2021 (P.L. 116-260) authorized VA to record a community care obligation when a claim is approved for payment. VA estimates a liability to recognize the cost of services incurred, but not yet paid. Actual administrative costs incurred annually are included in VHA's Net Program Costs shown in the accompanying Statement of Net Costs.

Additional information on the Medical Claims Benefits Liability is presented in Note 13.C.

R. FEDERAL EMPLOYEE BENEFITS

WORKERS' COMPENSATION LIABILITY

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. Claims incurred for benefits for VA employees under FECA are administered by DOL and are ultimately paid by VA. DOL pays valid claims as they occur, which are billed to VA annually.

A liability is recorded for estimated and actual future payments to be made for workers' compensation pursuant to FECA. Workers' compensation comprises two components: (1) the accrued liability, which represents claims paid by DOL on behalf of VA through the current fiscal year (reported as part of the Intragovernmental Accounts Payable), and (2) the actuarial liability for compensation cases to be paid beyond the current year, as calculated by DOL (reported in Note 13 as part of the Veterans Benefits and Actuarial FECA Liability). DOL determines the actuarial liability using historical benefit payment patterns to predict future payments.

PENSION, OTHER RETIREMENT BENEFITS, AND OTHER POSTEMPLOYMENT BENEFITS

Each employing Federal agency is required to recognize its share of the cost and imputed financing of providing pension and postretirement health benefits and life insurance to its

employees (reported in Note 13.D). Factors used in the calculation of these pension, postretirement health, and life insurance benefit expenses are provided by OPM to each agency.

VA's employees are covered under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). CSRS and FERS are multiemployer plans administered by OPM. OPM maintains and reports information on plan assets and actuarial data for the accumulated plan benefits. VA contributes to both plans' requirements.

S. LEASE LIABILITIES

Similar to right-to-use assets (Note 1.L), VA recognizes lease liabilities for leases that meet or exceed its lease capitalization threshold in accordance with SFFAS No. 54, *Leases*, as amended. For new leases, VA's lease capitalization threshold is applied at the rent commencement date. The notes impacted include PP&E (Note 9), Liabilities Not Covered By Budgetary Resources (Note 12), Other Liabilities (Note 15), Leases (Note 16), and the Budget and Accrual Reconciliation (Note 24).

Leases below the lease capitalization threshold are immaterial and expensed. In accordance with SFFAS No. 54, VA expenses all intragovernmental leases and leases with terms 24 months or less. In accordance with SFFAS No. 62, *Transitional Amendment to SFFAS 54,* VA elected to apply the accommodation for contracts or agreements that contain both lease components and non-lease components, such as service components, and serve a primary purpose attributable to the non-lease components. The election applies to contracts and agreements existing as of October 1, 2023, and/or those subsequently entered into or modified on or prior to September 30, 2026. Contracts or agreements meeting the criteria are accounted for as non-lease contracts or agreements for their remaining term, unless they are subsequently modified after September 30, 2026, the end of the accommodation period.

T. COMMITMENTS AND CONTINGENCIES

VA is a party in various administrative proceedings, legal actions, and claims brought against it that may ultimately result in decisions, settlements, or awards adverse to the Federal Government. Certain legal matters to which VA may be a named party are litigated by the DOJ. In some cases, the loss amount that occurs may be paid from the Judgment Fund, which is maintained by Treasury. In the opinion of VA management and legal counsel, the ultimate resolution of proceedings, actions, and claims, as reported in Note 18, will not materially affect the financial position or results of VA operations.

U. USE OF ESTIMATES

The financial statements are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions that may change in the future. Actual results could differ materially from the estimated amounts. The financial statements include information to assist in understanding the effect of changes in assumptions to the related information.

V. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the auditors' report date, which is the date the financial statements are available to be issued and management determined that there are no other items to disclose.

NOTE 2. NON-ENTITY ASSETS

(dollars in millions)

As of September 30,	**2025**
Intragovernmental	
Fund Balance with Treasury	$ 577
Accounts Receivable	1,505
Total Intragovernmental	2,082
Other Than Intragovernmental	
Accounts Receivable	179
Total Other Than Intragovernmental	179
Total Non-Entity Assets	**2,261**
Total Entity Assets	**165,537**
Total Assets	**$ 167,798**

Non-entity assets are assets held by VA, but not available to be used by VA. These relate primarily to withheld taxes from employees (until disbursed appropriately to State and local entities) and amounts due to Treasury for collection of medical costs from Veterans.

Non-entity intragovernmental accounts receivable includes amounts due from financing funds to general fund receipt accounts as a result of downward subsidy re-estimates for VA's Housing Benefits Program that are eliminated on the consolidated Balance Sheet. VA has disclosed non-entity assets on a combined rather than consolidated basis within Note 2 to meet the requirement in SFFAS No. 1 to separately report entity assets from non-entity assets.

NOTE 3. FUND BALANCE WITH TREASURY

(dollars in millions)

As of September 30,	**2025**
Status of Fund Balance with Treasury	
Unobligated Balance	$ 43,906
Obligated Balance Not Yet Disbursed	56,092
Deposit Funds	578
Clearing Accounts	173
Unavailable Receipts	343
Fund Balance with Treasury	**$ 101,092**

Obligated and unobligated amounts differ from those reported on the Combined Statements of Budgetary Resources because budgetary balances are supported by amounts other than FBWT, such as investments and borrowing authority. Additionally, unobligated balances may contain amounts unavailable for current use and restricted to future use, such as Category C – Apportioned for future fiscal years as specified on the annual OMB Standard Form SF-132

(Apportionment and Reapportionment Schedule). Some FBWT components shown above are excluded from VA's budgetary resources, including deposit funds, clearing accounts, and unavailable receipts.

NOTE 4. CASH

(dollars in millions)

As of September 30,	2025
Cash	
Canteen Service	$ 1
Agent Cashier Advance	1
Total Cash	**$ 2**

Cash reported in the previous table is unrestricted and is held for use at the field stations to support canteen services and agent cashier disbursing activities.

NOTE 5. INVESTMENTS, NET

(dollars in millions)

As of September 30, 2025	Cost	Amortized (Premium)/ Discount	Interest Receivable	Investments, Net
Intragovernmental Securities (Note 19)				
Special Bonds by Insurance Program				
Supervised Life Insurance Programs	$ 4,761	$ -	$ 48	$ 4,809
VRI	19	-	-	19
VALife	152	-	2	154
NSLI	402	-	3	405
USGLI	1	-	-	1
VSLI	543	-	4	547
Subtotal Special Bonds	5,878	-	57	5,935
Treasury Notes	148	-	2	150
Total Intragovernmental Securities	**$ 6,026**	**$ -**	**$ 59**	**$ 6,085**

Intragovernmental Securities are nonmarketable Treasury Special Bonds and Treasury Notes. Special Bonds, which mature during various years through 2040, are generally held to maturity unless needed to finance insurance claims and dividends. Amounts collected from supervised life insurance programs are invested in Special Bonds. None of the Special Bonds are reclassified as available for sale or early redemption, nor are there any permanent impairments on these investments. Treasury Notes help finance operations and events supported by the General Post Fund for the benefit of Veterans and their beneficiaries. Treasury Notes are amortized using the effective interest method, while all other Intragovernmental Securities are purchased at face value and are not amortized. The market value of the Treasury Notes is $148 million.

Investments for the supervised life insurance programs are also dedicated collections (see Note 19). Treasury does not set aside assets to pay future expenditures associated with Funds from Dedicated Collections. The cash receipts collected from the public for Funds from Dedicated Collections are deposited with Treasury and are used for general Government purposes. Treasury security investments provide authority to draw upon the Treasury for future authorized expenditures. Treasury securities held by a fund from dedicated collections are an asset of the

fund and a liability of the Treasury, so they are eliminated in the consolidation of the Financial Report (FR) of the U.S. Government. When a fund from dedicated collections redeems its Treasury securities to make expenditures, Treasury will finance those expenditures in the same manner that it finances all other expenditures.

NOTE 6. ACCOUNTS RECEIVABLE, NET

(dollars in millions)

As of September 30,	**2025**
Intragovernmental Accounts Receivable	**$ 81**
Other Than Intragovernmental Accounts Receivable	
Medical Care	$ 7,398
Contractual Adjustment and Allowance for Loss Provision	(4,406)
Net Medical Care	2,992
Compensation and Pension Benefits	2,808
Allowance for Loss Provision	(990)
Net Compensation and Pension Benefits	1,818
Education and VR&E Benefits	501
Allowance for Loss Provision	(275)
Net Education and VR&E Benefits	226
Other	789
Allowance for Loss Provision	(541)
Net Other	248
Total Accounts Receivable	11,496
Total Contractual Adjustment and Allowance for Loss Provision	(6,212)
Other Than Intragovernmental Accounts Receivable, Net	**$ 5,284**

NOTE 7. LOANS RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES

VA operates the following direct loan and loan guarantee programs:

Program Name	Program Group	Program Type
Vendee Loans	Home Loan	Direct
Acquired Loans	Home Loan	Direct
Native American Direct Loans	Home Loan	Direct
Housing Guaranteed Loans	Home Loan	Guarantee
Insurance	Insurance	Direct
Loan Sale Guarantees	Loan Sale Guarantees	Guarantee

A. LOAN PROGRAMS

HOME LOANS

VA offers loan guarantees and direct loans to Veterans, service members, and eligible surviving spouses to purchase homes and retain homeownership with favorable market terms.

- Vendee loans are direct loans issued to a third-party borrower for the market value of the Real Estate Owned (REO) property. VA acquires REO property from a private sector mortgage lender upon default of a loan subject to the VA Loan Guarantee Program.
- Acquired loans are VA-guaranteed loans in default that VA purchases from the private sector mortgage lender. VA subsequently services the loan directly with the Veteran after VA determines the Veteran can meet debt payments.
- Native American Direct Loans are special financing loans that enable Native Americans to purchase or construct a home on Federally recognized trust land.
- Under the VA-Guaranteed Loan program, a loan may be made to an eligible Veteran borrower by an approved private sector mortgage lender. VA guarantees payment of a fixed percentage of the loan indebtedness to the mortgage lender, up to a maximum dollar amount, in the event a default by the Veteran borrower results in a loss by the mortgage lender. If the mortgage lender acquires the property that had secured the guaranteed loan at the liquidation sale, the loan holder can elect to convey the property to VA, which then attempts to resell the property at the best possible price and terms.

VA operates in the broader mortgage marketplace; as a result, VA's Home Loan Program is affected by overall housing market conditions.

INSURANCE POLICY LOANS

Veterans who are Government life insurance policyholders with permanent plan coverage or paid-up additional insurance other than VA life insurance can borrow against the cash value of their policy, creating an insurance policy direct loan. The policyholders can borrow up to the maximum of the cash surrender value of the policy or the paid-up additional insurance.

LOAN SALE GUARANTEES

VA owns REO properties as a result of VA-guaranteed loans that defaulted and have gone through the foreclosure process with the mortgage servicer. VA has the option to sell the REO property to third-party buyers and to finance such REO sales through the origination of a direct

loan. To reduce the administrative burden of servicing these loans, VA has the authority to bundle these loans and sell them to a third-party investor (Trust) pursuant to a sale agreement.

Under the sale agreement, the Trust purchases the mortgage loans and other property acquired in the sale and makes elections to treat certain assets as one or more Real Estate Mortgage Investment Conduits for U.S. Federal income tax purposes. In addition, the Trust issues certificates backed by mortgage loans and installment contracts. The certificates represent interests in the assets of the Trust and are paid from the Trust's assets. On the closing date of the certificates, VA transfers its entire interest in the related loans receivable and collateral to the Trustee for the benefit of the related certificate holders pursuant to the sale agreement. VA guarantees that the investor receives full and timely distributions of the principal and interest on the certificates backed by the full faith and credit of the Federal Government.

B. LOANS RECEIVABLE

Loans receivable are secured by the underlying real estate and insurance policies. Direct Home Loans made after FY 1991 include direct loans disbursed by VA under the Native American Direct Loan program as well as guaranteed home loans acquired by VA under the VASP program.

On May 31, 2024, VA launched the VASP program under existing authorities 38 U.S.C. §§ 3732 and 3720, to help Veteran avoid foreclosure and stay in their homes. Under the VASP program, VA purchased the Veteran's modified loan from mortgage servicers to reach an affordable monthly mortgage payment. The VASP program is no longer accepting new entrants as of May 2025. VA acquired $10.0 billion in VASP loans during FY 2025. Defaulted guaranteed home loans include amounts where VA performed a partial claim payment to the mortgage servicer for defaulted loan payments from the borrower that have exited forbearance under the Coronavirus Disease 2019 (COVID-19) related programs.

For Direct Home Loans, interest income is accrued at the contractual rate on the outstanding principal amount. Interest continues to accrue on non-performing loans at the contractual rate. For defaulted guaranteed loans made prior to March 1, 1988, interest income is accrued based on the outstanding loan amount. In accordance with 38 U.S.C §§ 3713 and 3714, VA does not establish a receivable or accrue interest on defaulted home loans guaranteed on or after March 1, 1988.

All insurance policy loans issued since November 2, 1987, have a variable interest rate with a minimum of 5.00% and a maximum of 12.00%. Rate changes are tied to the 10-year constant maturity of the U.S. Treasury Securities Index and may only change on October 1, and the variable rate has been 5.00% since October 1, 2001.

The recorded value of loans receivable, net, and the value of assets related to loans receivable are not the same as the proceeds that VA would expect to receive from selling its loans. It is at least reasonably possible that the proceeds from the sale of its loans will differ from the reported carrying value of the loans receivable and the underlying value of their related assets, which will result in a realized gain or loss on sale.

LOANS RECEIVABLE AND RELATED FORECLOSED PROPERTY FROM DIRECT AND GUARANTEED LOANS

(dollars in millions) **As of September 30, 2025**	**Loans Receivable, Gross**	**Interest and Fees Receivable**	**Allowance for Loan Losses**	**Allowance for Subsidy Cost (Present Value)**	**Foreclosed Property**	**Value of Assets Related to Loans, Net**
Loans Obligated Prior to FY 1992 (Allowance for Loan Loss Method)						
Defaulted Guaranteed Home Loans	$ 18	$ -	$ (17)	$ -	$ -	$ 1
Loans Obligated After FY 1991 (Present Value Method)						
Direct Home Loans	10,741	15	-	(2,826)	3	7,933
Defaulted Guaranteed Home Loans	1,703	-	-	(290)	1,106	2,519
Direct Insurance Policy Loans	145	4	-	-	-	149
Total Loans Receivable	**$ 12,607**	**$ 19**	**$ (17)**	**$ (3,116)**	**$ 1,109**	**$ 10,602**

RECONCILIATION OF LOANS RECEIVABLE, NET

(dollars in millions) **As of September 30,**	**2025**
Beginning Balance of Loans Receivable, Net	$ 2,994
Loan Disbursements	10,091
Principal and Interest Payments Received	(111)
Foreclosed Property Acquired	1,274
Sale of Foreclosed Property	(418)
Interest Revenue on Uninvested Funds/Interest Expense on Borrowings	350
Subsidy Expense/Add Negative Subsidy	(2,492)
Upward Reestimates/Add Downward Reestimates	(681)
Other Increase/(Decrease) to the Subsidy Allowance	(405)
Allowance for Loan Interest Loss Adjustments	2
Other Non-Cash Reconciling Items	(2)
Ending Balance of Loans Receivable, Net	**$ 10,602**

FORECLOSED PROPERTY

Prior to the foreclosure of property secured by a VA Loan Guarantee, VA obtains an independent property appraisal. Future cash flows are calculated based on the appraised selling price less amounts paid at foreclosure and estimated costs to carry the property. The amount recorded for foreclosed property is derived from the present value of these future cash flows.

Potential volatility in the U.S. housing market could change the estimates and assumptions used for these calculations, which may impact the amounts reported and disclosed herein. There has been no change in the methodology for calculating the amount recorded for foreclosed property and there are no restrictions on the use or disposition of foreclosed property for the period ended September 30, 2025.

As of September 30, 2025, the number of residential properties in VA's inventory that have foreclosed is 5,000. The average holding period from the date properties are conveyed to VA until the date properties are sold was approximately 2 months for FY 2025. The number of properties for which foreclosure proceedings are in process is 49,572 as of September 30, 2025.

C. ALLOWANCE FOR SUBSIDY FOR DIRECT LOANS (POST-FY 1991)

The allowance for subsidy represents the difference between balance of the loans receivable and the present value of the estimated net cash flows to be paid by VA.

SCHEDULE FOR RECONCILING SUBSIDY COST ALLOWANCE BALANCES

(dollars in millions)

As of September 30,	**2025**
Allowance Balance as of October 1,	$ (104)
Subsidy Expense for Direct Loans Disbursed During the Reporting Years	2,492
Adjustments:	
Fees Received	1
Foreclosed Property Acquired	(10)
New Loans	81
Subsidy Allowance Amortization	(345)
Other	320
Total Adjustments	47
Ending Balance of the Subsidy Cost Allowance Before Reestimates	2,435
Total Subsidy Reestimates	681
Ending Balance of the Subsidy Cost Allowance	**$ 3,116**

D. SUBSIDY EXPENSE

Subsidy expense represents the budgetary costs to the Government, which are the present value of cash flows of Federal loan guarantees and direct loans, excluding all administrative costs. VA also reports revisions to subsidy expense, which are categorized as subsidy re-estimates.

VA uses a statistical model of economic data to estimate cash flow and subsidy expenses for VA direct loans and home loan guarantees. The key inputs to the model are loan disbursements, claims, recoveries, mortgage rates, Treasury bond yields, home price appreciation, and borrower payments. VA updates the models with actual loan data and programmatic and economic assumptions on an annual basis. The model data is input into the OMB Credit Subsidy Calculator to discount the cash flows and calculate reestimated subsidy. The subsidy rates disclosed below pertain only to the current-year cohorts. These rates cannot be applied to the direct loans disbursed or acquired during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and re-estimates.

Direct and Guaranteed Loans Subsidy Rates	**Defaults, Net of Recoveries**	**Interest**	**Fees**	**All Other**	**Total Subsidy Rate**
Veterans Housing Direct Acquired Loans	5.64%	22.60%	0.00%	-3.55%	24.69%
Veterans Housing Direct Vendee Loans	0.01%	-27.35%	-2.20%	0.56%	-28.98%
Native American Direct Loans	0.00%	-2.35%	-0.27%	2.02%	-0.60%
Housing Guaranteed Loans	0.71%	0.00%	-0.90%	0.00%	-0.19%

SUBSIDY EXPENSE FOR DIRECT HOME LOANS AND LOAN GUARANTEES (POST-FY 1991)

(dollars in millions) For the Period Ended September 30, 2025	Direct Home Loans	Guaranteed Home Loans	Loan Sale Guarantees	Total Subsidy
Interest Differential	$ 2,280	$ -	$ -	$ 2,280
Defaults	570	1,390	-	1,960
Fees	-	(1,762)	-	(1,762)
Other	(358)	-	-	(358)
Subsidy Expense for New Loans	2,492	(372)	-	2,120
Total Modifications	-	2,073	-	2,073
Interest Rate Reestimates	15	(39)	-	(24)
Technical Reestimates	666	836	(1)	1,501
Total Reestimates	681	797	(1)	1,477
Total Subsidy Expense	**$ 3,173**	**$ 2,498**	**$ (1)**	**$ 5,670**

E. OUTSTANDING LOAN GUARANTEES

GUARANTEED LOANS OUTSTANDING

(dollars in millions) As of September 30, 2025	Outstanding Principal of Guaranteed Loans Made by Financial Institutions, Face Value	Amount of Outstanding Principal Guaranteed by VA
Post-FY 1991		
Home Loan Guarantees	$ 1,097,894	$ 275,291
Loan Sale Guarantees	-	152
Total	**$ 1,097,894**	**$ 275,443**

NEW GUARANTEED LOANS DISBURSED

(dollars in millions) For the Period Ended September 30, 2025	Principal of Guaranteed Loans Made by Financial Institutions, Face Value	Amount of Outstanding Principal Guaranteed by VA	Number of Loans Disbursed (in standard units)
New Guaranteed Home Loans	$ 183,298	$ 45,403	474,382

F. LOAN GUARANTEE LIABILITIES

The liability on the guaranteed loans is based on the present value of the estimated net cash outflows considered most likely to be paid by VA as a result of claims against the guarantees.

Each year, VA recalculates its estimated long-term future cash flows from guaranteeing loans. This is an actuarial calculation on a net present value basis. In the following year, the subsidy required from the reestimates are reassessed for budgetary purposes. The difference between the accrued liability from the actuarial reestimate and the amount approved by OMB arises from timing differences and differing assumptions used in estimating the accrued loan guarantee liability compared to those used in preparing VA's budget requests. The budget estimates approved by OMB are reflected in VA's apportionment.

(dollars in millions) As of September 30, 2025	Home Loans Post-FY 1991	Loan Sales Post-FY 1991	Home Loans Pre-FY 1992	Total
Loan Guarantee Liabilities as of October 1, 2024	$ 7,034	$ 12	$ 274	$ 7,320
Claim Payments to Lenders	(326)	(1)	-	(327)
Fees Received	1,314	-	-	1,314
Foreclosed Property and Loans Acquired	(392)	-	(140)	(532)
Interest Revenue on Uninvested Funds	191	-	-	191
Interest Expense on Entity Borrowings	(4)	-	-	(4)
Negative Subsidy Payments	(372)	-	-	(372)
Upward Reestimates	2,596	1	-	2,597
Downward Reestimates	(1,799)	(2)	-	(1,801)
Loan Guarantee Modifications	2,073	-	-	2,073
Other	(11)	-	2	(9)
Ending Balance of the Loan Guarantee Liabilities	**$ 10,304**	**$ 10**	**$ 136**	**$ 10,450**

G. LOAN GUARANTEE MODIFICATIONS

In FY 2025, due to the termination of the VASP program, VA recorded a modification subsidy cost of $2.1 billion. The FY 2025 modification was calculated using discount rates from 4.30% - 5.00%.

On July 30, 2025, the VA Home Loan Program Reform Act, P.L. 119-31, was signed into law establishing the 'Partial Claim Program', under which VA may make partial claim payments with respect to a guaranteed loan for the primary residence of a borrower that is in default or at imminent risk of default. VA is currently assessing the effect of this new law to the loan guarantee liability. Additional data and analysis are needed to develop an estimate in accordance with SFFAS No. 2, *Accounting for Direct Loans and Loan Guarantees* and SFFAS No. 5, *Accounting for Liabilities of the Federal Government*.

H. ADMINISTRATIVE EXPENSE

The administrative expense for direct and guaranteed loans for the period ended September 30, 2025, is $266 million.

NOTE 8. INVENTORY AND RELATED PROPERTY

(dollars in millions) As of September 30,	2025
Inventory Held for Sale	$ 21
Operating Materials and Supplies	88
Stockpile Materials	70
Total Inventory and Related Property	**$ 179**

NOTE 9. PROPERTY, PLANT, AND EQUIPMENT, NET

The majority of PP&E owned or leased by VA is used to provide medical care to Veterans. Multi-use Heritage Assets are recognized and presented with PP&E in the basic financial statements and are further described in Note 10. Additional information on VA's lease activity is included in Note 16. Under SFFAS No. 59, PP&E land values will be removed beginning in FY 2026.

(dollars in millions) **As of September 30, 2025**	**Cost**	**Accumulated Depreciation/ Amortization**	**Net Book Value**
Land	$ 593	$ -	$ 593
Buildings	46,296	(27,323)	18,973
Equipment	3,448	(2,349)	1,099
Other Structures	6,004	(3,649)	2,355
Leasehold Improvements	2,198	(751)	1,447
Internal Use Software	9,609	(3,551)	6,058
Construction Work in Progress	9,920	-	9,920
Right-to-Use Lease Assets	2,218	(328)	1,890
Total Property, Plant, and Equipment	**$ 80,286**	**$ (37,951)**	**$ 42,335**

(dollars in millions)	**2025**
Property, Plant, and Equipment Balance as of October 1, (unadjusted)	$ 36,448
Effects of Prior Period Adjustment (Note 23)	3,828
Property, Plant, and Equipment Balance as of October 1, (adjusted)	40,276
Capitalized Acquisitions	4,818
Right-to-Use Lease Assets, Current Year Activity	91
Amortization of Right-to-Use Lease Assets	(170)
Dispositions	(487)
Depreciation Expense	(2,226)
Donations	36
Other	(3)
Balance as of September 30,	**$ 42,335**

NOTE 10. HERITAGE ASSETS

Heritage Assets possess significant educational, cultural, or natural characteristics. VA classifies its Heritage Assets as:

- Art collections (including artwork, archives, historic medical equipment, medals, and awards, furniture, archaeological materials, and photographs);
- Archaeological sites;
- Buildings (including historic hospitals, quarters, lodges, warehouses, laboratories, and chapels, but excluding multi-use buildings);
- Monuments; and
- Non-buildings (including flag poles, structures, rostrums, gates, and historic walls).

VA Heritage Assets can be acquired through purchases, transfers, donations and devises. The acquisition is tied to Federal preservation requirements under laws such as NHPA.

VA has a highly regulated process for the withdrawal or disposal of Heritage Assets which parallels VA's disposal for its real property assets. The general order of priority for property withdrawals is: internal reassignment, transfer to other VA facilities, transfer to another Federal agency, public benefit conveyance, sale, and abandonment or destruction.

As of September 30, 2025, VA has 1,128 multi-use Heritage Assets (multi-use buildings and national cemeteries) that are included in PP&E. Multi-use Heritage Assets have both operating and historic characteristics and are used predominantly in Government operations such as administration, engineering, and maintenance.

(in units) **As of September 30, 2025**	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Archaeological Sites	10	-	-	10
Art Collections	39	-	-	39
Buildings	575	141	(41)	675
Monuments	1,413	-	(2)	1,411
Non-Buildings	1,042	-	(5)	1,037
Multi-Use Buildings in PP&E	1,073	35	(137)	971
Soldiers' Lots and Monument Sites	35	-	-	35
National Cemeteries	155	2	-	157
Total Heritage Assets in Units	**4,342**	**178**	**(185)**	**4,335**

NOTE 11. DEBT

(dollars in millions) **As of September 30, 2025**	**Beginning Balance**	**Net Borrowing**	**Net Interest Payable**	**Ending Balance**
Source of Debt (Intragovernmental)				
Debt Owed to:				
Federal Financing Bank (FFB)	$ 4	$ -	$ -	$ 4
Treasury other than the FFB	959	8,088	-	9,047
Total Debt	**$ 963**	**$ 8,088**	**$ -**	**$ 9,051**

Debt to Treasury consists of amounts borrowed for the Direct Loan and Loan Guarantee Programs. Debt to the Federal Financing Bank consists of amounts borrowed for the VA's Transitional Housing Loan Guarantee Program. Under both debts, VA has a 30-year term from the date of issuance with the exception of the Vocational Rehabilitation Loan Program which has a 2-year term from the date of issuance. Additionally, principal repayment is expected within 10 months from the date of issuance of debt.

Net borrowings do not include any amounts that result from refinancing debt. There are no redemptions or calls of debts before maturity or write-offs of debt owed to Treasury.

The total debt increase of $8.1 billion in fiscal year 2025 is primarily due to increased borrowings from Treasury necessary for an increase in VASP related loans.

NOTE 12. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources are unfunded liabilities that require Congressional action before budgetary resources can be provided. Following are VA's unfunded liabilities.

Liabilities not requiring budgetary resources are liabilities that have not and will never require Congressional action. These are primarily deposit and clearing accounts, custodial liabilities, and general fund receipts. They can be fully liquidated without the use of budgetary resources.

(dollars in millions)

As of September 30,	**2025**
Intragovernmental	
Workers Compensation (FECA)	$ 473
Future Funded Expense - Contract Dispute Act	97
Total Intragovernmental	570
Other Than Intragovernmental	
Veterans Benefits and Actuarial FECA Liability (Note 13)	7,570,083
Unfunded Leave (Note 13)	3,712
Environmental and Disposal Liabilities (Note 14)	993
Insurance (Note 17)	1,521
Other (Note 15)	3,122
Total Other Than Intragovernmental	7,579,431
Total Liabilities Not Covered by Budgetary Resources	7,580,001
Total Liabilities Covered by Budgetary Resources	46,319
Total Liabilities Not Requiring Budgetary Resources	1,237
Total Liabilities	**$ 7,627,557**

NOTE 13. FEDERAL EMPLOYEE AND VETERANS BENEFITS LIABILITIES

The following table provides a breakdown of the Veterans Benefits and Actuarial FECA Liability reported on the Balance Sheet.

(dollars in millions)

As of September 30,	**2025**
Compensation	$ 7,292,150
Education and VR&E	259,647
Burial	10,524
Medical Claims Benefits	5,454
Actuarial FECA Liability	2,308
Total Veterans Benefits and Actuarial FECA Liability	**$ 7,570,083**

A. COMPENSATION AND BURIAL

VA provides Disability Compensation (Compensation) benefits to the following individuals:

1) Eligible Veterans who are disabled by an injury or disease incurred or aggravated in active military service, and their dependents;
2) Certain spouses and dependents of eligible Veterans who died as a result of a service-related illness or injury; and
3) Dependents of Service members who died during active military service.

Burial benefits, including burial flags, headstones or markers and grave liners for burial in a VA National Cemetery, or a plot allowance for burial in a private cemetery, are provided to Service members who died during active military service and Veterans who separated under other-than-dishonorable conditions.

The VA Compensation and Burial Programs are not defined benefit plans and have no plan assets set aside to fund future costs. VA funds the current year costs of Veterans service-related disability compensation and burial costs through its annual appropriations.

VA also provides eligible wartime Veterans and/or their dependents with pension benefits if the Veteran died, is over age 65 or is permanently and totally disabled, based on annual eligibility reviews. Unlike a traditional pension program, the VA pension is only available to wartime Veterans who meet a financial means test. As such, only the amounts currently due and payable are reflected as a liability on the Balance Sheet, which is consistent with Federal accounting standards.

ASSUMPTIONS USED TO CALCULATE THE VETERANS BENEFITS LIABILITY – COMPENSATION AND BURIAL

A liability is recognized for the present value of projected benefit payments to:

1) Beneficiaries, including Veterans and Survivors, currently receiving benefit payments;
2) Current Veterans and Survivors, who will become future beneficiaries of the Compensation Program; and
3) An estimate of Service members (and their Survivors) who gained eligibility as of the valuation date and will become future beneficiaries.

The actuarial liability for Compensation and Burial benefits as of September 30, 2025, was $7.3 trillion representing an increase of $93.3 billion.

The total Veterans Benefits Actuarial Cost, Excluding Assumption Changes, increased the liability by $156.0 billion and is made up of the components below.

- **Interest on Liability** increased the liability by $211.3 billion due to 1 year of interest on prior year-end liability using the single equivalent discount rate from the prior year's valuation, offset by interest on benefit payments.
- **Prior Service Costs from Plan Amendments** increased the liability by $11.8 billion as a result of rulemaking changes that included $7.6 billion for presumptive service connection for bladder, ureter, and related genitourinary cancers due to exposure to fine particulate matter, and an increase of $4.2 billion for presumptive service connection for

leukemias, multiple myelomas, myelodysplastic syndromes, and myelofibrosis due to exposure to fine particulate matter.

- **Experience** increased the liability by $119.9 billion as a result of changes in beneficiary counts, benefit amounts, and data used for certain adjustment factors. Other contributing factors include reductions to or removal of pre-existing legislative adjustments, change in the underlying Veteran population from USVETS to Veteran Object (VO), and replacing the PACT Act long-term cash flow adjustment to reflect experience.
- **Amounts Paid** decreased the liability by $187.0 billion due to an estimate of annual benefit payments made during FY 2025, based on the expected FY 2025 benefit payments generated in the prior year's model.

The Gain/Loss from Assumption Changes was a decrease of $62.8 billion which consisted of the following.

- **Discount Rate Assumptions** decreased the liability by $225.9 billion due to updating the last 10 years of published Treasury spot rates through March 31, 2025.
- **Other Assumptions** increased by $148.9 billion and consist of the following:
    - Methodology of estimating the PACT Act impact: increased the liability by $108.0 billion due to model assumption updates related to the Compensation new case rates, disability rating change rates, and retroactive payment load, which affected the assumed short term benefit usage.
    - Non-death termination assumption: increased the liability by $39.6 billion due to an updated experience study that used data from 2015 through 2024. The results of the study indicated an overall decrease in non-death termination rates.
    - Other model changes: increased the liability by $1.3 billion due to various improvements to the actuarial model, including basing the burial average payment assumption on expenditure data rather than obligation data, and using Deaths data from the VO process instead of VetPop.
- **COLA Rates** increased by $14.2 billion because of the increase in the projected 2026 COLA rate. The COLA rate assumption for the first projection year was 2.60% as of September 30, 2025, updated from the long-term COLA rate of 2.40%. The long-term COLA rate assumption is based on the intermediate assumptions published in the Social Security Administration's (SSA) most recent Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds.

For the Period Ended September 30,	2025
Discount Rate, Single Equivalent	3.10%
COLA Rate, Year 1	2.60%
Long-Term COLA Rate	2.40%

B. EDUCATION AND VR&E BENEFIT LIABILITIES

VA estimates Education and VR&E benefit liabilities for Servicemembers, Veterans, and Survivors on an actuarial basis. Like the Compensation and Burial model, the Education and VR&E models use data that are specific to the population, which is not available from outside sources (for example, outside of the Federal Government). These models are updated annually to reflect updated assumptions and data.

ASSUMPTIONS USED TO CALCULATE EDUCATION AND VR&E BENEFIT LIABILITIES

To calculate the present value of the Education and VR&E benefit liabilities, the following discount rates are based on the average of the last 10 years of quarterly zero-coupon Treasury spot rates. The Long-term COLA rates for the tuition and housing were derived from OMB COLA rates for tuition and housing. The housing COLA rate applies to the PGIB program only. The subsistence COLA rates were derived from published Consumer Price Index (CPI-W) and projected CPI-W rates from OMB. The number of projection years in each model are 71 years for PGIB, 52 years for VR&E, 50 years for DEA, and 34 years for MGIB-AD.

	2025			
	Post-9/11	**VR&E**	**DEA**	**MGIB-AD**
Discount Rate, Single Equivalent	2.80%	2.70%	2.90%	2.60%
Long-Term COLA Rate, Tuition	3.70%	3.70%	N/A	3.70%
Long-Term COLA Rate Subsistence/Housing	3.00%	2.20%	2.20%	N/A

The actuarial liability for Education and VR&E benefits as of September 30, 2025, was $259.6 billion representing an increase of $47.2 billion.

The total Veterans Benefits Actuarial Cost, Excluding Assumption Changes, increased the liability by $28.6 billion and is made up of the following components:

- **Interest on Liability** increased the liability by $5.4 billion due to 1 year of interest on prior year-end liability using the single equivalent discount rate from the prior year's valuation, offset by interest on benefit payments.
- **Prior Service Costs from Plan Amendments** increased the liability by $1.3 billion due to the addition of the same two legislative changes as the Compensation model to the DEA model, and an additional legislative change, P.L. 117-328 Cleland-Dole which eliminated the delimiting date and age restrictions for DEA beneficiaries if eligible after August 2023.
- **Experience** increased the liability by $35.3 billion due to changes in the PGIB, VR&E, and DEA programs. Changes to the PGIB benefits model included adding new eligible enrollees in the first year of the model, changing a data source, and converting the model to a fiscal year basis using the prior year-end data. Changes to the VR&E benefits model included adding expected new disabilities in the first model year to include all expected Veterans with disability ratings as of the valuation date and including actual PACT Act experience as of the end of the prior fiscal year. Changes to the DEA benefits model included changing the data source for projecting future dependent enrollees to VO data (similar to the Compensation and Burial model) and including actual PACT Act experience as of the end of the prior fiscal year.

- **Amounts Paid** decreased the liability by $13.4 billion due to an estimate of annual benefit payments made during FY 2025, based on the expected FY 2025 benefit payments generated in the prior year's model.

The Gain/Loss from Assumption Changes was an increase of $18.6 billion which consisted of the following:

- **Discount Rate Assumptions** decreased by $5.6 billion from updating the last 10 years of published Treasury spot rates through March 31, 2025.
- **Other Assumptions** increased by $25.1 billion mainly due to the addition of unlimited new enrollee cohorts in the PGIB model based on the latest program outlook and a new model design, offset by a new COLA methodology including applying consistent tuition, subsistence, and housing COLA rates across all programs. In addition, there was a smaller increase in the DEA and VR&E model for updating PACT Act assumptions.
- **COLA Rates** decreased by $0.9 billion due to the difference in benefit inflation rates derived from actual and projected CPI-W and the final Education and Housing COLAs from OMB.

On April 16, 2024, the Supreme Court issued a decision in a case that potentially impacts individuals with multiple periods of active-duty service who are entitled to MGIB-AD benefits under one period of service and PGIB benefits under another period of service, and whether they are entitled to a combined total of 36 months of benefits (which was VA's prior interpretation of the governing statutes) or 36 months of benefits under each program subject to the 48-month aggregate cap. The Supreme Court determined that the latter entitlement subject to the 48-month rule applies in this scenario. VA is currently assessing the effect of these benefits entitlements and needs additional data and analysis to develop a reasonable estimate in accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government*.

OTHER RELEVANT CONSIDERATIONS FOR THE ESTIMATION OF THE COMPENSATION, BURIAL, EDUCATION, AND VR&E LIABILITIES

VA programs are unlike any other in the Federal Government or commercial environment. As such, to develop the estimates VA uses certain data that are specific to the population of Veterans and Veterans' beneficiaries, which is not available from outside sources.

When computing the liability, VA's actuaries make assumptions about the future. There are two primary types of assumptions: economic assumptions that are used for modeling how the time value of money affects the net cost estimates and demographic assumptions that are used for modeling how participants' behaviors affect the amount and timing of benefit payments. Key economic assumptions include interest rate and COLA, while major demographic assumptions include mortality rates, expected level of benefit usage, and remaining benefits (where applicable).

Actuarial practice commonly involves the estimation of uncertain events and cash flows that will occur for many years after the valuation date. For example, since Compensation benefits begin for a Veteran and can continue to Survivors, the projection period for the Compensation and Burial model is 100 years. The Compensation and Burial model has been explicitly modeled for the next 100 years to capture all significant projected liabilities for Veterans and Veterans'

beneficiaries. The 100-year projection period can also increase the overall sensitivity of the model for certain assumption changes, producing changes in the liability.

The Compensation, Burial, Education, and VR&E models are updated periodically to reflect emerging plan experience and updated annually for routine assumption updates. VA considers these estimates to be reasonably stated as of September 30, 2025.

While VA has incorporated the PACT Act into the Compensation, DEA, and VR&E models, the estimate may change in future years due to policy updates including but not limited to shifts in application approval rates and expansion of eligible locations.

RECONCILIATION OF VETERANS COMPENSATION, BURIAL, EDUCATION, AND VR&E ACTUARIAL LIABILITIES

(dollars in millions)

As of September 30, 2025	Compensation	Burial	Education and VR&E	Total
Liability as of October 1, 2024	$ 7,198,500	$ 10,900	$ 212,463	$ 7,421,863
Expense for the Period:				
Interest on the Liability Balance*	211,023	319	5,448	216,790
Actuarial (Gain)/Loss:				
Experience*	120,266	(359)	35,314	155,221
Assumption Changes:				
Discount Rate	(225,503)	(350)	(5,563)	(231,416)
COLA Rate	14,180	21	(922)	13,279
Other Assumptions	148,565	328	25,089	173,982
Net (Gain)/Loss from Assumption Changes	(62,758)	(1)	18,604	(44,155)
Prior Service Costs from Plan Amendments*	11,822	-	1,260	13,082
Total Expense	280,353	(41)	60,626	340,938
Less Amounts Paid*	(186,703)	(335)	(13,442)	(200,480)
Net Change in Actuarial Liability	93,650	(376)	47,184	140,458
Liability as of September 30, 2025	**$ 7,292,150**	**$ 10,524**	**$ 259,647**	**$ 7,562,321**

*The sum of these changes represents Veterans benefits actuarial cost, excluding assumption changes on the Statement of Net Cost for FY 2025.

C. VETERANS BENEFITS – MEDICAL CLAIMS

VA provides care to Veterans and eligible dependents through community providers when necessary. Community care eligibility is dependent upon the availability of VA care, the needs and circumstances of individual Veterans and enrollment requirements, which vary by program.

INCURRED BUT NOT REPORTED MODEL FOR MEDICAL CLAIMS BENEFITS

To recognize a liability for services incurred but not yet paid, VA uses a standard actuarial model, which provides a framework for estimating complete versus incomplete incurred claims based on prior period claim lag patterns. The actuarial liability is developed using monthly claims paid by program and service date, eligibility, and enrollment data.

D. FEDERAL EMPLOYEE BENEFITS

The following table provides a breakdown of the Federal Employee Salary, Leave, and Benefits Payable Liabilities reported on the Balance Sheet. It presents the estimated amount of liability for salaries, wages, and funded annual leave and sick leave that have been earned but are unpaid, as well as the amount for unpaid leave earned that an employee is entitled to upon separation and that will be funded by future years' budgetary resources. In addition, it presents

the employer portion of payroll taxes and benefit contributions, such as retirement and health and life insurance for covered employees.

(dollars in millions)

As of September 30,	2025
Unfunded Leave	$ 3,712
Accrued Funded Payroll and Leave	1,672
Employer Contributions and Payroll Taxes Payable	15
Total Federal Employee Salary, Leave, and Benefits Payable	**$ 5,399**

VA generates costs related to employee benefit plans that include retirement, health insurance and life insurance benefit plans. OPM is responsible for the management and accounting of such plans and passes the expense, known as imputed cost, on to VA.

(dollars in millions)

For the Period Ended September 30,	2025
CSRS and FERS	$ 2,928
Federal Employees Health Benefits	3,914
Federal Employees Group Life Insurance	9
Total Imputed Expenses-Employee Benefits	**$ 6,851**

NOTE 14. ENVIRONMENTAL AND DISPOSAL LIABILITIES

VA has unfunded Environmental and Disposal Liabilities in the amount of $993 million as of September 30, 2025. The majority of VA's unfunded Environmental and Disposal Liabilities involve asbestos removal, lead abatement, replacement of underground oil and gasoline tanks, decommissioning of waste incinerators, and decontamination of equipment prior to disposal. Included in the total unfunded Environmental and Disposal Liabilities are the liabilities for the removal of friable asbestos of $211 million and nonfriable asbestos of $512 million as of September 30, 2025.

While some facilities have applied prevailing State regulations that are more stringent than Federal guidelines, Occupational Safety and Health Administration and Environmental Protection Agency regulations are the legal basis behind the majority of VA's Environmental and Disposal Liabilities. Estimated liabilities for these projects are based on known contamination that exists today and have been computed by the facility engineering staff based on similar projects already completed or by independent contractors providing work estimates.

It is at least reasonably possible that the estimated liabilities will change, as a result of changes in applicable laws and regulations, technology, future location requirements or plans, budgetary resources, and changes in future economic conditions including inflation and deflation.

NOTE 15. OTHER LIABILITIES

Other Liabilities are liabilities not reported elsewhere in the Balance Sheet. They consist of funded and unfunded intragovernmental and Other Than Intragovernmental Liabilities. In general, funded liabilities are current liabilities, while unfunded liabilities represent future financial commitments that are not funded and considered noncurrent.

(dollars in millions)

As of September 30,	**2025**
Intragovernmental	
Other Liabilities (Without Reciprocals)	$ 163
Liability to the General Fund of the U.S. Government and Other Non-Entity Assets	1,684
Other Current Liabilities - Benefit Contribution Payable	829
Other Liabilities	107
Total Intragovernmental	2,783
Other Than Intragovernmental	
Other Liabilities Without Related Budgetary Obligations	486
Other Liabilities With Related Budgetary Obligations	368
Contingent Liabilities Without Budgetary Obligations	677
Contract Holdbacks	13
Liability for Clearing Accounts	160
Liability for Non-Fiduciary Deposits Funds and Undeposited	576
Lease Liability Without Budgetary Obligations (Note 16)	1,959
Total Other Than Intragovernmental	4,239
Total Other Liabilities	**$ 7,022**

NOTE 16. LEASES

VA's intragovernmental leases consist of occupancy agreements (OAs) for real property rentals and vehicle rentals from General Services Administration (GSA). For OAs, GSA charges rental rates for space that approximates commercial rental rates for similar properties. The terms of GSA OAs vary according to whether the underlying assets are owned directly by the Federal Government or rented by GSA from third-party commercial property owners. Some GSA OAs can be cancellable with varying periods of notice required (generally 4 to 6 months). Cancellation requires a payment of all unamortized tenant improvements and rent concessions not yet earned. GSA OAs may also be non-cancellable, where VA would be financially responsible for rent payments on vacated space until the expiration of the OA, the termination of the OA permitted under the lease terms, or until the occupancy by a replacement tenant covers VA's total rent obligation. VA's lease expense for OAs for the period ended September 30, 2025, is $236 million. In addition to real property rental from GSA, VA also rents vehicles from GSA to provide transportation services to Veterans and for employees' official business. GSA charges rental rates based on monthly lease and mileage charges, published in a GSA bulletin. Monthly lease and mileage charges include all maintenance and fuel expenses. Vehicle rental agreements are cancellable by either VA or GSA subject to a reuse of leased vehicles clause. VA's lease expense for vehicles with GSA for the period ended September 30, 2025, is $168 million.

VA's significant other than intragovernmental real property (right-to-use) lease portfolio primarily includes leases for Veterans medical facilities and clinics, where VA rents real property directly from third-party commercial property owners through GSA delegated authority. Real property leases for medical facilities and clinics with third-party commercial property owners have initial lease terms of 15 to 20 years. VA normally occupies the leased real property for the entire initial lease term without exercising termination rights that become available in the latter parts of the lease term.

Other than intragovernmental leases exceeding 24 months are reported on the Balance Sheet as part of Other Liabilities (Note 15) at the present value of future lease payments. The lease liability is also included in Liabilities Not Covered by Budgetary Resources (Note 12). The present value is calculated using the Treasury rates for notes and bonds of similar durations, ranging from 4.21% to 6.00% for the period ended September 30, 2025. VA's lease interest expense for this period is $98 million, and the leased asset amortization expense is $170 million.

The following table represents future payments due for leases with other than intragovernmental entities reported as a liability on the Balance Sheet.

(dollars in millions)

Fiscal Year	Principal	Interest	Total
2026	$ 142	$ 92	$ 234
2027	142	86	228
2028	149	79	228
2029	156	71	227
2030	158	64	222
2031 – 2035	716	211	927
2036 – 2040	356	79	435
2041 – 2045	140	12	152
Total	**$ 1,959**	**$ 694**	**$ 2,653**

VA's Enhanced Use Lease (EUL) program allows VA to manage underutilized property through leasing arrangements with state or local governments or private sector organizations that provide benefits to Veterans through expanded access to a range of services, including housing, job training, and mental health counseling. Most of VA's current EUL projects exist to provide safe and affordable housing to Veterans and their families. VA frequently enters into EUL arrangements as the lessor, under which VA receives immaterial or no consideration, as authorized by 38 U.S.C. §§ 8161-8169. VA is not entitled to, nor does it recognize private sector investment into EULs as revenue. In FY 2025, VA does not have any EUL arrangements, where VA is the lessor, that meet the right-to-use lease criteria established by SFFAS No. 54.

NOTE 17. LIFE INSURANCE BENEFITS

VA administers seven life insurance programs: USGLI, NSLI, VSLI, VRI, S-DVI, VMLI, and VALife.

INSURANCE LIABILITY BALANCES

(dollars in millions) **As of September 30, 2025**	**Insurance Death Benefits**	**Death Benefit Annuities**	**Disability Income & Waiver**	**Reserve Totals**
NSLI	$ 199	$ 11	$ 1	$ 211
VSLI	357	1	1	359
S-DVI	1,024	4	528	1,556
VRI	10	-	-	10
VMLI	212	-	-	212
VALife	152	-	-	152
Subtotal	1,954	16	530	2,500
Insurance Dividends Left on Credit or Deposit				222
Dividends Payable to Policyholders				3
Unpaid Policy Claims				169
Insurance Liabilities Reported on the Balance Sheet				2,894
Less Liabilities Not Covered by Budgetary Resources (Note 12)				(1,521)
Liability Covered by Budgetary Resources				**$ 1,373**

The USGLI program has no remaining policyholders and does not meet VA's reporting threshold. VA continues to pay insurance proceeds to USGLI policy beneficiaries who receive lifetime annuities. Unpaid policy claims primarily consist of insurance claims that are pending at the end of the reporting period and an estimate of claims that have been incurred but are not yet reported, both of which are payable from the insurance funds.

SCHEDULE FOR RECONCILING LIFE INSURANCE UNPAID POLICY CLAIM LIABILITY

(dollars in millions) **As of September 30, 2025**	**Unpaid Claim Liability as of October 1, 2024**	**Claims Expenses**	**Less Payments to Settle Claims**	**Ending Unpaid Claim Liability Balance**
NSLI	$ 68	$ 96	$ (101)	$ 63
VSLI	50	82	(86)	46
S-DVI	46	106	(101)	51
VRI	2	4	(4)	2
VMLI	7	18	(20)	5
VALife	-	9	(7)	2
Total	**$ 173**	**$ 315**	**$ (319)**	**$ 169**

VA supervises the administration of two life insurance programs, SGLI and VGLI, which are administered by Prudential. Prudential holds reserves needed for claims and administration while the group policy is in effect. Further, a contingency reserve is used to account for adverse fluctuations in claims under the policy, as required by law. These reserves are maintained in Prudential's financial records since the risk of loss is assumed by Prudential and its reinsurers. Within its revolving fund, VA holds excess funds that are not required to cover program liabilities

held by Prudential but are available to support the SGLI and VGLI programs. In FY 2025, VA recouped $400 million of excess Contingency Reserve funds held by Prudential for SGLI to maintain the contingency reserve balance within the target range, by withholding SGLI and Family SGLI premium payments.

A. CASH SURRENDER VALUE

The cash surrender value represents the amount that is contractually available to a policyholder upon voluntary termination of their life insurance policy. The likelihood all policies will terminate in the same time period is remote.

(dollars in millions)

As of September 30,	**2025**
NSLI	$ 189
VSLI	335
S-DVI	841
VRI	9
VALife	28
Total*	**$ 1,402**

*Under VMLI, since the insured homeowner has no equity in the policy, claims are payable to mortgage companies.

B. PROGRAM COSTS, PREMIUMS COLLECTED, AND APPROPRIATIONS USED

(dollars in millions) **For the Period Ended September 30, 2025**	**Program Costs**	**Premiums Collected**	**Appropriations Used**
NSLI	$ 156	$ 8	$ -
VSLI	114	9	-
S-DVI	155	63	117
VRI	5	-	-
VMLI	22	4	18
VALife	15	97	-
Total	**$ 467**	**$ 181**	**$ 135**

C. INSURANCE IN-FORCE

The amount of insurance in-force represents the total face amount of life insurance coverage provided by each administered and supervised program at the end of the fiscal year. It includes any paid-up additional coverage provided under these policies. The possibility that claims filed in any time period will equal the entire insurance in-force amount is remote. The following information provided under the supervised programs is unaudited.

	2025 Policies (number of policies)	2025 Face Value (dollars in millions)
Supervised Programs (UNAUDITED)		
SGLI Active Duty	1,417,000	$ 696,665
SGLI Ready Reservists	685,500	308,456
SGLI Post Separation	82,000	39,329
SGLI Family – Spouse	877,000	86,882
SGLI Family – Children	1,638,000	16,380
TSGLI*	-	210,250
VGLI	454,931	102,816
Total Supervised	5,154,431	$ 1,460,778
Administered Programs		
NSLI	17,194	$ 210
VSLI	25,351	391
S-DVI	240,359	2,531
VRI	1,004	11
VMLI	2,151	351
VALife	67,219	2,144
Total Administered	353,278	$ 5,638
Total Supervised and Administered Programs	**5,507,709**	**$ 1,466,416**

*TSGLI is an automatic rider for all SGLI-insured Service members and the policies are included in the SGLI policy counts.

D. POLICY DIVIDENDS

The Secretary determines annually the excess funds available for dividend payment. Policy dividends for FY 2025 were $6 million.

NOTE 18. COMMITMENTS AND CONTINGENCIES

VA records a contingent liability of $677 million for FY 2025, for pending legal claims where losses are determined to be probable, and the amounts can be estimated. The liability from existing medical malpractice and other tort claims is estimated using generally accepted actuarial standards and procedures. Estimates of future claim payments are discounted using a yield curve, which is based on a 10-year average of quarterly zero-coupon Treasury spot rates evaluated as of March 31, 2025. Non-tort claims typically involve contract disputes and employment matters. Losses arising from similar claims that are reasonably possible and estimable are disclosed rather than accrued as liabilities.

(dollars in millions)		Estimated Range of Loss	
For the Period Ended September 30, 2025	**Accrued Liabilities**	**Low**	**High**
Legal Contingencies			
Probable - Medical Malpractice and Other Torts	$ 455	$ 455	$ 455
Probable - Non-Tort	222	222	282
Reasonably Possible - Non-Tort		1	89
Total	**$ 677**	**$ 678**	**$ 826**

As of September 30, 2025, there are cases and claims not brought under the Federal Tort Claims Act, where there is at least a reasonable possibility that a loss may occur, for which the potential range of loss cannot be determined.

VA is a defendant to litigation involving the 388-acre West Los Angeles VA Campus ("West LA Campus"). The plaintiffs allege in part that VA has failed to provide adequate supportive housing benefits for certain Veterans, and that some land use agreements do not comply with the terms of the West LA Leasing Act of 2016. Following the District Court's October 2024 judgment in favor of the plaintiffs, VA appealed to the Ninth Circuit which granted a temporary stay of the District Court's judgment pending appeal on November 25, 2024, and heard oral arguments on five related appeals on April 8, 2025. As of September 2025, the Ninth Circuit's decision on these appeals is still pending.

VA is involved in a case regarding whether Veterans with a single period of service may be eligible to receive two types of educational benefits. The Board issued a decision which denied a Veteran's entitlement to MGIB benefits after it determined the Veteran had elected to receive PGIB benefits. In its decision, the Board stated that Congress enacted statutory changes in 2011 which bar eligibility to receive benefits under both PGIB and MGIB based on a single period of service. On May 16, 2025, the U.S. Court of Appeals for Veterans Claims reversed the Board's decision and held that a Veteran's single period of service of sufficient length could be used to establish two separate entitlements to MGIB and PGIB educational assistance benefits. VA is currently seeking to appeal.

VA also records an expense and Imputed Financing source for the Judgment Fund's pending claims and settlements. The Judgment Fund accounting is shown in the following table.

(dollars in millions)

For the Period Ended September 30	**2025**
Fiscal Year Settlement Payments	$ 121
Less Contract Dispute and "No Fear" Payments	(8)
Imputed Financing-Paid by Other Entities*	**$ 113**

*The Imputed Financing-Paid by Other Entities in the table above, when combined with the Total Imputed Expenses – Employee Benefits reported in Note 13 reconciles to total Imputed Financing costs reported in the Consolidated Statement of Changes in Net Position.

In accordance with 38 C.F.R. § 17.36 (c), the Secretary makes an annual enrollment decision that identifies which Veterans, by priority, will be treated for that fiscal year based on funds appropriated, estimated collections, usage, the severity index of enrolled Veterans and changes in cost. While VA expects to continue to provide medical care to Veterans in future years, an estimate of this amount cannot be reasonably made. Accordingly, VA recognizes the medical care expenses in the period the medical care services are provided. For FY 2021 through FY 2025, the average medical care cost per year is $108.3 billion.

NOTE 19. FUNDS FROM DEDICATED COLLECTIONS

Funds from Dedicated Collections are individual funds with explicit authority to retain revenues and/or other financing sources not used in the current period for future use. VA's Funds from Dedicated Collections consist of trust, special, and revolving funds. Trust funds do not involve a fiduciary relationship with an individual or group but are designated exclusively for a specific activity, benefit, or purpose.

VA's funds are grouped as insurance, medical care, benefits and burial in the following tables.

Dedicated Collections Fund Name	Authority	Purpose of Fund	Financing Source
Servicemembers' and Veterans' Group Life Insurance	38 U.S.C.1969	Insurance to active-duty, ready and retired reservists, and cadets attending service academies and Reserve Officers' Training Corp and to Veterans.	Public, Veterans
Veterans Reopened Insurance Fund	38 U.S.C.1925	Insurance to World War II and Korean War Veterans.	Public, Veterans
Service-Disabled Veterans Insurance Fund	38 U.S.C.1922	Insurance to Veterans with service-connected disabilities.	Public, Veterans
National Service Life Insurance Fund	38 U.S.C.1920	Insurance - Premiums insure World War II Veterans.	Public, Veterans
Veterans Special Life Insurance Fund	38 U.S.C. 1923	Insurance - Premiums insure Korean conflict and post-Korean Conflict Veterans.	Public, Veterans
Veterans Affairs Life Insurance	38 U.S.C.1922B	Insurance to Veterans with service-connected disabilities.	Veterans
Canteen Service Revolving Fund	38 U.S.C.78	Medical Care - Operates the canteen services at hospitals.	Revenue from product sales
Medical Care Collections Fund	P.L. 105-33 111 Stat 665	Medical Care - Third-party and patient co-payments for medical services.	Public, primarily insurance carriers
General Post Fund, National Homes	38 U.S.C.8301	Medical Care - Donations for patient benefits.	Public, mostly Veterans
Post-Vietnam Era Veterans' Educational Assistance Program	38 U.S.C.3222	Benefits - Subsidizes the cost of education to Veterans.	Veterans, DoD
Cemetery Gift Fund	38 U.S.C. 2407	Burial - Donations for Veterans cemeteries.	Public donors
National Cemetery Administration Facilities Operation Fund	P.L. 108-454	Burial - Proceeds benefit land and buildings.	Proceeds from buildings/land leases

(dollars in millions)	Insurance	Other Funds From Dedicated Collections	Total Funds From Dedicated Collections (Combined)	Eliminations Between Funds From Dedicated Collections	Total Funds From Dedicated Collections (Consolidated)
Balance Sheet as of September 30, 2025					
Assets					
Intragovernmental					
Fund Balance with Treasury	$ 176	$ 500	$ 676	$ -	$ 676
Investments	5,935	150	6,085	-	6,085
Accounts Receivable	-	10	10	-	10
Total Intragovernmental	**$ 6,111**	**$ 660**	**$ 6,771**	**$ -**	**$ 6,771**
Other Than Intragovernmental					
Cash	$ -	$ 1	$ 1	$ -	$ 1
Accounts Receivable, Net	5	2,367	2,372	-	2,372
Direct Loan and Loan Guarantees, Net	149	-	149	-	149
Inventory	-	21	21	-	21
Property, Plant, and Equipment	-	66	66	-	66
Total Assets	**$ 6,265**	**$ 3,115**	**$ 9,380**	**$ -**	**$ 9,380**
Liabilities					
Intragovernmental					
Accounts Payable	$ -	$ (89)	$ (89)	$ -	$ (89)
Other Liabilities	16	-	16	-	16
Total Intragovernmental Liabilities	$ 16	$ (89)	$ (73)	$ -	$ (73)
Other Than Intragovernmental					
Accounts Payable	$ 25	$ 103	$ 128	$ -	$ 128
Federal Employee Salary, Leave, and Benefits Payable	-	10	10	-	10
Veterans Benefits and Actuarial (FECA) Liability	2,677	-	2,677	-	2,677
Advances From Others and Deferred Revenue	14	-	14	-	14
Other Liabilities	-	4	4	-	4
Total Liabilities	**$ 2,732**	**$ 28**	**$ 2,760**	**$ -**	**$ 2,760**
Net Position					
Total Net Position	$ 3,533	$ 3,087	$ 6,620	$ -	$ 6,620
Total Liabilities and Net Position	**$ 6,265**	**$ 3,115**	**$ 9,380**	**$ -**	**$ 9,380**
Statement of Net Cost as of September 30, 2025					
Gross Program Costs	$ 244	$ 455	$ 699	$ -	$ 699
Less Earned Revenues	403	5,147	5,550	-	5,550
Net Cost/(Benefit) of Operations	**$ (159)**	**$ (4,692)**	**$ (4,851)**	**$ -**	**$ (4,851)**
Statement of Changes in Net Position as of September 30, 2025					
Unexpended Appropriations					
Beginning Balance	$ -	$ 16	$ 16	$ -	$ 16
Net Change in Unexpended Appropriations	-	1	1	-	1
Total Unexpended Appropriations: Ending	**-**	**17**	**17**	**-**	**17**
Cumulative Results of Operations	**$ 2,896**	**$ 2,947**	**$ 5,843**	**$ -**	**$ 5,843**
Budgetary and Other Financing Sources	477	(4,568)	(4,091)	-	(4,091)
Net (Cost)/Benefit of Operations	159	4,692	4,851	-	4,851
Change in Cumulative Results of Operations	**636**	**124**	**760**	**-**	**760**
Cumulative Results of Operations: Ending	**3,532**	**3,071**	**6,603**	**-**	**6,603**
Total Net Position	**$ 3,532**	**$ 3,088**	**$ 6,620**	**$ -**	**$ 6,620**

NOTE 20. EXCHANGE TRANSACTIONS

A. EXCHANGE REVENUES

Exchange revenue consists primarily of medical revenue recognized when earned from other Federal agencies or the public as a result of costs incurred or services performed on their behalf. Medical revenue is earned by VA when services are provided and are billable to the first-party (Veterans) and third-party insurance companies. Under 38 U.S.C., Chapter 17, VHA is authorized to bill a Veteran's third-party health insurer for health care provided at VA and non-VA medical facilities. Generally, VA considers a Veteran's health care billable if the treatment is not for a service-connected disability.

B. PUBLIC EXCHANGE TRANSACTIONS

Exchange revenue is usually based on the full cost associated with the goods exchanged or services performed. VHA has legislative exceptions to the requirement to recover the full cost to the Federal Government of providing services, resources, or goods for sale. Under "enhanced sharing authority," VHA facilities may enter into arrangements for sharing facilities, contracts for services, and contracts for use of equipment where reimbursement rates are negotiated in the best interest of the Federal Government.

Under 38 C.F.R. § 17.101, reasonable costs are used to bill for reimbursable health care services, public workers' compensation, tort and no-fault, or uninsured motorists' insurance cases. Under regulations issued pursuant to 38 U.S.C. § 1729, third-party payers may elect to pay VA's billed costs (less applicable deductible or copayment amounts) for the care and services provided to Veterans, or they may elect to pay VA an amount that it would pay to other providers for care and services in the same geographic area. Under this methodology, the billable amounts for services provided by VA represent the 80th percentile of nationwide average rates developed from commercial and Medicare statistical data by locality throughout the Nation. The statistical data is adjusted by the Consumer Price Index to account for the historical nature of the data being used. The billable amounts by service provided are developed based on the classification of services as inpatient, outpatient, professional, surgical, or non-surgical. The nationwide average rates used to determine billable amounts for services provided for inpatient care are updated annually effective October 1, and nationwide average rates for billable amounts for outpatient and professional care are updated annually effective January 1. The updated charges are published by a Notice in the Federal Register and the charges are available on the VHA Office of Integrated Veteran Care website. Revenue earned but unbilled is estimated using historical average data. An allowance for contractual adjustments from insurance companies and uncollectible amounts is determined using historical average data.

Per 38 C.F.R. § 17.102, cost-based and inter-agency per diems are calculated annually to produce rates used to bill for medical care or services provided by VA that are:

(a) Furnished in error or based on tentative eligibility;
(b) For a medical emergency, workers' compensation (intragovernmental only) or humanitarian emergency;
(c) To pensioners of allied nations;
(d) For research purposes in circumstances under which VA medical care appropriation is to be reimbursed by VA research appropriation; and

(e) To beneficiaries of the DoD or other Federal agencies, when the care or service provided is not covered by an applicable sharing agreement.

These per diem costs are derived primarily from cost and workload data from the VHA Office of Finance cost reports.

VA's Loan Guarantee Program collects certain fees that are set by law authorized in 38 U.S.C. § 3729, such as loan guarantee funding fees and loan guarantee lender participation fees. A person who pays a fee for a loan guaranteed or insured after December 31, 1989, or who is exempt from payment of the fee, will have no liability to VA for any loss resulting from default except in the case of fraud, misrepresentation, or bad faith. This exemption does not apply to manufactured homes under Section 3712 or to loan assumptions. Rental fees are collected on a small number of properties during the period when the property is titled to VA.

NCA also has the following exchange revenue activities:

- Lodge leases with not-for-profit groups and employees for historic preservation, office space, or temporary housing. Lessees are generally responsible for lodge upkeep, utilities, insurance, minor repairs, and other maintenance costs.
- Vacant land leases for agricultural farming, private business use, and for use by local community-based entities. Based on the agreement terms, lessees pay rent monthly or annually.
- Annual fees from commercial entities for easements to access land.

Because VA receives immaterial revenue from the NCA lodge, vacant land, and easement arrangements described above, VA does not recognize lease receivables or unearned revenue for these leasing arrangements.

NOTE 21. NET PROGRAMS COSTS BY ADMINISTRATION

(dollars in millions) For the Period Ended September 30, 2025	Gross Cost	Veterans Benefits Actuarial Cost	Less Earned Revenue	Net Program Costs	Gain/Loss from Assumption Changes	Total
VETERANS HEALTH ADMINISTRATION						
0140 - Medical Community Care	$ 22,604	$ -	$ -	$ 22,604	$ -	$ 22,604
0152 - Medical Support and Compliance	12,331	-	(82)	12,249	-	12,249
0160 - Medical Services	78,905	-	(228)	78,677	-	78,677
0162 - Medical Facilities	7,006	-	(26)	6,980	-	6,980
0167 - Information Technology	6,674	-	(119)	6,555	-	6,555
All Other Funds	40,312	-	(5,169)	35,143	-	35,143
VHA Combined Total	**167,832**	**-**	**(5,624)**	**162,208**	**-**	**162,208**
Intra-Entity Eliminations	(2,284)	-	280	(2,004)	-	(2,004)
VHA Consolidated Total	**$ 165,548**	**$ -**	**$ (5,344)**	**$ 160,204**	**$ -**	**$ 160,204**
VETERANS BENEFITS ADMINISTRATION						
0102 - Compensation And Pensions	$ 201,769	$ 156,033	$ -	$ 357,802	$ (62,759)	$ 295,043
0137 - Readjustment Benefits	16,552	28,580	-	45,132	18,604	63,736
4129 - Veterans Housing Benefits Loan Guarantee Program	119	-	(191)	(72)	-	(72)
8132 - National Service Life Insurance Fund	27	-	(19)	8	-	8
0151 - General Operating Expenses	9,640	-	(8,527)	1,113	-	1,113
All Other Funds	6,697	-	(905)	5,792	-	5,792
VBA Combined Total	**234,804**	**184,613**	**(9,642)**	**409,775**	**(44,155)**	**365,620**
Intra-Entity Eliminations	(8,727)	-	8,526	(201)	-	(201)
VBA Consolidated Total	**$ 226,077**	**$ 184,613**	**$ (1,116)**	**$ 409,574**	**$ (44,155)**	**$ 365,419**
NCA Combined Total	$ 656	$ -	$ (1)	$ 655	$	$ 655
Intra-Entity Eliminations	(14)	-	-	(14)		(14)
NCA Consolidated Total	**$ 642**	**$ -**	**$ (1)**	**$ 641**	**$**	**$ 641**
Indirect Administrative Programs						
0142 - General Administration	$ 964	$ -	$ (493)	$ 471	$ -	$ 471
1122 - Board of Veterans Appeals	303	-	-	303	-	303
4537 - Supply Fund	2,281	-	(2,162)	119	-	119
4539 - Franchise Fund	1,949	-	(1,920)	29	-	29
All Other Funds	442	-	(205)	237	-	237
Indirect Administrative Programs Combined Total	**5,939**	**-**	**(4,780)**	**1,159**	**-**	**1,159**
Intra-Entity Eliminations	(1,822)	-	4,040	2,218	-	2,218
Indirect Administrative Programs Consolidated Total	**$ 4,117**	**$ -**	**$ (740)**	**$ 3,377**	**$ -**	**$ 3,377**
Net Cost of Operations	**$ 396,384**	**$ 184,613**	**$ (7,201)**	**$ 573,796**	**$ (44,155)**	**$ 529,641**

NOTE 22. DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

A. BORROWING AUTHORITY

The Home Loan Guarantee Program principal repayment is expected over a 30-year period from the date of issuance of debt. Borrowing is repaid to Treasury through the proceeds of portfolio loan collections and funding fees. The Vocational Rehabilitation Program principal repayment is expected within 10 months from the date of issuance of debt. Loans generally have a duration of one year and repayment is made from offsetting collections.

	2025	
(dollars in millions)	**Value**	**Interest Rate**
Home Loan Guarantee Program	$ 8,735	4.53%
Vocational Rehabilitation Program Direct Loans	$ -	4.81%

B. PERMANENT INDEFINITE APPROPRIATIONS

VA has three permanent and indefinite appropriations to cover housing financial transactions and unexpected housing losses: (1) the Veterans Housing Benefit Program Fund account covers all subsidy re-estimate costs (that is, costs to the Government for original subsidy and re-estimates subsidy) associated with loan obligations and loan guarantees committed since 1992 for Veterans' housing benefits, (2) the Native American Veteran Housing Loan Program account covers all subsidy re-estimate costs arising from Veteran Native American direct loan obligations, and (3) the Vocational Rehabilitation Loan Program account funds loan subsidy re-estimates.

C. EXPLANATIONS OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT

The following table reflects material differences between the FY 2024 Statement of Budgetary Resources and the FY 2024 actual amounts reported in the FY 2026 President's Budget of the U.S. Government. The FY 2026 President's Budget was released in June 2025 and may be obtained from OMB (the Technical Supplement to the 2026 Budget – Appendix) or the Government Publishing Office. The budget with the actual amounts for FY 2025 has not been released yet.

(dollars in millions) **FY 2024 Actual Balances per the FY 2026 Budget of the U.S. Government**	**Total Budgetary Resources**	**New Obligations & Upward Adjustments**	**Distributed Offsetting Receipts**	**Net Outlays**
Actual Balances per the FY 2026 Budget of the U.S. Government	$ 414,498	$ 375,255	$ (5,393)	$ 336,981
Reconciling Items:				
Expired Unobligated Funds	5,193	-	-	-
Expired Prior Year Budget Authority	2,426	-	-	-
Medical Care Collection Fund - Copayments	-	-	(4,009)	-
Special Funds not in the U.S. Budget but in the SBR	8	-	-	-
Offsetting Differences between the U.S. Budget and the SBR	-	-	(27)	-
Non-Budgetary Financing Disbursements, Net*	-	-	-	(2,543)
Other	-	2	-	(5)
Per the FY 2024 SBR	**$ 422,125**	**$ 375,257**	**$ (9,429)**	**$ 334,433**

*This represents credit reform financing accounts, net outlays.

D. USE OF UNOBLIGATED BALANCE OF BUDGET AUTHORITY

Within the Statement of Budgetary Resources, the Unobligated Balances represent apportioned and unapportioned amounts of unexpired VA funds. It also includes expired authority, which remains available for 5 additional fiscal years for recording and adjusting previously recorded obligations but cannot be used to fund new obligations.

E. UNDELIVERED ORDERS AT THE END OF THE PERIOD

(dollars in millions)

As of September 30,	**2025**	
	Paid	**Unpaid**
Intragovernmental Undelivered Orders	$ 2,078	$ 4,941
Other Than Intragovernmental Undelivered Orders	39	24,591
Total Undelivered Orders	**$ 2,117**	**$ 29,532**

F. LEGAL ARRANGEMENTS AFFECTING THE USE OF UNOBLIGATED BALANCES

(dollars in millions)

As of September 30,	**2025**
Unapportioned Amounts Unavailable for Future Apportionments	$ 7,593
Expired Authority	4,275
Total Unobligated Balances	**$ 11,868**

G. CONTRIBUTED CAPITAL

For the year ended September 30, 2025, General Post Fund donations totaled $82 million.

H. NET ADJUSTMENTS TO UNOBLIGATED BALANCE BROUGHT FORWARD

(dollars in millions)

As of September 30, 2025	**Budgetary**	**Non-Budgetary Credit Reform Financing Account**
Unobligated Balance, Prior Year	$ 37,929	$ 8,939
Funds Paid to Treasury	(1)	(529)
Recoveries of Prior Year Obligations	5,684	4
Other	(1,330)	-
Unobligated Balance from Prior Year Budget Authority, Net	**$ 42,282**	**$ 8,414**

NOTE 23. PRIOR PERIOD ADJUSTMENT

The EHRM program is a major initiative by the VA to replace its legacy electronic health record system (VistA) with a commercial off-the-shelf-solution developed by Oracle Cerner. The goal is to create a single, interoperable health record that seamlessly integrates with DoD and other Federal partners, improving continuity of care for Veterans throughout their lifetimes. Launched in 2018, the EHRM program is one of the largest and most complex IT modernization efforts in the Federal government. It is designed to:

- Enhance clinical decision-making and patent safety
- Improve data sharing between VA, DoD, and community providers
- Standardize workflows across VA medical facilities
- Support Veteran-centric care delivery

During FY 2025, certain expenditures associated with the EHRM program were adjusted for proper accounting treatment in accordance with SFFAS No. 10, *Accounting for Property, Plant, and Equipment*. VA accounted for the misclassification of software in development expenditures retrospectively, as depicted below in the FY 2025 Cumulative Results of Operations Beginning Balance of the Statement of Change in Net Position.

CONSOLIDATED BALANCE SHEET *(dollars in millions)*

As of September 30,	**2025**	**Adjustment**	**Total**
Assets			
Other Than Intragovernmental Assets			
Cash (Note 4)	$2	$-	$2
Accounts Receivable, Net (Note 6)	5,284	-	5,284
Loans Receivable, Net (Note 7)	10,602	-	10,602
Inventory and Related Property, Net (Note 8)	179	-	179
Property, Plant, and Equipment, Net (Note 9)	38,507	3,828	42,335
Advances and Prepayments	35	-	35
Total Other Than Intragovernmental Assets	54,609	3,828	58,437
Total Assets	**$163,970**	**$3,828**	**$167,798**
Net Position – Cumulative Results of Operations			
Funds From Dedicated Collections (Note 19)	6,603	-	6,603
Funds From Other than Dedicated Collections	(7,530,655)	3,828	(7,526,827)
Total Cumulative Results of Operations	**(7,524,052)**	**3,828**	**(7,520,224)**
Total Net Position	**$(7,463,587)**	**$3,828**	**$(7,459,759)**
Total Liabilities and Net Position	**$163,970**	**$3,828**	**$167,798**

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION *(dollars in millions)* **For the Period Ended September 30, 2025**	**Funds from Dedicated Collections (Note 19)**	**All Other Funds**	**Consolidated Total**
Cumulative Results of Operations			
Beginning Balance	$5,843	$(7,391,510)	$(7,385,667)
Prior Period Adjustment	-	3,828	3,828
Beginning Balance As Adjusted	5,843	(7,387,682)	(7,381,839)
Appropriations Used	-	385,983	385,983
Nonexchange Revenue	-	23	23
Donations and Forfeitures of Cash and Cash Equivalents	20	-	20
Transfers In/(Out) Without Reimbursement	(4,533)	4,687	154
Donations and Forfeitures of Property	62	-	62
Imputed Financing	-	6,964	6,964
Other	360	(2,310)	(1,950)
Net (Cost)/Benefit of Operations (Note 21)	4,851	(534,492)	(529,641)
Net Change in Cumulative Results of Operations	760	(139,145)	(138,385)
Total Cumulative Results of Operations	**6,603**	**(7,526,827)**	**(7,520,224)**
Net Position	**$ 6,620**	**$ (7,466,379)**	**$ (7,459,759)**

NOTE 24. BUDGET AND ACCRUAL RECONCILIATION

Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the Federal deficit. Financial accounting is intended to provide a picture of the Government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of Net Outlays, presented on a budgetary basis, and the Net Operating Cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The following analysis illustrates this reconciliation by listing the key differences between Net Operating Cost and Net Outlays.

(dollars in millions) **For the Period Ended September 30, 2025**	**Intra-governmental**	**Other Than Intra-governmental**	**Total**
Net Operating Cost (SNC)	**$ 25,506**	**$ 504,135**	**$ 529,641**
Components of Net Operating Cost Not Part of the Budget Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(2,226)	(2,226)
Property, Plant, and Equipment Disposals and Reevaluations	-	(487)	(487)
Lessee Lease Amortization	-	(170)	(170)
Cost of Goods Sold	(1,651)	(221)	(1,872)
Adjustment to Prior Year Credit Reform Reestimates Accrual	-	(109)	(109)
Gains/Losses on All Other Investments	-	(60)	(60)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	(395)	1,270	875
Loans Receivable, Net (Non-FCRA)	-	(10)	(10)
Securities and Investments	5	(139)	(134)
Other Assets	(934)	(76)	(1,010)
(Increase)/Decrease in Liabilities:			
Accounts Payable	30	(1,786)	(1,756)
Loans Guarantee Liability (Non-FCRA)/Loans Payable	-	138	138
Lessee Lease Liability	-	47	47
Environmental and Disposal Liabilities	-	(141)	(141)
Federal Employee Salary, Leave, and Benefits Payable	-	(355)	(355)
Veterans Benefits and Actuarial FECA Liability	-	(140,451)	(140,451)
Life Insurance Benefits Payable	-	281	281
Other Liabilities	313	(15)	298
Financing Sources:			
Imputed Cost	(6,964)	-	(6,964)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**(9,596)**	**(144,510)**	**(154,106)**
Components of the Budgetary Outlays That Are Not Part of Net Cost of Operations			
Acquisition of Capital Assets	341	4,477	4,818
Payments Against Lease Liabilities	-	138	138
Acquisition of Inventory	-	1,782	1,782
Financing Sources:			
Donated Revenue	-	(20)	(20)
Transfers Out (In) Without Reimbursements	(154)	-	(154)
Total Components of the Budget Outlays That Are Not Part of Net Cost of Operations	**187**	**6,377**	**6,564**
Miscellaneous Items			
Distributed Offsetting Receipts (-)	-	(9,750)	(9,750)
Custodial/Non-Exchange Revenue	(24)	(360)	(384)
Non-Entity Activity	159	-	159
Appropriated Receipts for Trust/Special Funds	4,514	-	4,514
Other	-	(39)	(39)
Total Miscellaneous Items	**4,649**	**(10,149)**	**(5,500)**
Total Net Outlays	**$ 20,746**	**$ 355,853**	**$ 376,599**
Agency Outlays, Net (Discretionary and Mandatory)			**$ 376,599**

NOTE 25. PUBLIC-PRIVATE PARTNERSHIPS

VA is engaged in various collaborative relationships with private sector entities in which the governance, roles, and responsibilities were determined to produce a risk-sharing arrangement. These relationships are referred to as public-private partnerships (P3). While many of VA's relationships may be referred to as a P3, only those meeting the disclosure requirements outlined in SFFAS No. 49, *Public-Private Partnerships: Disclosure Requirements* are disclosed in the tables below.

A. ENERGY SAVINGS PERFORMANCE CONTRACTS (ESPC) AND UTILITY ENERGY SERVICE CONTRACTS (UESC)

VA has entered into ESPC and UESC to procure energy savings and facility improvements. These contract vehicles do not require up-front capital costs or special appropriations from Congress.

Federal agencies are authorized to enter into ESPCs under National Energy Conservation Policy Act (42 U.S.C. § 8287), as amended. An ESPC is a partnership between an agency and an energy service company (ESCO) to reduce energy, water and/or related operating costs and to assist agencies with upgrading aging infrastructure, systems, and equipment. Upon conducting a comprehensive audit, the ESCO designs and constructs a project that meets the agency's needs and arranges financing to pay for the project. The ESCO guarantees that the improvements will generate sufficient energy cost savings to pay for the project over the term of the contract. In case the energy savings guaranteed targets are not being met, there is a possibility that the payments can be reduced.

By statute, ESPCs cannot exceed 25 years. VA obtains the title to all installed capital goods, equipment, and improvements upon completion of installation and acceptance by VA. After a contract ends, VA retains all additional cost savings. VA is responsible for contract administration over the term of the contracts.

Authorized by the Energy Policy Act of 1992, P.L. 102-486 (codified as 42 U.S.C. § 8256), UESC is a limited-source contract between a Federal agency and its serving utility for energy and water-efficiency improvements and demand-reduction services, allowing Federal agencies to pay for the services over time, either on their utility bill or through a separate agreement.

UESCs also cannot exceed 25 years in duration. After a contract ends, VA retains all additional cost savings. Under UESCs, VA retains title to all installed capital goods, equipment, and improvements. Under OMB Memorandum M-98-13 and M-12-21, ESPC and UESC repayments can be funded on an annual basis. Contracts can be terminated for convenience in part or in full. In the case of a termination, VA may be responsible for outstanding loan balances and early termination or payment fees. Measurement and verification of energy savings is required under ESPCs and UESCs.

The benefits of ESPCs and UESCs include:

- Infrastructure improvements that pay for themselves over time; and
- Ability to install longer payback energy and water conservation measures by bundling savings with shorter payback measures.

(dollars in millions) **As of September 30, 2025**	**Actual Amount Paid in FY**	**Estimated Amount to be Paid over Expected Life**	**Total Cumulative Funding by VA over Life of Arrangement**	**Total Cumulative Funding by Private Sector over Life of Arrangement**
ESPC	$ 30	$ 625	$ 194	$ 707
UESC	6	294	259	320
Total	**$ 36**	**$ 919**	**$ 453**	**$ 1,027**

NOTE 26. RECLASSIFICATION OF THE STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR THE FINANCIAL REPORT COMPILATION PROCESS

To prepare the FR of the U.S. Government, Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger (USSGL) account that appear in the financial statements. Treasury uses the trial balance information reported in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System to develop a Reclassified Statement of Net Cost and Reclassified Statement of Changes in Net Position for each agency. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements.

This note shows VA's financial statements and VA's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the FY 2024 FR can be found on Treasury's website and a copy of the FY 2025 FR will be posted to this site as soon as it is released.

FY 2025 VA Statement of Net Cost (dollars in millions)		**Dedicated Collections Combined**	**Dedicated Collections Elimination**	**Other than Dedicated Collections (with Elimination)**	**Elimination Between Dedicated Collections Combined & Other than Dedicated**	**Line Items Used to Prepare FY 2025 Government-wide Statement of Net Cost**	
Financial Statement Line	Amounts					Amounts	Reclassified Financial Statement Line
							Non-Federal Costs
		$ 611	$ -	$ 553,812	$ -	$ 554,423	Non-Federal Gross Cost
		611	-	553,812	-	554,423	Total Non-Federal Costs
							Intragovernmental Costs
		32	-	13,209	-	13,241	Benefit Program Costs
		-	-	6,964	-	6,964	Imputed Costs
Gross Costs	$ 580,997	49	-	2,301	(93)	2,257	Buy/Sell Costs
		-	-	(4)	-	(4)	Purchase of Assets
		-	-	425	-	425	Borrowing and Other Interest Expense
		7	-	3,684	-	3,691	Other Expenses (w/o Reciprocals)
		88	-	26,579	(93)	26,574	Total Intragovernmental Costs
Total Gross Costs	**580,997**	**699**	**-**	**580,391**	**(93)**	**580,997**	Total Reclassified Gross Costs
		(5,281)	-	(1,038)	-	(6,319)	Non-Federal Earned Revenue
							Intragovernmental Revenue
		(45)	-	(472)	92	(425)	Buy/Sell Revenue
		-	-	4	-	4	Purchase of Assets Offset
Earned Revenue	(7,201)	(224)	-	-	-	(224)	Federal Securities Interest Revenue Including Associated Gains/Losses (Exchange)
		-	-	(237)	-	(237)	Borrowing and Other Interest Revenue
		(269)	-	(705)	92	(882)	Total Intragovernmental Earned Revenue
Total Earned Revenue	**(7,201)**	**(5,550)**	**-**	**(1,743)**	**92**	**(7,201)**	Total Reclassified Earned Revenue
Gain/Loss-Pension/ORB*/ OPEB** Assumptions	(44,155)	-	-	(44,155)	-	(44,155)	Gain/Loss on Changes in Actuarial Assumptions (Non-Federal)
Net Cost	**$ 529,641**	**$ (4,851)**	**$ -**	**$ 534,493**	**$ (1)**	**$ 529,641**	Net Cost

*Other Retirement Benefits (ORB)
**Postemployment Benefits other than Pensions (OPEB)

FY 2025 VA Statement of Changes in Net Position (dollars in millions)		Line Items Used to Prepare FY 2025 Government-wide Statement of Changes in Net Position	
Financial Statement Line	Amounts	Amounts	Reclassified Financial Statement Line
UNEXPENDED APPROPRIATIONS			
Beginning Balance	$ 51,266	$ 51,266	Net Position, Beginning of Period
Appropriations Received	396,714	395,005	Appropriations Received as Adjusted
Other Adjustments	(1,709)		Appropriations Received as Adjusted
Appropriations Transferred In/Out	177	177	Non-Expenditure Transfers-In/Out of Unexpended Appropriations and Financing Sources (Federal)
Appropriations Used	(385,983)	(385,983)	Appropriations Used (Federal)
Net Change in Unexpended Appropriations	9,199	9,199	Net Change in Unexpended Appropriations
Total Unexpended Appropriations: Ending	**60,465**	**60,465**	**Total Unexpended Appropriations: Ending**
CUMULATIVE RESULTS OF OPERATIONS			
Beginning Balance as Adjusted	(7,381,839)	(7,381,839)	Net Position, Beginning of Period
Appropriations Used	385,983	385,983	Appropriations Expended
Non-Exchange Revenues	23	23	Collections Transferred into a TAS Other Than the General Fund of the U.S. Government - Nonexchange
Donations and Forfeitures of Cash and Cash Equivalents	20	82	Other Taxes and Receipts (Non-Federal)
Donations and Forfeitures of Property	62		
Transfers In/Out Without Reimbursements	154	152	Non-Expenditure Transfers-In/Out of Unexpended Appropriations and Financing Sources
		2	Expenditure Transfers-In/Out of Financing Sources
Other	(1,950)	(5,275)	Non-Entity Custodial Collections Transferred to the General Fund
		360	Miscellaneous Earned Revenue
		2,965	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
Imputed Financing	6,964	6,964	Imputed Financing Sources (Federal)
Net Cost of Operations	(529,641)	(529,641)	Reclassified Net Cost of Operations
Net Change	(138,385)	(138,385)	Net Change
Total Cumulative Results of Operations: Ending	**(7,520,224)**	**(7,520,224)**	**Total Cumulative Results of Operations: Ending**
Net Position	**$ (7,459,759)**	**$ (7,459,759)**	**Net Position**

REQUIRED SUPPLEMENTARY INFORMATION

DEFERRED MAINTENANCE AND REPAIRS

Deferred maintenance and repairs are maintenance and repair activities not performed when they should have been or were scheduled to be and therefore, are put off or delayed for a future period. Activities include preventive maintenance; replacement of parts, systems or components; and other activities needed to preserve or maintain an asset. Maintenance and repair estimates are recorded for capitalized assets and are distinguished from capital improvements that expand the capacity of an asset or otherwise upgrade it to serve needs different from, or significantly greater than, its current use.

Management determines the level of service and condition that is acceptable to carry out VA's mission, which may vary by VA components that include VHA, VBA, NCA and Indirect Administrative Program Costs. It is VA's policy to ensure that medical equipment and critical facility equipment systems are maintained, repaired and managed in a safe and effective manner; therefore, deferred maintenance and repairs do not apply to these assets.

VA facilities reported their cost estimates for deferred maintenance and repairs by performing periodic Facility Condition Assessment (FCA) surveys, which are inspections of PP&E based on generally accepted methods and standards. These are consistently applied to assign condition ratings and estimate costs for each fixed asset to correct deficiencies. An independent interdisciplinary professional contractor team tours and evaluates approximately 6,000 VA buildings on a 3-year cycle, assessing all components. Building components assessed include architectural structural, mechanical, plumbing and electrical systems. Also included for assessment are capitalized, fully depreciated and noncapitalized elements of PP&E, heritage assets and stewardship land. Each PP&E component is given a description, an estimate of remaining useful life and a grade from "A" to "F" based on VA's standard evaluation guidelines. Any building component graded "D" (poor) and "F" (critical) is given an estimated correction cost and recorded in deferred maintenance and repairs, except where deficiencies will be replaced by capital expenditures. See Notes 1, 9, and 10 for additional information on PP&E and heritage assets.

VA is experiencing an upward trend in deferred maintenance and repairs as a result of: (1) increased maintenance and repair costs as buildings age; (2) maintenance and repair budgets that have not grown in proportion with an increasing portfolio of owned space and inflation rates; and (3) expanded scope of FCA survey requirements, which significantly increase cost estimates when sites are reevaluated.

(dollars in millions)

For the Year Ended September 30, 2025	**Beginning**	**Ending**
Property, Plant, and Equipment	$ 16,177	$ 16,599
Heritage Assets	1,268	1,417
Total Deferred Maintenance and Repairs	**$ 17,445**	**$ 18,016**

COMBINING STATEMENT OF BUDGETARY RESOURCES

DEPARTMENT OF VETERANS AFFAIRS
COMBINING STATEMENT OF BUDGETARY RESOURCES
FOR THE PERIOD ENDED SEPTEMBER 30, 2025
(dollars in millions)

	Veterans Health Administration						
	0140 Medical Community Care	0152 Medical Support	0160 Medical Services	0162 Medical Facilities	0167 Information Technology	All Other Funds	VHA Total
Budgetary Resources							
Unobligated Balance from Prior Year Budget Authority, Net	$ 1,278	$ 1,182	$ 7,746	$ 3,128	$ 434	$ 14,378	$ 28,146
Appropriations	23,416	11,574	72,509	9,731	6,184	35,334	158,748
Spending Authority from Offsetting Collections	-	81	173	26	125	499	904
Total Budgetary Resources	**$ 24,694**	**$ 12,837**	**$ 80,428**	**$ 12,885**	**$ 6,743**	**$ 50,211**	**$ 187,798**
Status of Budgetary Resources							
New Obligations and Upward Adjustments	$ 23,218	$ 11,670	$ 76,267	$ 10,229	$ 6,452	$ 38,816	$ 166,652
Apportioned, Unexpired Accounts	896	378	2,582	2,519	6	11,020	17,401
Unapportioned, Unexpired Accounts	-	-	-	-	-	41	41
Unexpired Unobligated Balance, End of Year	896	378	2,582	2,519	6	11,061	17,442
Expired Unobligated Balance, End of Year	580	789	1,579	137	285	334	3,704
Unobligated Balance, End of Year	1,476	1,167	4,161	2,656	291	11,395	21,146
Total Status of Budgetary Resources	**$ 24,694**	**$ 12,837**	**$ 80,428**	**$ 12,885**	**$ 6,743**	**$ 50,211**	**$ 187,798**
Outlays, Net							
Outlays, Net	$ 23,028	$ 11,334	$ 73,941	$ 8,982	$ 6,397	$ 37,667	$ 161,349
Distributed Offsetting Receipts	-	-	-	-	-	(4,487)	(4,487)
Agency Outlays, Net	**$ 23,028**	**$ 11,334**	**$ 73,941**	**$ 8,982**	**$ 6,397**	**$ 33,180**	**$ 156,862**
Disbursements, Net	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

(Continued on next page)

DEPARTMENT OF VETERANS AFFAIRS
COMBINING STATEMENT OF BUDGETARY RESOURCES
FOR THE PERIOD ENDED SEPTEMBER 30, 2025
(dollars in millions)

	Veterans Benefits Administration						
	0102 Compensation and Pensions	0137 Readjustment Benefits	4129 Veteran Housing Program	8132 Life Insurance Fund	0151 General Operating Expenses	All Other Funds	VBA Total
Budgetary Resources							
Unobligated Balance from Prior Year Budget Authority, Net	$ 5,287	$ 831	$ 7,619	$ -	$ 1,314	$ 5,817	$ 20,868
Appropriations	212,553	18,264	72	156	3,934	6,019	240,998
Borrowing Authority	-	-	-	-	-	8,735	8,735
Spending Authority from Offsetting Collections	-	159	15,386	1	8,005	3,840	27,391
Total Budgetary Resources	**$ 217,840**	**$ 19,254**	**$ 23,077**	**$ 157**	**$ 13,253**	**$ 24,411**	**$ 297,992**
Status of Budgetary Resources							
New Obligations and Upward Adjustments	$ 203,144	$ 16,703	$ 16,049	$ 157	$ 12,780	$ 18,302	$ 267,135
Apportioned, Unexpired Accounts	14,696	2,551	-	-	31	5,547	22,825
Unapportioned, Unexpired Accounts	-	-	7,028	-	-	519	7,547
Unexpired Unobligated Balance, End of Year	14,696	2,551	7,028	-	31	6,066	30,372
Expired Unobligated Balance, End of Year	-	-	-	-	442	43	485
Unobligated Balance, End of Year	14,696	2,551	7,028	-	473	6,109	30,857
Total Status of Budgetary Resources	**$ 217,840**	**$ 19,254**	**$ 23,077**	**$ 157**	**$ 13,253**	**$ 24,411**	**$ 297,992**
Outlays, Net							
Outlays, Net	$ 200,671	$ 16,289	$ -	$ 204	$ 381	$ 5,752	$ 223,297
Distributed Offsetting Receipts	-	-	-	(7)	-	(5,182)	(5,189)
Agency Outlays, Net	**$ 200,671**	**$ 16,289**	**$ -**	**$ 197**	**$ 381**	**$ 570**	**$ 218,108**
Disbursements, Net	**$ -**	**$ -**	**$ 591**	**$ -**	**$ -**	**$ 8,886**	**$ 9,477**

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DEPARTMENT OF VETERANS AFFAIRS
COMBINING STATEMENT OF BUDGETARY RESOURCES
FOR THE PERIOD ENDED SEPTEMBER 30, 2025
(dollars in millions)

	NCA	Indirect Administrative Programs					VA
	Total	0142 General Admin	1122 Board of Veterans Appeals	4537 Supply Fund	All Other Funds	Total	TOTAL
Budgetary Resources							
Unobligated Balance from Prior Year Budget Authority, Net	$ 72	$ 142	$ 43	$ 758	$ 667	$ 1,610	$ 50,696
Appropriations	541	449	276	-	295	1,020	401,307
Borrowing Authority	-	-	-	-	-	-	8,735
Spending Authority from Offsetting Collections	1	514	-	1,896	2,455	4,865	33,161
Total Budgetary Resources	**$ 614**	**$ 1,105**	**$ 319**	**$ 2,654**	**$ 3,417**	**$ 7,495**	**$ 493,899**
Status of Budgetary Resources							
New Obligations and Upward Adjustments	$ 581	$ 1,006	$ 285	$ 2,135	$ 2,231	$ 5,657	$ 440,025
Apportioned, Unexpired Accounts	22	54	9	519	1,176	1,758	42,006
Unapportioned, Unexpired Accounts	-	1	-	-	4	5	7,593
Unexpired Unobligated Balance, End of Year	22	55	9	519	1,180	1,763	49,599
Expired Unobligated Balance, End of Year	11	44	25	-	6	75	4,275
Unobligated Balance, End of Year	33	99	34	519	1,186	1,838	53,874
Total Status of Budgetary Resources	**$ 614**	**$ 1,105**	**$ 319**	**$ 2,654**	**$ 3,417**	**$ 7,495**	**$ 493,899**
Outlays, Net							
Outlays, Net	$ 532	$ 452	$ 292	$ 114	$ 313	$ 1,171	$ 386,349
Distributed Offsetting Receipts	-	-	-	-	(74)	(74)	(9,750)
Agency Outlays, Net	**$ 532**	**$ 452**	**$ 292**	**$ 114**	**$ 239**	**$ 1,097**	**$ 376,599**
Disbursements, Net	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 9,477**

LAND

VA acquires and maintains land for medical facilities, cemeteries and regional benefits offices, which support the Department's mission to provide Veteran services and benefits. The acquisition and disposal of VA's real property, including land, is primarily governed by title 38, United States Code. When acquiring land, VA uses demographic data applicable to proposed facilities, including information on the population of Veterans to be served by the facility. To timely dispose of vacant or unneeded land, VA surveys real property under the Department's custody or control to identify parcels that are not used, underused or not being put to optimum use.

VA LAND BY PREDOMINANT USE

Land held by VA is categorized into three predominant use categories: operational, conservation and preservation, and commercial in accordance with SFFAS No. 59, representing the land's actual use during the reporting period. The estimated acreage by each predominant use category is presented below.

Operational land is property that serves functions or activities directed toward achieving VA's mission. Most of VA's land holdings fall within this category and support activities such as clinical care and benefits provision. For more information, refer to Note 9.

Conservation and preservation land is VA property that is protected from further development in perpetuity. VA's land holdings in this category are national cemeteries, soldiers lots and monument sites. For more information, refer to Note 10.

Commercial land is property intended to generate a profit or commercial benefit. At VA, there are limited circumstances where previously underused property is leased to generate revenue that is then allocated to support VA's mission through the EUL program. For more information, refer to Note 25.

Land held for disposal or exchange are parcels that VA has deemed are no longer needed and are awaiting sale or transfer.

ESTIMATED ACREAGE BY PREDOMINANT USE

	Operational	Conservation & Preservation	Commercial	Total Estimated Acreage
Estimated Acreage				
Beginning of Current Year	15,814.90	23,558.93	0.13	39,373.96
End of Current Year	15,944.88	23,528.95	0.13	39,473.96
Held for Disposal or Exchange				
Beginning of Current Year	14.50	-	-	14.50
End of Current Year	14.50	-	-	14.50

LAND RIGHTS

VA will seek to acquire land rights either by leasing land for parking or other purpose or by acquiring permanent or temporary easements from public or private owners to support its mission. As of September 30, 2025, VA had acquired lease rights to 85.57 acres of property mainly for purposes of parking to support VA medical facilities. These land leases are included in VA's overall leases numbers. For more information on VA's leases, refer to Note 16.

US DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

DEPARTMENT OF VETERANS AFFAIRS

Audit of VA's Financial Statements for Fiscal Year 2025

Audit	25-01268-16	January 16, 2026

DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL
WASHINGTON, DC 20001

January 16, 2026

MEMORANDUM

TO: The Honorable Douglas A. Collins
Secretary of Veterans Affairs (00)

FROM: Larry Reinkemeyer, Assistant Inspector General
Office of Audits and Evaluations, VA Office of Inspector General (52)

THRU: The Honorable Cheryl L. Mason, Inspector General
VA Office of Inspector General (50)

SUBJECT: Audit of VA's Financial Statements for Fiscal Year 2025

1. The VA Office of Inspector General (OIG) contracted with the independent public accounting firm Kearney & Company, P.C. (Kearney) to audit VA's consolidated financial statements as of September 30, 2025, and for the fiscal year then ended. This audit is a requirement of section 304 of the Chief Financial Officers Act of 1990, Public Law 101-576, 31 U.S.C. § 3521(e).
2. The results of the audit are presented in the attached Independent Auditor's Report; Independent Auditor's Report on Internal Control over Financial Reporting; and Independent Auditor's Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements.
3. Kearney provided an unmodified opinion on VA's financial statements for fiscal year 2025. An unmodified opinion means that the financial statements as of and for the year ended September 30, 2025, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States. Kearney did, however, note material weaknesses and significant deficiencies in internal control and instances of noncompliance with applicable laws.
4. Regarding internal control, Kearney identified two material weaknesses. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. The two material weaknesses concern
    - information technology and
    - internal use software.

5. Kearney also identified three significant deficiencies. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance. The three significant deficiencies concern
    - loan guarantee liability,
    - service organization monitoring and complementary user entity controls, and
    - medical service revenue and accounts receivable.
6. Regarding noncompliance with applicable laws and regulations, Kearney reported
    - VA's financial management systems did not comply substantially with requirements of section 803 of the Federal Financial Management Improvement Act of 1996, Public Law 104-208, Title VIII, 31 U.S.C. § 3512 note, related to federal financial management system requirements and the application of the United States Standard General Ledger at the transaction level, and
    - noncompliance with the Federal Managers' Financial Integrity Act of 1982, Public Law 97-255, 31 U.S.C. § 3512.
7. Kearney is responsible for the attached audit reports dated January 16, 2026, and the conclusions expressed in the reports. The OIG does not express opinions on VA's financial statements, internal control, or compliance with the Federal Financial Management Improvement Act, nor does the OIG express conclusions on VA's compliance with laws, regulations, contracts, or grant agreements.
8. The independent auditor will follow up on the internal control and compliance findings in the attached reports and evaluate the adequacy of corrective actions taken during the fiscal year 2026 audit of VA's financial statements.

(/s/) LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

Attachments

KEARNEY& COMPANY

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INDEPENDENT AUDITOR'S REPORT

To the Secretary, Chief Financial Officer, and Inspector General of the Department of Veterans Affairs

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the United States Department of Veterans Affairs (VA), which comprise the consolidated Balance Sheet as of September 30, 2025, the related consolidated Statements of Net Cost and Changes in Net Position, and the combined Statement of Budgetary Resources (hereinafter referred to as the "financial statements") for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of VA as of September 30, 2025 and its net cost of operations, changes in net position, and budgetary resources for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of VA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for: 1) the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; 2) the preparation, measurement, and presentation of required supplementary information (RSI) in accordance with generally accepted accounting principles in the United States of America; 3) the preparation and presentation of other information included in VA's Agency Financial Report (AFR), as well as ensuring the consistency of that information with the audited financial statements and the RSI; and 4) the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about VA's ability to continue as a going concern for a reasonable period of time beyond the financial statement date.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VA's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about VA's ability to continue as a going concern for a reasonable period of time beyond the financial statement date.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Deferred Maintenance and Repairs, Combining Statement of Budgetary Resources, and Land be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by OMB and the Federal Accounting Standards Advisory Board (FASAB), who consider it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the AFR. The other information comprises the Inspector General's Management and Performance Challenges, Summary of Financial Statement Audit and Management Assurances, Payment Integrity Information Act Reporting, Civil Monetary Adjustment for Inflation, Grant Programs, and Financial Reporting-Related Legislation but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02, we have also issued reports, dated January 16, 2026, on our consideration of VA's internal control over financial reporting and on our tests of VA's compliance with certain provisions of laws, regulations, contracts, and grant agreements, as well as other matters. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of VA's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering VA's internal control over financial reporting and compliance.

(/s/) Kearney & Company, P.C.

Alexandria, Virginia
January 16, 2026

KEARNEY& COMPANY

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Secretary, Chief Financial Officer, and Inspector General of the Department of Veterans Affairs

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, the financial statements, and the related notes to the financial statements of the Department of Veterans Affairs (VA) as of and for the year ended September 30, 2025, which collectively comprise VA's financial statements, and we have issued our report thereon dated January 16, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered VA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VA's internal control. Accordingly, we do not express an opinion on the effectiveness of VA's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 24-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying **Schedule of Findings**, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in VA's internal control described in the accompanying **Schedule of Findings** as Items I and II to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in VA's internal control described in the accompanying **Schedule of Findings** as Items III, IV, and V to be significant deficiencies.

The Department of Veterans Affairs' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on VA's response to the findings identified in our audit. VA's response is described in a separate memorandum attached to this report in the "Financial Section" of the Agency Financial Report. VA concurred with the findings identified in our engagement. VA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of VA's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering VA's internal control. Accordingly, this report is not suitable for any other purpose.

(/s/) Kearney & Company, P.C.

Alexandria, Virginia
January 16, 2026

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Schedule of Findings

Material Weaknesses

I. Information Technology (*Repeat Condition*)

Background: The Department of Veterans Affairs (VA) operates a complex information system environment to execute its mission and record transactions completely, timely, and accurately using a combination of financial, non-financial, and mixed-use systems. This includes third-party systems owned and operated by organizations outside of VA that affect VA's business processes and financial statements. VA's Office of Information and Technology (OIT) provides the technology and information technology (IT) systems on which Veterans, clinicians, medical providers, and benefits providers rely. OIT is responsible for developing, implementing, enforcing, and monitoring controls across VA. Information System Owners (ISO) are responsible for ensuring that all applicable controls are implemented, operated, and continuously monitored. VA's Administrations are responsible for the user community that is expected to adhere to VA and ISO standards.

National Institute of Standards and Technology Special Publications, along with Office of Management and Budget (OMB) Circular A-130, *Managing Information as a Strategic Resource*, provide policies and guidance for managing Federal information systems and protecting Federal data. Because of the sensitive nature of VA's information system environment, Kearney & Company, P.C. (Kearney) does not present specific details related to the systems, conditions, or criteria discussed within this material weakness. We provided those details separately to VA management and relevant stakeholders through Notices of Findings and Recommendations (NFR).

Conditions: VA has control deficiencies in the design, implementation, and operating effectiveness of internal controls related to financially significant systems, which could have a material effect on the financial statements. Internal control deficiencies exist in 30 financially significant systems, including three general ledger (GL) and financial reporting systems, one health IT system, 12 other key financial systems, and 14 environments, datacenters, and general support systems (GSS). The following is a summary of critical internal control deficiencies, organized by control family:

Access Controls: VA's access controls over financially significant systems and GSSs are not suitably designed in all instances or completely and consistently implemented and/or operating effectively across VA. Internal control testing over access controls identified weaknesses across 18 financially significant systems and environments. The following conditions were noted:

- Account management controls have not been completely designed and consistently implemented, monitored, and/or enforced across VA

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- Periodic access recertification processes were not developed, implemented, monitored, and/or enforced consistently to review privileged and non-privileged user accounts to verify that users still require access and their roles are appropriate based on job function and least privilege
- Identification and authentication controls over privileged user accounts and application passwords are not suitably designed and consistently implemented in accordance with policy
- Authorization documentation for privileged database and operating system users and accounts added during fiscal year (FY) 2025 was incomplete or could not be provided, and some privileged users gained access to the system prior to obtaining all required approvals
- Authorization documentation for application users added during FY 2025 was incomplete or could not be provided, roles assigned in the system did not match the roles authorized, and some users gained access to the application before obtaining all required approvals.

Configuration Management: VA's configuration management controls over baseline monitoring were not designed, implemented, and/or operating effectively in accordance with VA policy. Processes were not in place to monitor databases supporting critical financial reporting and other information systems for compliance with the VA enterprise secure configuration baselines (ESCB). VA did not provide evidence to show that the configuration settings for all configurable information system components are being monitored for compliance with VA-approved baselines. Additionally, inspection of VA's baseline monitoring reports across 13 systems and environments identified the following conditions:

- Instances where VA systems were not compliant with the ESCB and deviations from the ESCB were not identified, documented, and approved in accordance with VA policy
- Software and services that were not authorized by the Technical Reference Model to operate on components of the information systems tested.

Vulnerability Management: VA's vulnerability management controls are not designed and/or operating effectively to prevent known critical and high-risk vulnerabilities from existing or persisting on VA's network and to protect systems and data relevant to VA's financial statements from unauthorized access, use, modification, or destruction. Testing across 12 VA sites identified instances of the following:

- Unsupported software
- Configuration weaknesses
- Systems that were not up to date with vendor-supplied patches
- Vulnerable software versions
- Vulnerabilities publicly known since 2024 or earlier
- Known exploited vulnerabilities that had not been remediated by the Cybersecurity and Infrastructure Security Agency-mandated due dates.

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Security Management: VA's internal controls over security control assessments (SCA), privacy impact assessments (PIA), interfaces, and Plans of Action and Milestones (POA&M) were not designed, implemented, and/or operating effectively in accordance with VA policy. Testing identified the following conditions:

- An SCA by independent assessors had not been performed, or was not scheduled to be performed, within three years of the Authorization to Operate for 12 systems or GSSs
- The privacy threshold analysis for three GSSs identified changes that required the PIA to be updated; however, the PIAs have not been updated to address the changes
- The Interconnection Security Agreement (ISA) and Memorandum of Understanding (MOU) between a key GL system and an external information provider expired in March 2024 and had not been updated as of August 2025
- POA&Ms for the two GL systems were not reviewed in accordance with VA policy.

IT Governance: VA IT governance controls are not suitably designed, consistently implemented, and/or operating effectively to monitor and enforce compliance across VA, remediate deficiencies once identified, and meet effective communication requirements. The following conditions factor into VA's ineffective IT governance:

- Internal control deficiencies in the consistent implementation and performance of VA's access controls, configuration management, vulnerability management, and security management controls over financially significant systems were identified in current and prior audits
- VA OIT management did not completely document, maintain, or report corrective action plans to remediate internal control deficiencies on a timely basis
- VA OIT did not communicate quality information relating to events and activities that impact the internal control system to the external auditor in response to audit requests in a timely manner throughout the audit.

Cause: VA operates a complex IT environment with a mix of legacy and newer financial, non-financial, and mixed-use systems dispersed across multiple datacenters and environments, managed by separate Administrations, program offices, and ISOs. VA is transitioning towards enterprise solutions and automated monitoring tools but is currently in a hybrid model as it works to blend and enhance legacy technology solutions with automated technology. As a result of this transition, combined with the inherent challenges in VA's complex, legacy, dispersed, and decentralized IT environment, VA and OIT management did not consistently or completely design, implement, perform, monitor, and/or enforce standardized control policies and procedures for all IT areas across VA.

Effect: Without sufficient and effective account management, periodic access review, and identification and authentication controls throughout the information system environment, privileged and non-privileged users may possess or retain unauthorized access to systems. Accordingly, these users may intentionally or unintentionally abuse computer resources, process unauthorized transactions, or perform other actions that jeopardize the confidentiality, integrity, or availability of systems and data without timely detection in the normal course of business.

Without sufficient and effective configuration management and vulnerability management controls to ensure systems and networks meet the minimally acceptable system configurations and to ensure vulnerabilities are not introduced onto the network, security features may be inadvertently or deliberately omitted or turned off. Accordingly, processing irregularities or significant security vulnerabilities may be introduced and exploited, leading to severe issues, such as data breaches, operational disruptions, network failures, security gaps, or costly downtime, and resulting in a loss of confidentiality, integrity, or availability of systems and data.

Without sufficient and effective independent SCAs, documentation, monitoring, and implementation of corrective actions and plans to remediate known deficiencies, ISAs/MOUs, and internal control documentation to facilitate effective communication and monitoring of internal control implementation and operation, security controls may be inadvertently or deliberately omitted or overlooked and control deficiencies may go unidentified or unresolved once identified, resulting in a loss of confidentiality, integrity, or availability of systems and data, as well as a loss of confidence and reliance on the IT control environment and controls.

Recommendations: Kearney recommends that VA perform the following:

1. Design controls and update relevant policies and procedures to address design gaps and areas for improvement in access controls, configuration and vulnerability management, and security management and governance.
2. Implement entity-level IT policies and procedures across all VA ISOs, offices, privileged users, and end users, then reinforce via training for consistent implementation and operation.
3. Implement, monitor, and enforce consistent processes and control activities over access controls, configuration and vulnerability management, and security management and governance.
4. Retain documentation to support the implementation and effective operation of internal control procedures.

II. Internal Use Software (*New Condition*)

Background: VA is in the process of implementing the new Federal Electronic Health Record (EHR) system to store and track patient medical information. This effort is known as VA's Electronic Health Record Modernization (EHRM). The EHRM Project began in FY 2018 and will replace the legacy Veteran Information Systems and Technology Architecture (VistA) system. Through FY 2025, the EHRM is now in use at six VA Medical Centers (VAMC); however, full deployment and implementation remains in process. Expenditures associated with the EHRM Project are approximately $10.6 billion since inception.

OIT is responsible for planning, managing, and overseeing VA's information resources. OIT's Enterprise Program Management Office (EPMO) is responsible for acquisition, as well as the management of software in-development projects. VA established a separate office for the EHRM Project, the Office of Electronic Health Record Modernization (OEHRM). OIT provides technical oversight and governance support for the EHRM Project. Financial management,

accounting, and financial reporting of EHRM expenditures are the responsibility of OEHRM and the Office of Management's (OM) Financial Services Center (FSC).

Statement of Federal Financial Accounting Standards (SFFAS) No. 10, *Accounting for Internal-Use Software*, defines software as including the application and operating system programs, procedures, rules, and any associated documentation pertaining to the operation of a computer system or program. "Internal use software" (IUS) refers to software that is purchased from commercial vendors "off-the-shelf," internally developed, or contractor-developed solely to meet the entity's internal or operational needs. The EHRM is a Commercial Off-the-Shelf product requiring internally developed and contractor-developed design, programing, installation, and implementation. VA is responsible for establishing appropriate policy and procedures, with supporting internal controls, to properly account for IUS and IUS in development (IUSD) to ensure appropriate financial reporting.

Condition: VA did not establish appropriate processes to identify, track, and accumulate costs of the EHRM Project to support proper accounting classification and financial reporting requirements. VA did not report the EHRM Project as a capital asset as part of the opening balance of IUS/IUSD for FY 2025, as required by Federal accounting standards. To correct the improper accounting treatment of the EHRM Project, in FY 2025, VA established a methodology to analyze EHRM expenditures from FYs 2018 to 2025 to identify and estimate the costs to be recorded as a capital asset. The analysis resulted in a correcting entry of approximately $4.6 billion to properly report the EHRM Project as a capital asset as of September 30, 2025.

Cause: As an independent program office established specifically for the EHRM Project, OEHRM was not subject to the OIT EPMO's internal control framework established for proper accounting and reporting of IUS and IUSD. VA did not properly extend to OEHRM the IUS and IUSD internal controls which were established for other program offices authorized to procure fixed assets. Specifically, internal control activities were not established within OEHRM over the following areas

- Project initiation and set-up
- Work in process (WIP) accumulation
- WIP reconciliation
- Project close-out and capitalization.

Additionally, VA did not complete a sufficient and appropriate Enterprise-wide risk assessment to appropriately monitor completeness of IUS and IUSD projects for proper capitalization. The EHRM Project is a highly visible program with material expenditures accumulating across multiple FYs, which went undetected as IUSD.

Effect: Without appropriate processes and internal controls to identify and track IUS projects, including the cost accumulation of expenditures associated with IUSD projects, there is an increased risk of misstatements to VA's Property, Plant, and Equipment (PP&E) balance on the Balance Sheet and associated amortization expense on VA's Statement of Net Cost.

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VA did not comply with the accounting and financial reporting requirements of SFFAS No. 10, required for capital costs accumulated for the EHRM Project. General PP&E, as presented on the Balance Sheet, required a correcting entry of approximately $4.6 billion to properly report VA's IUS and IUSD as of September 30, 2025.

Recommendations: Kearney recommends that VA perform the following:

1. Coordinate and collaborate with OEHRM to establish appropriate internal control activities to properly track and accumulate costs of the EHRM Project as IUSD. While a costing methodology was established in FY 2025 to estimate capitalizable costs to date, VA should develop a process to ensure EHRM costs are properly capitalized on a timely basis going forward.
2. Ensure the EHRM Project is fully set up within VA's accounting system and internal control environment as a capital asset acquisition. Specifically, VA should subject the EHRM Project to the following established internal control activities in place for other IUSD projects:
   a. Project initiation and set-up, to include all applicable contracts and associated obligations for the EHRM Project.
   b. WIP cost accumulation.
   c. Quarterly WIP reconciliations.
   d. Project close-out and capitalization procedures.
3. Establish, through collaboration with OEHRM and the Office of Finance, a formalized methodology and approach for transferring the EHRM Project from IUSD to IUS. Given the size and magnitude of the EHRM Project, which includes a multi-year deployment and operational schedule, an assessment of when and how to begin amortization for fully operational sites is necessary.
4. Leveraging the existing IT/Non-IT Workgroup, chaired by OIT, perform an Enterprise-wide assessment to evaluate and validate program office procurement authority for IT equipment, software, and software in development projects. The following should be among the Workgroup's immediate objectives:
   a. While the OIT is the primary office for such procurements, an assessment is needed to validate the completeness of VA's reported IUS and IUSD asset portfolio.
   b. A formalized data call process should be established to reduce the risk of IUS and IUSD projects being procured and undetected for financial reporting purposes.

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Significant Deficiencies

III. Loan Guarantee Liability (*Repeat Condition*)

Background: The Department of Veterans Affairs' (VA) Home Loan Guaranty (LGY) Program provides a guaranty to commercial lenders against losses from veterans' mortgage loan foreclosures/defaults. The Federal Credit Reform Act of 1990 (FCRA) and the Statement of Federal Financial Accounting Standards (SFFAS) No. 2, *Accounting for Direct Loans and Loan Guarantees*, require the costs of direct loans and loan guarantees to be estimated at net present value. The Veterans Benefits Administration (VBA) uses Excel-based, econometric models to estimate future net cash flows to be paid by VA over the life of the loans and determine the cost of these guarantees on a present value basis for budgetary and financial reporting purposes. VBA's Office of Financial Management (OFM), headed by VBA's Chief Financial Officer (CFO), is responsible for preparing the Liability for Loan Guarantee (LLG) estimate and maintaining the models. The Actuarial Liability Governance Board (ALGB) is charged with standardizing the actuarial model decision-making process and performing various responsibilities, including overseeing and approving VA's actuarial and benefit liabilities models.

The Fractional Logistic Regression Model (FLRM) (formerly known as Variable Default Model [VDM]) is a regression-based model using historical data on defaults and economic indicators to develop a default rate forecast. The Cash Flow Model applies the default rate forecast from the FLRM to loan volume data and calculates dollar amounts relating to recoveries and property expenses to project future cash flows of loan cohorts by policy year. The outputs from the model are discounted to their present value using the Office of Management and Budget's (OMB) Credit Subsidy Calculator (CSC) discounting tool to calculate budgeted and re-estimated subsidy rates and costs for each loan cohort. The discounted future cash flows are used to estimate the LLG reported within VA's financial statements. Ultimately, these models produce an estimate, reported as LLG within the Balance Sheet.

The Veteran Affairs Servicing Purchase Program (VASP) was retired in May 2025. Loans which were already enrolled or applied in VASP as of April 30, 2025 will not be affected by the retirement of the program. VA has revised the models to react to the retirement of VASP.

Conditions: VA's underlying estimation and modeling processes for producing the $10.4 billion LLG reported within VA's financial statements did not sufficiently consider critical risk factors in developing the estimated liability to ensure the best available data was utilized at the time of producing the liability estimate. Additionally, VA did not adequately demonstrate that current modeling techniques in place for the liability estimate remain relevant and accurate through appropriate validation procedures. Specifically, audit procedures performed over the model and liability estimate identified the following areas which can be strengthened:

Critical Risk Factors for Default Cost Estimates: In analyzing borrower credit scores to determine whether credit scores should be considered as a variable for default loan estimates, VA aggregated credit score data to accommodate VA's cohort modeling framework. This

aggregation diminishes the variation of critical underwriting characteristics and weakens the causal relationship between credit scores and foreclosure probabilities. In addition, VA has not considered the value of collateral to loan balance or loan-to-value ratio (LTV) in their default cost estimates. Collateral to loan balance and LTV ratios are critical and relevant risk factors which VA did not consider in its estimate of the LLG.

Comparison and Evaluation of Alternative Models: VA utilizes a cohort- (i.e., aggregate) level model for estimating discounted future cash flows in developing the LLG for financial reporting purposes. While the cohort-level model is consistent with requirements set forth in SFFAS No. 2, VA has not sufficiently demonstrated that its cohort-level modeling approach remains appropriate as compared to more sophisticated approaches to estimation. Loan-level modeling, as an example, is an alternative and more current method which could be used for determining reestimates of credit subsidies. In fiscal year (FY) 2025, VA stated analyses were performed to compare its loan-level model with its cohort-level model; however, the results of the analysis were not provided for review during the audit process.

Defined Policies over Model Validation and Verification, including Lookback Analysis: VA did not sufficiently justify the methodology used for making adjustments within the model for estimated foreclosure rates of cohorts for FY 2020 and beyond. VA's methodology was to assign a baseline foreclosure rate, as calculated between FYs 2005 to 2019, to cohorts for FY 2020 and beyond. While estimated foreclosure rate adjustments were necessary, given the Coronavirus Disease 2019 (COVID-19)-era loss mitigation programs established, the timeframe (i.e., FYs 2005 to 2019) selected can have a substantial impact on the LLG, and VA did not adequately justify that the selected timeframe was the most appropriate for the estimation.

Cause: VA analyzes its LGY model on an annual basis to determine if enhancements are needed, including exploring alternatives within the cohort framework. While VA agreed that certain critical risk factors are not included within the FLRM, VA determined that exclusion of such factors did not lead to a material design flaw within the model. VA's determination, however, was made by averaging factors (e.g., credit scores, LTV, and debt to income) across cohorts, which can result in inaccuracies based on smoothing out the variation among loans.

VA has not performed an appropriate risk assessment of its existing model and estimation processes for financial reporting purposes to fully support that the cohort-level model provides the best available data for accurately estimating the LLG. VA management has elected to maintain its use of the cohort-level model, stating there is no legal or financial accounting standard requirement to create a loan-level model. Additionally, since the cohort-level model is used for budgetary purposes, VA has aligned the same model for financial reporting.

VA has not established a sufficient approach to properly inform the selection of a lookback period for adjusting the estimated foreclosure rates of the post-2019 cohorts. Additionally, for critical risk factors considered for the model, VA has not implemented an appropriate review and approval process to ensure inclusion or exclusion is supported.

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Effect: Without rigorous and robust analysis of critical risk factors and assumptions, in addition to complete and comprehensive model documentation with periodic model validation and lookback, the risk of misstatement and management bias remains high for VA's LLG estimate.

Recommendations: Kearney & Company, P.C. (Kearney) recommends that VA perform the following:

1. Develop and document a policy for monitoring controls over model validation and verification, to include, but not be limited to, defined roles and responsibilities, defined purpose and goals, scope, approach, schedules, types and extent of validation activities and tasks, frequency of validation, and specific actions that must be taken to complete individual validation activities and tasks.
2. Assess critical risk factors with appropriate methodologies for determining whether risk factors have a significant impact on the model estimation. In particular, VA should avoid aggregating the loan-level data for the purpose of risk factor analysis.
3. Formalize risk assessment procedures over the cohort-level modeling framework, to include a documented assessment of the framework compared to alternatives. The assessment should include management's determination and conclusions over the modeling framework that provides the best available data for estimating the LLG in VA's financial statements. The assessment should include:
   a. A comprehensive and in-depth comparison between loan-level and cohort-level models and determine the optimal model to be used.
   b. Exploration of alternative model-based approaches (e.g., loan-level model) that have proper sensitivities to loan characteristics for estimating foreclosure rates.
4. Develop monitoring mechanism(s) and compensating control(s) for the existing cohort-level model to support whether any model calibration is required in observation of fluctuating economic conditions in the forecasting horizon.

IV. Service Organization Monitoring and Complementary User Entity Controls (*New Condition*)

Background: VA uses service organizations for a multitude of significant transaction classes, including Medical Community Care expenditures, Loans Receivable, Payroll, and Investments. Service organizations undergo an annual examination to assess the design and operating effectiveness of internal controls which may be relevant to user entities. On an annual basis, upon completion of the annual examinations by Independent Public Accountants (IPA), Statement on Standards for Attestation Engagements (SSAE) No. 18 System and Organization Controls (SOC) 1®, Type 2 reports are made available to user entities (e.g., VA). To place reliance on the internal control environment of the service organizations, user entities need to design and implement certain Complementary User Entity Controls (CUEC) to achieve control objectives identified in the SOC report.

In accordance with the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (Green Book), VA is responsible for establishing policy and procedures for obtaining and reviewing annual SOC reports, assessing the reports for risks

associated with relevant findings, identifying CUECs within the reports that are the responsibility of VA to implement, and monitoring and assessing the implementation and effectiveness of CUECs established by VA.

Conditions: VA did not establish a consistent or effective monitoring program for service organizations relied upon for internal controls over significant accounting cycles and transaction classes. Specifically, VA's review of SOC reports was either not completed, not fully documented, or only partially completed. Review of the monitoring procedures performed by VA identified the following issues:

Loans Receivable: VBA relies on a service organization for loan servicing, default services, and asset management for its acquired loan portfolio. VA reported over $10 billion in loans receivable as of September 30, 2025. VBA's review of the service organization SOC report did not include sufficient detail to demonstrate how VA monitored its service organization, reviewed the associated SOC report, or considered if relevant controls are in place within VA's LGY Service or across VA to address CUECs identified in the SOC report.

Payroll: VA relies on a service organization for payroll services. VA reported over $73 billion in payroll expenses in FY 2025. VA's review performed over the service organization SOC report was not comprehensive or effective, as it did not consider subservice organizations that are relevant to the scope of the examination.

Investments: VBA relies on a service organization for the processing of investment transactions, including issuing, servicing, and redeeming investment securities. VA reported over $6 billion in investments as of September 30, 2025. VBA's review of the service organization SOC report was not comprehensive or effective, as it omitted key areas, such as: 1) type of report available; 2) timeframe of the report; 3) opinion of the SOC report and opinion date; 4) scope of the SOC report; 5) scope exclusions (with documentation of any exclusions noted and consideration of relevance to VA/VBA); and 6) results of the individual control objectives. In addition, the SOC report review template used by VBA was inconsistent with the template used by other VA offices, missing key areas such as assessing and mapping of CUECs to VA controls.

Additionally, VA did not appropriately design, implement, monitor, or assess controls to implement required CUECs, as identified within relevant SOC reports. For some of its critical service organizations, VA either did not perform an effective CUEC mapping to VA internal controls or could not link all CUECs to effective VA controls. In cases where VA did map CUECs to VA internal controls, the VA internal controls were not formally documented or tested, which is necessary to meet control objectives in the SOC reports. Insufficient CUEC mapping or implementation was identified for the three service organizations above, as well as for VA's Community Care Network (CCN) contractors. CCN contractors are relied upon by VA for claims administration and processing. VA reported over $22 billion in expenses associated with Community Care for the period ended September 30, 2025.

Cause: VA has not designed, implemented, and/or enforced Enterprise-wide service organization monitoring policies and procedures, with consistent guidance/oversight and

appropriate monitoring to ensure reviews occur. While the Veterans Health Administration (VHA) provided comprehensive monitoring policies and procedures, the Office of Management (OM) and VBA did not. As of September 15, 2025, the Veterans Affairs Central Office (VACO) was working with its policy team to update VA's SOC review policy to incorporate the evaluation of subservice organization relationships.

In some cases, SOC review templates were thorough and effectively designed for appropriate monitoring; however, the use of the templates and the effectiveness of the reviews completed were inconsistent. Additionally, not all SOC reviews were performed with a standard template, creating inconsistency in how SOC reports were assessed.

Additionally, VA has not effectively conducted risk assessments over business processes and information systems where service organizations are relied upon; these risk assessments are intended to identify internal controls necessary to satisfy CUECs prescribed within the SOC reports. In some cases, where VA internal controls have been mapped to CUECs, such controls have not been assessed for effectiveness of design and/or operation.

Effect: Without the effective design and implementation of an Enterprise-wide service organization monitoring program, VA cannot meet requirements to effectively understand service organization internal controls, nor how the service organization's overall system of internal control impacts VA's internal control environment. Further, ineffective SOC report monitoring impedes VA's ability to appropriately identify controls to address the CUECs which may be necessary to achieve the service organization's control objectives.

Failure to fully implement CUECs may result in internal control weaknesses that are overlooked across VA, along with non-achievement of the related control objectives(s), thus increasing the risk of inaccurate financial reporting and unauthorized disclosure and modification to the system and data. Without proper oversight and monitoring of CUEC implementation and testing, there is an increased risk that the service organization's internal controls may not achieve their objectives, limiting VA's ability to rely on the service organization's internal controls and processes.

Recommendations: Kearney recommends that VA perform the following:

1. In collaboration with VHA, VBA, OM, and other program offices, as applicable, establish Enterprise-wide policy for baseline service organization monitoring procedures.
2. Distribute standardized SOC review templates for use across VA to promote consistency in the minimum monitoring requirements for SOC reports.
3. Monitor the effective implementation of the Enterprise-wide policy as part of VA's OMB Circular A-123 program to validate that SOC report reviews are conducted timely and effectively.
4. Prioritize risk assessments to identify VA internal controls which address relevant SOC report CUECs and to identify where internal controls do not exist which are necessary for SOC report CUECs.

5. Until VA's CUEC-related controls are deemed to be effectively designed and operational, conduct an assessment to identify where reliance on service organizations is not appropriate and determine if any immediate mitigation is necessary.
6. Monitor VA's CUEC-related controls on an annual basis as part of VA's OMB Circular A-123 program and perform tests of design and operating effectiveness on a recurring basis.

V. Medical Service Revenue and Accounts Receivable (*New Condition*)

Background: VA, through VHA, provides preventive care services, outpatient and inpatient diagnostic and treatment services, and pharmaceuticals associated with health care services. VA is authorized to bill insurance companies for health care provided to Veterans for non-service connected (NSC) treatment who have private health insurance coverage (referred to as third-party billings) and to collect copayments from Veterans based on their income, disability rating, or specialty eligibility factors (referred to as first-party billings). Medical billings and collections occur through the joint efforts of VA Medical Centers (VAMC) and regional Consolidated Patient Account Centers (CPAC).

The VAMCs are responsible for all patient-focused operations, including gathering eligibility and insurance information, providing medical care, and performing medical coding to support subsequent billings. The CPACs perform "back-end" revenue operations, including, but not limited to, insurance verification, bill creation, collections, and account management. VA uses the Veteran Information Systems and Technology Architecture (VistA) system for medical billing activities; it also serves as the subsidiary ledger for revenue and Accounts Receivable (AR) transactions that support amounts recorded in VA's general ledger (GL), the Financial Management System (FMS).

In order to comply with the accrual basis of accounting prescribed by the Federal Accounting Standards Advisory Board (FASAB), summary-level AR entries are recorded within FMS on a monthly basis from VistA to reflect the current status of open AR balances via the AR Data Collector (ARDC) file. The end-of-month ARDC entry is reversed on the first business day of the following month. Throughout the month, summary-level collections from billings are recorded in FMS. Monthly, CPAC personnel reconcile prior-month activity in VistA to FMS, ensuring data is in balance between the two systems for each VAMC. In addition, to properly account for medical service revenue which has not yet been billed, CPACs record a monthly unbilled accrual, utilizing average daily billings, as well as an estimated number of days between a medical encounter and the generation of the associated bill.

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires VA to establish policies, procedures, and internal controls to ensure AR, revenue, and collections associated with medical services are completely and accurately recorded, reconciled, and reported within VA's financial statements.

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Condition: VA does not have a process in place to reconcile medical service revenue recorded in the FMS GL to the underlying billing and collection transaction-level details recorded in the VistA subsidiary ledger. While the monthly AR reconciliation performed by the CPACs examines VAMC-level billings and reconciles to the FMS trial balance, VA does not have internal controls or processes to reconcile recorded medical revenue from the GL to underlying AR billing and collection activity to demonstrate whether recorded revenue accurately reflects services provided during the reporting period.

VA has not performed a sufficient and appropriate validation of the monthly unbilled accrual methodology to accurately record revenue and AR. The average "days to bill" calculated by VA for the accrual methodology was based on a lookback of four months and resulted in average "days to bill" of 60 days. The results of sample-based billing testwork, as well as analysis of the FY 2025 billing population, identified average "days to bill" of approximately 170 days, which includes Community Care billing delays.

Cause: VA's use of a legacy information system environment to manage and account for revenue and AR operations for medical services, namely VistA and FMS, requires an accounting posting methodology that is not compliant with United States Standard General Ledger (USSGL) requirements at the transaction level. VA's posting methodology involves a monthly summary-level accrual and reversal in FMS to properly reflect the status of open AR across VAMCs. In addition, VA records summary-level revenue entries in FMS when cash is received for medical billings. This summary-level GL posting methodology hinders VA's ability to effectively design internal controls to reconcile GL activity to underlying transactional details residing in VistA.

VA did not conduct an effective risk assessment process over medical service business processes and operations to appropriately mitigate financial reporting risks associated with revenue recognition. Specifically, VA did not consider reconciliation procedures necessary to verify that recorded revenue in the GL accurately reflects services performed during the reporting period, as supported by underlying transactional activity in the VistA subsidiary ledger.

VA did not design and implement an effective lookback analysis to validate the unbilled accrual methodology in place to account for medical services provided which have not yet been billed. VA's use of a four-month lookback was insufficient to adequately estimate a billing time lag. Additionally, VA did not consider whether medical billing categories (e.g., first-party, third-party) should have independent time lag calculations. VA blended all billing categories without appropriate analysis to support if that was a reasonable estimation methodology.

Effect: Without appropriately designed and implemented internal control procedures to reconcile revenue within the GL to underlying transactional activity in the subsidiary ledger, VA cannot assert to the accuracy and completeness of reported AR and revenue associated with medical services. This increases the risk of misstatement associated with AR as reported on the Balance Sheet, as well as revenue recorded on the Statement of Net Cost.

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An insufficient lookback analysis for the unbilled accrual can result in misstatements to AR and revenue. As a result of its outdated methodology, VA's accrual for unbilled claims was inaccurate. This included an overstatement of $1.8 billion arising from revenue recorded in the current year but associated with services provided in prior years that were not accrued at the time of service. This also included an understatement of $1.6 billion for unbilled claims as of September 30, 2025. Net, VA's AR and Earned Revenue were overstated by approximately $200 million as of and for the period ended September 30, 2025.

Recommendations: Kearney recommends that VA perform the following:

1. As part of VA's ongoing system modernization efforts for VistA and FMS, provide recurring briefings on the effects of the financial reporting risks identified over medical service business operations. Ensure briefing audience includes appropriate stakeholder groups across VA (e.g., VHA, Office of Information Technology [OIT], VACO), including those responsible for the modernization efforts. Additionally:
   a. An assessment should be undertaken to validate that the risks of current business processes and missing internal control activities in the current information system environment will not be replicated in the modernized information system environment, to the extent practical.
   b. The accounting posting logic for medical service revenue in the modernized environment should allow for USSGL compliance at the transaction level.
2. Conduct a risk assessment for medical service operations to appropriately identify and respond to financial reporting risks which may have previously been undetected.
3. Develop and implement a periodic reconciliation of AR and revenue, as reported within the VA GL system, back to underlying transactional activity reflected in the subsidiary system. As part of developing the reconciliation internal control, VA should:
   a. Conduct an assessment of medical service financial data needed for the periodic reconciliation.
   b. Define roles and responsibilities of personnel responsible for preparing the reconciliation and reviewing/approving the reconciliation.
   c. Establish variance resolution procedures for variances identified as part of the reconciliation design.
4. Monitor the implementation of the newly designed reconciliation procedures as part of VA's OMB Circular A-123 program.
5. Refine the medical service unbilled accrual methodology by strengthening the sufficiency and appropriateness of the "days to bill" time lag through a more robust lookback analysis. The methodology should include:
   a. Lookback procedures that are expanded from four months to a minimum of 12 months.
   b. An assessment to determine if blended time lags are appropriate across billing categories or if individual time lags should be calculated.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

To the Secretary, Chief Financial Officer, and Inspector General of the Department of Veterans Affairs

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, the financial statements, and the related notes to the financial statements of the Department of Veterans Affairs (VA) as of and for the year ended September 30, 2025, which collectively comprise VA's financial statements, and we have issued our report thereon dated January 16, 2026.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether VA's financial statements are free from material misstatement, we performed tests of VA's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts and disclosures, including the provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). However, providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests, exclusive of those referred to in FFMIA, disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and OMB Bulletin No. 24-02, which is described in the accompanying **Schedule of Findings** as Item II.

The results of our tests of compliance with FFMIA disclosed VA's financial management systems did not comply substantially with Section 803(a) requirements related to Federal financial management system requirements or the application of the United States Standard General Ledger at the transaction level, as described in the accompanying **Schedule of Findings** as Item I.

Department of Veterans Affairs' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on VA's response to the findings identified in our audit. VA's response is described in a separate memorandum attached to this report in the "Financial Section" of the Agency Financial Report. VA concurred with the findings identified in our engagement. VA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

KEARNEY& COMPANY

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements and the results of that testing, and not to provide an opinion on VA's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering VA's compliance. Accordingly, this report is not suitable for any other purpose.

(/s/) Kearney & Company, P.C.

Alexandria, Virginia
January 16, 2026

KEARNEY& COMPANY

Schedule of Findings

Noncompliance and Other Matters

I. Federal Financial Management Improvement Act of 1996 Noncompliance (*Repeat Condition*)

The Federal Financial Management Improvement Act of 1996 (FFMIA) was enacted to improve the quality, consistency, and reliability of Federal financial management by requiring agencies to implement and maintain financial management systems that substantially comply with the following three Section 803(a) requirements:

- Federal financial management system requirements
- Applicable Federal accounting standards
- United States Standard General Ledger (USSGL) at the transaction level.

During fiscal year (FY) 2025, the Department of Veterans Affairs (VA) relied on a complex, interconnected set of general ledger (GL) and feeder systems in order to generate complete and accurate financial statements. Many of these systems were in the process of being decommissioned and replaced, including VA's primary GL, the Financial Management System (FMS), which was deployed in 1992. While VA has initiated efforts to transition to the Integrated Financial and Acquisition Management System (iFAMS), full migration has not yet been completed. As of September 30, 2025, VA's financial management systems did not substantially comply with the requirements within FFMIA, as asserted by VA in the "Management Assurances" section of the Agency Financial Report and as discussed below.

Federal Financial Management Systems Requirements

FFMIA requires timely and reliable financial reporting, including consistently, completely, and accurately recording and accounting for financial information, maintaining internal control over financial reporting and financial system security. The internal control matters described in Items I, II and V, regarding Information Technology, Internal Use Software, and Medical Service Revenue and Accounts Receivable, in the **Schedule of Findings** in our *Report on Internal Control over Financial Reporting* constitute noncompliance with FFMIA Federal financial management system requirements.

FFMIA requires financial management system owners to implement and monitor Federal information system security controls to minimize the risk to the confidentiality, integrity, and availability of the systems and data. The primary framework for these controls is defined in National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53, Revision (Rev.) 5, *Security and Privacy Controls for Information Systems and Organizations*. The design and operating effectiveness of VA's information system security controls did not adhere to NIST SP 800-53, Rev.5, as discussed in the **Schedule of Findings** under Item I in our *Report on Internal Control over Financial Reporting*. Weaknesses were identified in VA's

access controls, configuration management, vulnerability management, and security management, which represent noncompliance with information security requirements.

Standard General Ledger at the Transaction Level

FFMIA requires that financial events be recorded in accordance with USSGL guidance in the Treasury Financial Manual (TFM). VA's financial management systems failed to meet the USSGL requirements set forth in FFMIA Section 803(a) in the following ways:

- **Six-Digit USSGL Reporting:** VA's FMS did not meet the six-digit USSGL account structure required by the TFM. FMS trial balances (TB) had to be converted to a USSGL-compliant structure in the Management Information Exchange (MinX) system prior to external reporting
- **FMS Account Attributes:** FMS did not capture critical attributes, such as exchange/non-exchange indicator or Federal/non-Federal indicator, as required per the TFM. In order to facilitate attribute-level reporting, FMS included additional GL accounts to classify its activity
- **Prior-Year Recoveries:** FMS did not properly distinguish upward or downward adjustments to prior-year obligations from current-year activities. VA relied upon a tool to reclassify activity into the proper account to ensure accurate financial reporting. As a result, VA did not have transaction-level accounting for its upward and downward adjustments
- **Subsidiary/Feeder System Limitations:** VA used various feeder systems to record financial activity. Both the Enterprise Management of Payment Workflow and Reporting (eMPWR) and Insurance General Ledger (IGL), key benefit systems, included limitations that resulted in improper or insufficient accounting. eMPWR did not include account attributes required by the TFM. IGL did not result in USSGL-compliant revenue accounting
- **Subsidiary Ledger to General Ledger System Reconciliations:** VA's use of a legacy information system environment to manage and account for revenue and Accounts Receivable (AR) operations for Medical Services, namely Veteran Information Systems and Technology Architecture (VistA) and FMS, required an accounting methodology that was not compliant with USSGL requirements at the transaction level. VA did not have a process in place to reconcile Medical Service revenue recorded in the FMS GL to the underlying billing and collection transaction-level details recorded in the VistA subsidiary ledger. For additional details, refer to Item V within the **Schedule of Findings** in our *Report on Internal Control over Financial Reporting.*

Noncompliance with the USSGL requirements also represents FFMIA noncompliance with Federal financial management system requirements established by the Office of Management and Budget (OMB) and the Department of the Treasury (Treasury).

VA's continued dependence on FMS and noncompliant feeder systems heightened the risk of reporting errors, incorrect application of USSGL requirements, and operational inefficiencies that ultimately drove substantial FFMIA noncompliance. As a result of the FFMIA

noncompliance, as described above, VA management performed large-dollar, manual journal voucher (JV) adjustments in both FMS and MinX in order to generate complete and accurate financial statements.

II. Federal Managers' Financial Integrity Act of 1982 Noncompliance (*Repeat Condition*)

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires Executive agency reporting entities to establish and implement administrative and accounting controls in accordance with the standards prescribed by the Comptroller General of the United States. Accordingly, the Comptroller General of the United States published the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (Green Book) to define the requirements for effective internal control for Federal agencies. Additionally, OMB developed Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, to establish specific requirements for agencies to integrate risk management and internal control functions and an assessment process based on the requirements within the Green Book.

The above standards provide the internal control framework and criteria Federal managers must use when designing, implementing, and operating an effective system of internal control. Moreover, these standards require management to develop documentation of the entity's system of internal control to demonstrate that components of internal control are operating in an integrated manner. VA is responsible for establishing an effective system of internal control to help ensure management's financial reporting, operational, and compliance objectives are achieved.

Although VA had well-documented business processes that are subject to recurring monitoring through the agency's A-123 program, the material weaknesses and significant deficiencies reported in the accompanying *Report on Internal Control over Financial Reporting* indicated VA had not established an effective system of internal control, as required.

In addition, as provided in the "Management Assurances" section of the Agency Financial Report, VA management was unable to provide reasonable assurance that VA's system of internal controls was effective and achieving its intended objectives in accordance with FMFIA §2, *Effectiveness of Internal Control over Financial Reporting*, and FMFIA §4, *Conformance with Federal Financial Management System Requirements*.



OTHER INFORMATION

Inspector General's Management and Performance Challenges.....118

Summary of Financial Statement Audit and Management Assurances.....136

Payment Integrity Information Act Reporting.....137

Civil Monetary Penalty Adjustment for Inflation.....147

Grant Programs.....148

Financial Reporting-Related Legislation.....149

Honoring Grace Murray Hopper

Back when computers were the size of a small apartment, Rear Admiral Grace Hopper (affectionately known as “Amazing Grace”) was a visionary for today’s digital world. A skilled mathematician and naval officer, Hopper was a force of nature: a brilliant mind with a knack for making the complex accessible and a drive to push the boundaries of what computers could do. Her curiosity propelled her through a stellar academic career, culminating in a Ph.D. in mathematics from Yale University in 1934. When the U.S. entered World War II, Hopper was ready to join the war effort. Initially rejected because of her age and diminutive size, she persisted and eventually received a waiver to join the U.S. Naval Reserve (Women’s Reserve). She took a leave of absence from Vassar College, where she was an associate professor, and completed 60 days of intensive training at the Midshipmen’s School for Women at Smith College. Her mathematical prowess quickly led her to the Bureau of Ordnance Computation Project at Harvard University. She became one of the first programmers of the Harvard Mark I, one of the earliest electromechanical computers. Hopper and her colleagues worked on top-secret calculations essential to the war effort—computing rocket trajectories, creating range tables for new anti-aircraft guns, and calibrating minesweepers. Hopper wrote the 561-page user manual for the Mark I. They were performing complex calculations in seconds. But Hopper was not content to just operate the computer; she wanted to make it more user-friendly. That led to one of her most significant contributions: the concept of a compiler. In the early days of computing, programmers had to write code in machine language—a series of ones and zeros directly understood by the computer’s hardware. It was a tedious and error-prone process. Hopper envisioned a way to write code in something closer to human language, which a program could then translate into machine code. Skeptics said it could not be done. But Hopper was not easily deterred.

After the war, Hopper turned down a full professorship at Vassar to continue her work with computers. In 1946, she left active service when the Navy declined her request for a regular commission due to her age, but she remained a naval reservist. From 1946 to 1949, she continued to work on the Mark II and Mark III computers under Navy contracts. At the end of her 3-year term as a research fellow, she left Harvard because there were no permanent positions for women. In 1952, she joined the Eckert-Mauchly Computer Corporation, where she spearheaded the development of the first practical compiler and the first English-like data processing language. These groundbreaking innovations paved the way for the high-level programming languages we use today.

Hopper’s impact on the world is immeasurable. Her work laid the foundation for the software industry and the digital revolution that transformed nearly every aspect of our lives. From smartphones in our pockets to the intricate systems that power our world, we owe a debt of gratitude to the visionary who imagined a future where humans and computers could communicate more effectively.

INSPECTOR GENERAL'S MANAGEMENT AND PERFORMANCE CHALLENGES

Department of Veterans Affairs
Office of Inspector General
Washington, DC 20420

FOREWORD

The mission of the Office of Inspector General (OIG) is to serve veterans and taxpayers by conducting impactful, independent oversight of VA programs, operations, and services. Each year, as mandated by the Reports Consolidation Act of 2000, the inspector general summarizes the top VA management and performance challenges identified by OIG work and assesses the department's progress in addressing them.

The major management challenges that VA faced in fiscal year (FY) 2025 continue to align with the OIG's strategic goals within five areas of concern: (1) health care, (2) benefits, (3) stewardship of taxpayer dollars, (4) information systems and innovation, and (5) governance.

The challenges in these areas have been identified by OIG personnel, with assistance from the veteran community, Congress, and other stakeholders. The OIG remains fully committed to recommending improvements to VA's work on behalf of veterans, and to making impactful recommendations for increased efficiency. The OIG recognizes the challenges VA faces and appreciates the work VA personnel at every level do each day on behalf of veterans, their families, and caregivers.

The department is undergoing transformation while modernizing several massive information technology systems critical to safely and promptly meeting the needs of veterans. This includes continuing the deployment of VA's multibillion-dollar electronic health records system and scaling up a new financial management system. VA is also navigating the use of automation in benefits claims processing and exploring the department's potential uses for artificial intelligence. These efforts test VA's ability to put veterans and their families first while making the best use of taxpayer dollars.

The PACT Act has also led to millions more veterans applying for related benefits, even as VA strives to manage the impact of increased numbers of eligible veterans seeking care within their communities. Several OIG reports illustrate VA's attempts to hold third-party administrators (TPA) and community providers to contract requirements to provide veterans with the prompt critical care they need.

Recruiting and hiring qualified staff, ensuring patient safety, maintaining timely access to high-quality health care, and addressing deficiencies that center around shortfalls in VA governance and accountability are just some of the major management challenges that OIG reports have identified for FY 2025. These challenges also warrant greater attention to VA-wide consistency, communications, and accountability in adhering to governing mandates.

(/s/) CHERYL L. MASON
Inspector General

OIG CHALLENGE #1: HEALTHCARE SERVICES

The Veterans Health Administration (VHA) is the largest integrated healthcare system in America and is responsible for providing care to more than 9 million enrolled veterans, which includes an increasingly older population with complex needs. However, VHA has dealt with challenges in ensuring veterans have timely access to health care. OIG reports have documented veterans often experiencing delays with scheduling appointments, inconsistent coordination for referrals to specialty care, and confusion about how to access care in the community. These issues are exacerbated by rising demand and staffing vacancies in hard-to-fill positions, leaving leaders to manage difficult, interrelated challenges that have become more prominent over the last year.

OIG reports have highlighted staffing vacancies that limit the availability of personnel with specific expertise to execute vital healthcare functions—from support services to hands-on patient care. Unfilled positions in nonclinical staff can also directly affect the care patients receive, from scheduling medical appointments to transporting patients to higher levels of care. Leadership vacancies, often filled with interim replacements, may prompt the adoption of a patchwork of temporary solutions for major problems. The difficulty in recruiting and retaining qualified medical personnel can result in consequences such as delays in access to care, diagnoses, and treatment, which increase risks for tragic outcomes.

Effective implementation of the community care program can serve to address staffing vacancies at VHA but also must operate to benefit veterans by providing quality health care. While VHA has taken steps to improve the community care program, it has struggled to ensure seamless coordinated care between VHA and community providers. Repeated gaps in coordination compromise veterans' access to timely and quality health care.

Why This Is a Challenge

Medical center officials have reported concerns regarding occupational staffing that affect aspects of healthcare delivery throughout VA. The OIG's congressionally mandated FY 2025 occupational staffing shortage report noted that all 139 medical facilities reported shortages through a standardized questionnaire (a 50 percent increase over FY 2024). In particular, 94 percent of facilities reported severe shortages for medical officers, and 79 percent reported severe shortages for nurses—with psychologists as the most frequently reported clinical shortage. For nonclinical shortages, police were most frequently reported.

VA is increasing its utilization of community care programs to address, in part, these staffing challenges. Internal VA data show a 12 percent increase in community care referrals from FYs 2024 to 2025. As the demand for community care grows, a related VA challenge is to ensure that the program provides veterans with timely access to quality health care. For example, VHA must have effective processes to identify veterans eligible for such care, to schedule appointments, and to easily retrieve medical documentation to inform treatment.

However, the OIG has routinely found that community care programs are plagued by issues related to personnel, processes, and VHA oversight at multiple levels. In addition to procedural and oversight deficiencies, lack of qualified staff to manage the escalating volume of community care consults led to scheduling delays, gaps in coordinating care, and not receiving timely exam results. Process noncompliance, such as lack of communication between VA facilities and community providers, contributed to patients not receiving critical diagnostic results or care.

Inadequate governance of community care programs permitted long-standing performance deficiencies to persist.

Although VHA has made efforts to improve VA and community care coordination processes, recent OIG reports have identified systemic issues with inadequate monitoring, training, and quality-control checks. For example, VHA created the Veteran Self-Scheduling (VSS) process to enable eligible veterans to make their own community care appointments. However, weak planning and oversight, minimal training, and conflicting field guidance compromised this initiative. Staff placed some veterans—including those with urgent or complex medical needs—into the process without their knowledge. This meant they may not have known to self-schedule their appointments with community care providers, increasing the risk of delayed care or cancelation of the veteran's consult. In addition, although the VSS was used to improve scheduling metrics, there was no accurate way to validate whether the process shortened wait times because it could not reliably capture the actual date a veteran scheduled an appointment.

Another OIG report found that Veterans Integrated Service Network (VISN) facility schedulers did not always ensure eligible veterans were appropriately identified and offered all care options within and outside VA. Schedulers lacked an effective process to get information on available appointments at other VA medical facilities, either inside or outside the VISN, when services could not be provided in a timely manner or were unavailable at veterans' regular facilities.

Department's Corrective Actions

VHA has advanced its use of data to verify community care eligibility and track patient outcomes, as well as to modify the scheduling and referral processes in response to VA OIG recommendations. VA has also enhanced the patient experience by launching real-time feedback tools and digital communication platforms. These are important steps, yet there needs to be continued focus in addressing the other identified issues as well, such as improving the timeliness of community care scheduling and VA's continued implementation of its enhanced referral coordination initiative. Additionally, to expedite veterans' access to care, VA announced in May 2025 that community care consults would no longer require review and approval by a second physician. The OIG will continue to monitor the effect these changes have on patient wait times.

Responsive to OIG recommendations, VA leaders have agreed to improvements in community care programs by streamlining processes, closing gaps in communication between providers and patients, and making certain that case management is effective to consistently provide seamless, coordinated care for veterans. VHA leaders have concurred with recommendations to improve referral coordination through clearly defined roles, responsibilities, and performance expectations. VHA is also working to enforce standards for appointment wait times in community care settings and strengthen oversight of third-party administrators to ensure the adequacy of the provider network. Further, supporting care coordination, VA leaders agreed to improve communication about patients who receive urgent community care. VHA continues to act on patient feedback, using survey data to reveal and address gaps in care quality and coordination.

Also responsive to OIG findings, VHA canceled the mandatory requirement for facilities to offer the self-scheduling option to veterans and is evaluating the VSS training program to determine what updates are needed and to confirm schedulers complete training elements. VHA still

needs to strengthen its controls and reporting to flag inappropriate VSS use and should devise a reliable way to measure whether the self-scheduling process is meeting its intended goals.

Finally, in response to an executive order mandating a hiring freeze, VA sought and received exemptions to hire personnel critical to providing healthcare services to veterans.

OIG CHALLENGE #2: BENEFITS FOR VETERANS

The Veterans Benefits Administration (VBA) is tasked with providing millions of veterans, eligible family members, caregivers, and survivors with earned benefits and services, including disability compensation, education benefits and training, and home loan assistance. VBA has long struggled to keep pace with the high volume and complexity of its benefits claims workload; new entitlements stemming from legislative changes have only exacerbated those challenges, negatively affecting both timeliness and accuracy.

The demands for OIG oversight have continued to increase following the passage of the PACT Act of 2022, which provides care and benefits to veterans exposed to burn pits and other toxic substances. According to VA, the PACT Act is perhaps the largest healthcare and benefit expansion in VA history. As of August 9, 2025, according to VA data, nearly 6.4 million veterans received screenings for toxic exposure and claims processors had completed more than 2.6 million PACT Act claims since the law's passage. Also, by August 9, VBA reported a backlog of over 297,000 PACT Act–related claims and over 384,000 pending claims unrelated to the act. The additional workload the PACT Act generated strained the complex claims and benefit-request processes, jeopardized accuracy, and imposed even greater challenges on meeting timeliness standards. The OIG continues to provide oversight of these and a myriad of other types of claims and benefits services. Identified errors in claims processing or awarding services can delay or improperly deny benefits or support to veterans, their families, survivors, and caregivers.

In addition to achieving claims processing accuracy goals, VBA also faces challenges in ensuring the accuracy of benefit payments. In a May 2025 congressional testimony, the OIG highlighted how the accelerated PACT Act implementation, generally unclear claims-processing guidance, and inadequate quality assurance reviews have continued to result in improper payments across many types of benefits and services within the compensation and pension programs. For the pension program alone, VBA made $518 million in improper payments as reported in VA's FY 2024 Agency Financial Report. Further, gaps in internal controls have hindered VBA's ability to quickly detect and correct improper payments.

Why This Is a Challenge

VBA claims processors must keep up with constantly changing policies, procedures, and laws to decide claims accurately. Weak training programs, inadequate information system tools, and vague or conflicting directions have led to widespread processing errors and poor decision-making. For example, one OIG report found that the lack of clear guidance led to VBA claims processors assigning incorrect effective dates for 31,400 out of 131,000 PACT Act claims (24 percent). In addition, the OIG found $1.4 million in unnecessary costs associated with scheduling unwarranted medical examinations for claims related to denied presumptive disabilities under the PACT Act.

These errors directly affect veterans by resulting in improper payments and claims denials. Each year, VA distributes billions of dollars in compensation and pension benefits. Even a small percentage of improper payments can result in significant financial losses—to both VA and veterans. Making proper determinations for benefit payments is particularly challenging due to the complexity of VA's statutory and process requirements, as well as related criteria and case law, including determining eligibility and making retroactive adjustments. The OIG's data analytics work has also highlighted the inability of some VBA systems to integrate information from related sources, cross-check data, and flag anomalies—further contributing to this challenge.

While VBA has provided education and instruction on claims processing, OIG reports continually find that some training is insufficient or did not include all users' needs. Training programs covering benefits eligibility and processing, especially on complicated programs like the PACT Act, are expected to position staff to efficiently, competently, and accurately support eligibility determinations for veterans. However, VBA did not always use hands-on approaches that reflected real-life scenarios and did not fully assess whether the training improved claims processing.

As OIG reports from prior fiscal years have shown, information technology (IT) enhancements to improve benefits processing have not always yielded the intended outcome. For example, two of VBA's tools created to help claims processors determine effective dates for claims were not reliable when it came to PACT Act–related calculations. A similar issue was identified in a report on VBA's special monthly compensation calculator (Veterans Benefits Management System for Rating). The review found that the calculator produced inaccurate results, which ultimately resulted in incorrect monthly payments to veterans, until it was disabled by VBA.

Department's Corrective Actions

VBA continues to focus its efforts on addressing OIG recommendations to increase efficiency and improve accuracy in claims processing. These efforts include clarifying guidance identified as confusing or potentially contradictory and better preparing new and current employees to properly navigate a complicated claims review process. For example, VBA completed summary evaluations of the initial PACT Act training to assess its effectiveness in improving staff proficiency. To address processing errors, VBA is making several updates to the existing guidance. VA's Adjudication Procedures Manual now clarifies when claims processors should request medical disability examinations and opinions. Additionally, staff continue to make updates to guidance for reopened survivor Dependency and Indemnity Compensation claims, assigning effective dates for claims, and processing presumptive disabilities. While VBA has made progress, work remains in enhancing and testing tools to ensure applications and automation yield intended outcomes.

VBA has also improved some of its data-matching capabilities in recent years by enhancing the use of Social Security Administration death data and other federal sources to identify deceased beneficiaries quicker. However, OIG reports have noted additional efforts are needed for improvements in claims processing automation. Recently, an OIG report noted that pension automation did not always identify transportation costs related to burial expenses. Although the system correctly processed most burial expenses, 79 percent of claims were incorrect because transportation costs were never reimbursed. This was because the automation system did not include the proper rules to identify and process those costs. VBA responded to the OIG's

recommendation by taking steps towards system enhancements that will check for transportation reimbursement eligibility to help mitigate this issue.

Clear guidance, enhanced training and feedback, robust system testing, and better-quality reviews will contribute to improving the accuracy, timeliness, and integrity of the benefits delivery system. This will, in turn, help VA strengthen its stewardship of taxpayer funds and protect veterans and their families from the hardships caused by inaccurate claims processing.

OIG CHALLENGE #3: STEWARDSHIP OF TAXPAYER DOLLARS

Several challenges VA faces in overseeing its spending are directly related to outdated financial management systems that sometimes lack interoperability and inadequate internal monitoring of its many programs. Each year, VA must distribute hundreds of billions of dollars for direct and community medical care, disability payments, education and survivor benefits, memorial services, cemetery grounds maintenance, and a wide range of other benefits and services in addition to supporting programs and operations. Benefits and services are delivered to millions of veterans and their families while supporting more than a thousand healthcare facilities and clinics, as well as executing major IT modernizations and countless contracts.

Yet its legacy financial systems and fragmented supply chain tools, plus decentralized contracting oversight, fail to provide leaders with the necessary real-time communications and visibility into spending, inventory, and billing accuracy necessary for adequate monitoring. When payment processes, inventory controls, or budget checks break down—even briefly—the sheer volume of transactions can turn small errors into large losses, diverting funds from veteran care and eroding public trust.

In August 2024, VA disclosed a projected $15 billion funding shortfall, prompting heightened scrutiny of the department's financial forecasting and management capabilities. As further detailed below, the OIG found that improved financial management practices and greater accountability within VA would have reduced the risk of a reported shortfall. Further, improvements in consistency, financial oversight, reporting accuracy, and communication processes would have provided greater clarity and may have obviated the need for the funding requests to Congress at the end of the fiscal year.

Why This Is a Challenge

VA's legacy financial systems and unreliable data have hindered its ability to make informed decisions, prevent costly errors, provide leaders with a complete financial picture to prevent budget shortfalls, and assure Congress that appropriated funds are consistently used as intended. Legacy financial systems also are contributing causes to two of VA's three long-standing material weaknesses related to its financial statements—financial systems reporting and IT security controls. The other weakness is associated with accounting estimates. In addition, VA has had significant deficiencies for the past several years in the areas of home loan guaranty liability estimates, entity-level controls and obligations, undelivered orders, and accrued expenses.

Recent OIG reports have shown that deficient controls and lack of clarity of roles, responsibilities, and accountability over financial reporting impeded accurate budgetary forecasting. The FY 2024 $12 billion supplemental request from VHA (later revised down to $6.6 billion), and VBA's requested $2.9 billion supplement, were ultimately not needed. For

VHA, this budgetary gap occurred because staff relied on outdated data and flawed assumptions, including lower-than-actual costs for new medications and both direct and community care projections, and an unanticipated legislative budget cap. VBA's underestimate occurred because leaders did not include realized prior-year recoveries in its monthly status report calculations throughout the year, which would have shown a reduced risk of a shortfall by year-end.

At the program level, defective IT tools and weak internal controls have compromised VA's ability to stop preventable monetary losses. For example, the Program Integrity Tool, a key system to detect duplicate payments and fraud for the community care program, was offline for nearly 17 months (from February 2023 to July 2024), and is still not fully restored. During that time, VA lost its single consolidated source for community care claim reviews as well as the ability to bill veterans and private insurers in a timely manner. It also hampered efforts to detect duplicate or fraudulent payments and to satisfy earlier OIG recommendations to shore up revenue operations and fraud-mitigation efforts. Pausing the Program Integrity Tool stalled billing for about 40 million community care claims, delayed the collection of $665.5 million in revenue, and caused staff to use manual work-arounds. Meanwhile, missing pass-through language from community care contracts and weak payment controls created vulnerabilities that resulted in third-party administrators billing VA for more than they paid dental providers, generating over $910 million in excess reimbursements and an estimated $108.9 million in outpatient overpayments.

The OIG continues to identify facility-level mismanagement of open obligations, purchase card violations, and discrepancies between what inventory is recorded and what is physically present. If these errors continue, VA's ability will be constrained to effectively budget for supplies, equipment, and medications that meet patient care needs. Inadequate financial oversight enterprise-wide has also resulted in some potential violations of the "bona fide needs" rule—an appropriation law mandating that a fiscal year's appropriation only be obligated to meet a legitimate need during that "period of availability."

Department's Corrective Actions

VA is taking action on OIG recommendations that focus on implementation of robust internal controls and oversight across all program areas to protect funds and make the most efficient use of taxpayer dollars. This includes enhancing the monitoring of third-party administrators in community care, improving inventory management, and ensuring proper use of purchase cards. VA has also taken steps to increase accountability in contracting and procurement processes to prevent unauthorized or wasteful spending, but this requires continuous improvements. For benefit programs, VA also has made progress on detecting and addressing fraud as well as waste to safeguard the integrity of these programs. OIG reports will continue to indicate where ongoing efforts should be focused.

To improve its financial accounting and reporting, VA has been incrementally rolling out the Integrated Financial and Management System (iFAMS) as part of the enterprise-wide modernization effort to replace legacy systems that facilitate the department's financial and contracting activities. The early waves of deployment have been designed to address identified problems before full implementation within VBA and VHA. While implementation of iFAMS VA-wide should help to address some of VA's financial reporting deficiencies, it is critical that stakeholders thoroughly test the system and address opportunities for improvement.

Further, to prevent future budget miscalculations, VA is taking steps to improve real-time surveillance over its budget while reviewing projection models. VA has also revised inputs for the Enrollee Health Care Projection Model to better account for community care growth, staffing, and pharmacy and prosthetic services. Taking these steps becomes especially important as community care expenditures continue to grow year over year.

With regards to the Program Integrity Tool, VA agreed with OIG's recommendations to focus on ensuring payments are only for authorized care, expanding its post-payment analytics, and tightening contracting officer oversight, particularly for overpayment recoupment processes.

Specifically, to further improve community care oversight, VHA restored the Program Integrity Tool's revenue collection functionality and is rebuilding its fraud-detection capabilities while upgrading servers and data logic. VHA is also inserting reimbursement caps and pass-through language into future Community Care Network contracts and expanding post-payment reviews.

As noted in OIG testimony, while the Program Integrity Tool returns to full functionality, VA will need to continue working on resolving the backlog of paid claims to identify and bill veterans for copayments. Veterans may be negatively affected because they could receive copayment bills for care delivered more than a year ago—although as of August 2025, VA was still working to implement a regulatory change that would allow it to seek waivers on behalf of veterans when debts are accrued due to the fault of the agency.

These refinements can enhance VA's credibility with the veteran community, congressional leaders, taxpayers, and other stakeholders. Additionally, by making these improvements, VA can better align its financial management practices with its mission of providing timely and reliable care and benefits to veterans and their families.

OIG CHALLENGE #4: INFORMATION SYSTEMS AND INNOVATION

In addition to the financial systems discussed in the prior section, VA leaders face challenges in optimizing other existing systems and incorporating emerging technology to store, manage, and maintain secure access to vast amounts of sensitive data as required. This includes veterans' medical records, benefits determinations, financial disclosures, and education documents.

VA has continued its drive to modernize an array of mission-critical platforms—electronic health records, acquisitions, antifraud analytics, cloud-based collaboration tools, and several benefits and appeals processing applications—all while trying to address decades-old cybersecurity and data-integrity gaps. These modernization projects are now estimated to cost tens of billions of dollars, and their success depends on tightly interlocking schedules and data flows, making implementation both costly and complex. However, the OIG has found that ambitious timelines for development and deployment often conflict with the department's ability to design, govern, secure, and fully stabilize those systems. The OIG recognizes the difficulty of this undertaking and has recommended enhancements and measures to not only safeguard these systems and data but also ensure VA staff are supported as they work to implement these systems and navigate constant changes while continuing to maintain operations and implement programs and services.

Why This Is a Challenge

Information system failures have repeatedly caused breakdowns in key VA services and functions, including many previously mentioned on financial reporting, contracting, supply chain management, claims processing, appointment management, community care billing, and fraud detection. VA has historically struggled to effectively deploy new IT projects. In addition, OIG work has demonstrated these IT projects are often impeded by inadequate planning (including lack of a comprehensive master schedule), insufficient requirements development, not enough stakeholder engagement, failures to promptly fix known problems, and lapses in program management or coordination. These difficulties have led to cost overruns, extensive delays, lower user acceptance, and functionality gaps that make it difficult for VA personnel to do their jobs.

VA continues to face technical challenges with three large-scale IT implementation efforts, some mentioned in prior sections: the Electronic Health Record Modernization program, iFAMS, and Caseflow. The Electronic Health Record Modernization program experienced major performance incidents—360 outages, severe degradations, and functionality issues at its first five sites—which contributed to VA's decision to halt deployment at other planned sites. Inadequate controls for handling major performance incidents primarily occurred because of the way the original May 2018 contract was written. VA modified the contract in 2023 to strengthen some requirements, but additional OIG recommendations that address the process for assessing performance issues remain open. Continued major performance incidents can lead to further costly delays in system implementation and pose an ongoing risk to patient safety.

At the same time, iFAMS went live without end-to-end interface testing, resulting in errors that delayed the construction invoicing process and forced staff to find manual work-arounds for a year after it was deployed. Complications with iFAMS occurred because leaders did not adequately include acquisition stakeholders in decision-making roles to ensure the new acquisition functionality addressed concerns about its lack of automation and the length of time it took to perform various actions. Users also had concerns with the training provided for some iFAMS tasks and day-to-day activities.

Meanwhile, Caseflow—the end-to-end technology system VA adopted to support processing claims and appeals through tracking decisions for various stakeholders—lacked an enterprise-wide governance structure. As a result, Caseflow's functionality was limited, and its ability to report on a claim's status was inefficient. VA's Office of Information and Technology did not provide a road map for Caseflow's build-out and restricted key stakeholders' access to developers, making it difficult to implement key requirements.

As the healthcare section mentions, IT system failures have also affected patient care. OIG reports have detailed instances of clinicians being unaware of critically important patient data. Communication breakdowns between VA and community care providers have also led to delayed diagnoses and treatment of patients. While such communication challenges are not new, the dramatic increase of community care referrals has amplified the urgent need for resolution. Additionally, recent OIG reports have highlighted the inherent inefficiency of having staff use two recordkeeping systems to document and read patient information.

Congress passed the Federal Information Security Modernization Act of 2014 (FISMA) to strengthen existing federal information security programs and practices. VA continues to encounter significant barriers to meeting FISMA requirements including deficiencies in controls

related to access, configuration management, and security management, as well as service continuity practices. OIG inspections and reports repeatedly highlight these security concerns, including one instance in which a system misconfiguration allowed any VA user to view sensitive human resources and taxpayer information, as well as protected veteran health information from anywhere in the nation. Another OIG report confirmed long-standing critical vulnerabilities including ineffective security management allowing personnel to bypass security protections, leaving about 3.3 million veterans' records unencrypted at one facility.

VA's challenges with updating and replacing IT systems are a persistent concern, with problems related to its information security program due in part to not keeping pace with changes. As the second largest federal agency, VA holds a vast amount of sensitive personal data from veterans, beneficiaries, personnel, and contractors. Strict controls are needed to protect this information. The inadequacies and identified ineffectiveness of VA's information security controls has continually been highlighted in the OIG's reports and congressional testimonies.

Department's Corrective Actions

VA has taken some action to continue tightening its IT systems controls and mitigate identified program deficiencies. In agreeing to implement OIG recommendations, VA has presented action plans to expand efforts to gain insights from systems users and other stakeholders to ensure improvements are made and new systems better meet their needs.

Regarding VA's ongoing electronic health records overhaul, VA strengthened the contractor agreement by enhancing performance credit clauses (provisions that establish financial penalties if the contractor fails to meet performance standards) and tighter incident metrics. It created limited real-time system dashboards to help monitor performance at sites going live with the system. However, there remain 32 OIG recommendations that are not fully implemented as VA resumes system deployments.

While VA has moved forward with iFAMS, the OIG has pressed VA to enhance the interface development procedures and work closely with leaders in the Office of Acquisition and Logistics to resolve ongoing user concerns before deploying the acquisition model to more sites.

Many VA information systems are interconnected, so changes or deployments in one can significantly impact the functionality of others. VA must also prioritize a sound IT security structure and effective controls over both existing and new systems to better detect unauthorized access and other vulnerabilities.

OIG CHALLENGE #5: LEADERSHIP AND GOVERNANCE

Strong leadership and sound governance are critical to the success of any organization. For VA, fostering a culture of high reliability and accountability is especially critical given its mission, size, and the complexity of its portfolio. Improved governance can help VA better identify, prevent, and address threats to patient safety while making the most effective use of funds in supporting veterans and their families through its myriad operations, programs, and services. The OIG's work has spotlighted issues and deficiencies in accountability, often stemming from poor communication or confusion about roles and responsibilities for internal monitoring and approvals, which have led to serious consequences.

Why This Is a Challenge

Numerous OIG reports depict the consequences of ambiguous or unenforced policies contributing to ineffective or absent internal VA oversight and failure to quickly detect and address risk. When leaders do not set clear expectations, monitor execution, and hold staff accountable, patient safety, veterans' welfare, and VA resources are in jeopardy.

Thorough oversight is essential for identifying noncompliance with laws, regulations, policies, and procedures. However, the OIG has found that risks are often not detected before significant problems occur because of ineffective monitoring. For example, an OIG report found discrepancies between VISN direction, VHA policy, and other requirements that led to confusion about the rules surrounding surgical resident physicians and permitted trainees to work at VA medical facilities without direct supervision.

Inconsistent, absent, or unattainable performance benchmarks can also lead to adverse outcomes. Too frequently, VA's most vulnerable veterans—often unable to advocate for themselves—fall through the cracks in both healthcare delivery and fiduciary services. Continued acceptance of widespread failures in meeting community care and other benchmarks leave veterans waiting for appointments and exam results. Inconsistent guidance and oversight have resulted in veterans—including those unhoused—not receiving care management, crucial suicide assessments and safety plans, treatment plans, or assistance with transitions in care. Another recent OIG report identified the national oncology program's infrastructure and oversight to be incongruent with what VA identifies as fundamental to high-quality care.

Poor oversight has also resulted in credentialing and privileging program issues, permitting providers to render care without necessary privileges, verified competencies, or remediation after performance deficiencies were identified. In one report, a provider who was neither credentialed nor privileged was assigned to provide care in an intensive care unit. Poor oversight also permitted improper quality management processes, leaving risks unidentified and unresolved.

Many of the shortfalls described in OIG reports could have been prevented if warning signs were detected and acted on by engaged leaders or empowered staff. Several inspections have found a lack of accountability, resulting in ongoing deficiencies in patient care and operations. Other inspections encountered staff who reported feeling unsupported and untrusting of leaders, which hindered the open communication and collaboration necessary to identify and remedy adverse events. One OIG report documented a facility chief of staff who did not fully review and address patient safety reports and concerns, a failing echoed in other facilities as well. Several OIG reports identified facility noncompliance with VA's policy on disclosing adverse events. Not acknowledging the impact of adverse events through candid conversations with patients and their families jeopardizes trust between VA and patients as well as deprives patients of information regarding their rights and potential remedies.

Weak governance also hampers supply chain management. An OIG review found that while VISN supply chiefs completed the required quality control reviews, facilities did not comply with policy for more than 18 percent of the areas under review. Further, deficiencies remained unresolved from the previous year's quality control reviews because staffing vacancies ran high, VISN supply chiefs did not always identify or report noncompliance at their facilities, and action-plan-tracking spreadsheets could be overwritten. Other recent OIG reports found that facilities purchased nonexpendable medical equipment without following required processes or

necessary approvals because facility staff interpreted guidance differently. Another report found that VHA medical facilities could not account for some equipment items, while other items were in locations that differed from what was listed in the inventory system. In some cases, equipment was sitting in facilities unused.

Collectively, these lapses illustrate how diffuse oversight and unclear lines of authority can risk patient safety, waste funds, and allow equipment to be lost and environmental hazards to linger.

Department's Corrective Actions

Across VA, leaders took action in response to OIG recommendations aimed at improving governance, internal oversight, and monitoring. For example, to strengthen staff incentives monitoring, human resource officials have begun building risk-based quality-control procedures and annual incentive payment audits. Additionally, the Procurement and Logistics Office is piloting an automated dashboard to replace manual spreadsheets used for quality reviews that are at risk of being overwritten and has agreed to track supply chain vacancies and flag facilities that need network-level intervention.

VA has submitted action plans that include updating physical inventory requirements, assessing compliance through periodic reviews, and monitoring and addressing gaps identified through supply chain metrics and reports. Adoption of a standardized "report of survey" dashboard will allow VA to centrally report lost, stolen, or damaged items and regularly monitor facility inventory compliance and take needed action. Further, VA is taking steps to fully implement the equipment planning and approval process, while developing a system to ensure that facility staff are following process and approval requirements before purchasing.

It is essential to establish clear policies that standardize processes for all facilities and create guardrails, while still allowing leaders to exercise flexibility and discretion when necessary. To prevent recurring findings across VA, leaders should seek out and apply lessons learned regarding vulnerabilities and deficiencies identified through a combination of internal reviews and OIG reports. Additionally, VA should take prompt action on the OIG's open recommendations and identify solutions that address the root causes discussed. Although recommendations may be issued to a particular facility or office, OIG suggests the information provided should be considered across the department.

VA Management's Response
VA acknowledges the challenges presented in the OIG report and appreciates the IG's dedication to identifying opportunities for improvement in VA programs and operations. For additional information on management's response and the measures VA is implementing to address each challenge, refer to the individual IG reports related to each challenge as provided in the following table.

APPENDIX: RELATED REPORTS AND CONGRESSIONAL TESTIMONY

The reports and congressional testimony listed below support the OIG's identification of VA's FY 2025 major management challenges. All OIG publications are available at www.vaoig.gov/.

Related Reports	Date	Challenge				
		#1	#2	#3	#4	#5
Better Controls Needed to Accurately Determine Decisions for Veterans' Nonpresumptive Conditions Involving Toxic Exposure Under the PACT Act	9/30/2025		X			
Widespread Failures in Response to Suspected Community Living Center Resident Abuse at the VA New York Harbor Healthcare System in Queens	9/30/2025	X				X
Deficiencies in VA Homeless Program Intake Documentation, Suicide Risk Assessment, and Care Coordination Processes	9/11/2025	X				X
Improved Oversight of VHA's Nonexpendable Equipment Is Needed	9/4/2025			X		X
Facilities Need to Fully Implement VHA's Strategic Planning and Request Process for Nonexpendable Medical Equipment	9/4/2025			X		X
VISN 12 Needs to Improve How It Administers the Veteran Community Care Program	8/27/2025	X				
Inconsistent Implementation of VHA Oncology Program Requirements due to Insufficient Oversight	8/14/2025	X				X
VA Can Strengthen Appeals Processing and Tracking by Improving Caseflow Program Management	8/13/2025				X	
Fiscal Year 2025 Occupational Staffing Report	8/12/2025	X				
Leaders Did Not Adequately Review and Address a Dental Hygienist's Quality of Care at the VA Southern Nevada Healthcare System in Las Vegas	8/6/2025	X				X
Deficiencies in Care at the Batavia Community Living Center Contributed to a Resident's Death at the VA Western New York Healthcare System in Buffalo	7/31/2025	X				X
Failures Related to the Care and Discharge of a Patient and Leaders' Response at the VA New Mexico Healthcare System in Albuquerque	7/31/2025	X				X

Related Reports	Date	Challenge				
		#1	#2	#3	#4	#5
Care in the Community Deficiencies and Ineffective VISN Oversight at the VA Maryland Health Care System in Baltimore	7/16/2025	X				X
Deficiencies in Credentialing, Privileging, and Evaluations for Surgeons at the St. Cloud VA Medical Center in Minnesota	7/2/2025	X				
Mental Health Inspection of the VA Philadelphia Healthcare System in Pennsylvania	6/26/2025	X				X
Mental Health Inspection of the VA Salem Healthcare System in Virginia	6/26/2025	X				X
Federal Information Security Modernization Act Audit for Fiscal Year 2024	6/18/2025				X	
Recruitment, Relocation, and Retention Incentives for VHA Positions Need Improved Oversight	6/12/2025			X		X
Healthcare Facility Inspection of the VA Atlanta Healthcare System in Decatur, Georgia	6/12/2025	X				X
Healthcare Facility Inspection of the VA St. Louis Healthcare System in Missouri	6/10/2025	X				X
VBA's Special Monthly Compensation Calculator in the Veterans Benefits Management System for Rating Did Not Always Produce Accurate Results	5/29/2025		X			
Better Communication and Oversight Could Improve How the Pain Management, Opioid Safety, and Prescription Drug Monitoring Program Manages Funds	5/28/2025			X		X
Healthcare Facility Inspection of the VA Augusta Health Care System in Georgia	5/22/2025	X				X
Deficiencies in Emergency Care for a Female Veteran at Martinsburg VA Medical Center in West Virginia	5/21/2025	X				
Inspection of Information Security at the Battle Creek Healthcare System in Michigan	5/1/2025				X	
Deficiencies in Trainee Onboarding, Physician Oversight, and a Root Cause Analysis at the Overton Brooks	4/24/2025					X

Related Reports	Date	Challenge				
		#1	#2	#3	#4	#5
VA Medical Center in Shreveport, Louisiana						
Integrated Financial and Acquisition Management System Interface Development Process Needs Improvement	4/24/2025				X	
Improper Sharing of Sensitive Information on Cloud-Based Collaborative Applications	4/22/2025				X	
Delayed Diagnosis and Treatment for a Patient's Lung Cancer and Deficiencies in the Lung Cancer Screening Program at the VA Eastern Kansas Healthcare System in Topeka and Leavenworth	4/17/2025	X			X	
The PACT Act Has Complicated Determining When Veterans' Benefits Payments Should Take Effect	4/15/2025		X			
Healthcare Facility Inspection of the VA Western Colorado Healthcare System in Grand Junction	4/10/2025	X				X
Healthcare Facility Inspection of Memphis Healthcare System in Tennessee	4/1/2025	X				X
Inadequate Governance Structure and Identification of Chief Mental Health Officers' Responsibilities	3/31/2025					X
Review of VA's $2.9 Billion Supplemental Funds Request for FY 2024 to Support Veterans' Benefits Payments	3/27/2025		X	X		
The Causes and Conditions That Led to a $12 Billion Supplemental Funding Request	3/27/2025	X		X		
Healthcare Facility Inspection of the VA Hampton Healthcare System in Virginia	3/26/2025	X				X
Care in the Community Inspection of South Central VA Health Care Network (VISN 16) and Selected VA Medical Centers	3/20/2025	X				
Review of Community Care Utilization, Delivery of Timely Care, and Provider Qualifications at the Montana VA Healthcare System in Fort Harrison, Fiscal Year 2022	3/19/2025	X				

Related Reports	Date	Challenge				
		#1	#2	#3	#4	#5
Veteran Self-Scheduling Process Needs Better Support, Stronger Controls, and Oversight	3/19/2025	X				
Deficiencies in Managing Supply, Equipment, and Implant Inventory at the Michael E. DeBakey VA Medical Center in Houston, Texas	3/18/2025			X		
Healthcare Facility Inspection of Washington DC Healthcare System	3/13/2025	X				X
Healthcare Facility Inspection of the VA Dublin Healthcare System in Georgia	3/6/2025	X				X
Mental Health Inspection of the VA Central Western Massachusetts Healthcare System in Leeds	3/5/2025	X				X
Healthcare Inspection VISN Summary Report: Evaluation of Practitioner Credentialing and Privileging for Fiscal Years 2023 to 2024	2/25/2025	X				X
Community Care Network Outpatient Claim Payments Mostly Followed Contract Rates and Timelines, but VA Overpaid for Dental Services	2/20/2025			X		
Financial Efficiency Inspection of the VA Tampa Healthcare System	2/13/2025			X		
Deficiencies in Invasive Procedure Complexity Infrastructure, Surgical Resident Supervision, Information Security, and Leaders' Response at the Lieutenant Colonel Charles S. Kettles VA Medical Center in Ann Arbor, Michigan	2/4/2025	X				X
Deficiencies in Case Management and Access to Care for HUD-VASH Veterans at the VA Greater Los Angeles Healthcare System in California	1/30/2025	X				X
Leaders Failed to Ensure a Dermatologist Provided Quality Care at the Carl T. Hayden VA Medical Center in Phoenix, Arizona	1/23/2025	X				X
Care in the Community Inspection of VA Sierra Pacific Network (VISN 21) and Selected VA Medical Centers	1/22/2025	X				
Care in the Community Inspection of VA Desert Pacific Healthcare Network (VISN 22) and Selected VA Medical Centers	1/16/2025	X				

Related Reports	Date	Challenge				
		#1	#2	#3	#4	#5
VBA Provided Accurate Training on Processing PACT Act Claims but Did Not Fully Evaluate Its Effectiveness	1/15/2025		X			
Healthcare Facility Inspection of the VA Poplar Bluff Health Care System in Missouri	1/15/2025	X				
Inspection of Pacific District 5 Vet Center Operations	1/8/2025	X			X	
Healthcare Facility Inspection of the Birmingham VA Health Care System in Alabama	12/19/2024	X				X
Improvement in the Patient Safety Program with Continued Opportunities to Strengthen Veterans Integrated Service Network 7 Oversight at the Tuscaloosa VA Medical Center in Alabama	12/19/2024	X				X
Inadequate Staff Training and Lack of Oversight Contribute to the Veterans Health Administration's Suicide Risk Screening and Evaluation Deficiencies	12/18/2024	X				X
Deficiencies in Inpatient Mental Health Suicide Risk Assessment, Mental Health Treatment Coordinator Processes, and Discharge Care Coordination	12/18/2024	X				X
Audit of VA's Financial Statements for Fiscal Years 2024 and 2023	12/10/2024			X		
Survivors Did Not Always Receive Accurate Retroactive Benefits for Dependency and Indemnity Compensation Claims Reopened Under the PACT Act	12/3/2024		X			
Staff Incorrectly Processed Claims When Denying Veterans' Benefits for Presumptive Disabilities Under the PACT Act	12/3/2024		X			
Veterans Health Administration Initiated Toxic Exposure Screening as Required by the Promise to Address Comprehensive Toxics (PACT) Act but Improvements Needed in the Training Process	11/14/2024	X				X
Inspection of Information Security at the Health Eligibility Center in Atlanta, Georgia	11/13/2024				X	

Related Reports	Date	Challenge				
		#1	#2	#3	#4	#5
Heart Transplant Program Review: Facility Leaders Failed to Ensure a Culture of Safety and the Section Chief Engaged in Unprofessional Conduct at the Richmond VA Medical Center in Virginia	10/24/2024	X				X

Congressional Testimony	Date	Challenge				
		#1	#2	#3	#4	#5
Hearing on Pending Legislation	6/11/2025			X		
Waste & Delays: Examining VA's Improper Payments in its Compensation and Pension Programs	5/14/2025		X			
Answering The Call: Examining VA's Mental Health Policies	4/30/2025	X				X
From Reset to Rollout: Can the VA EHRM Program Finally Deliver?	2/24/2025			X	X	
Roles and Responsibilities: Evaluating VA Community Care	2/12/2025	X				
VA First, Veteran Second: The Biden/Harris Legacy	2/6/2025	X				
VA Cybersecurity: Protecting Veteran Data from Evolving Threats	11/20/2024				X	

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

The following tables provide a summary of audit-related or management-identified material weaknesses and the noncompliance with FFMIA and Federal financial management system requirements outlined in the FY 2025 AFR.

Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	No*				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Controls Over Significant Accounting Estimates	1	-	1	-	-
Financial Systems and Reporting	1	-	1	-	-
IT Internal Controls	1	-	-	-	1
Internal Use Software	-	1	-	-	1
Total Material Weaknesses	3	1	2	-	2

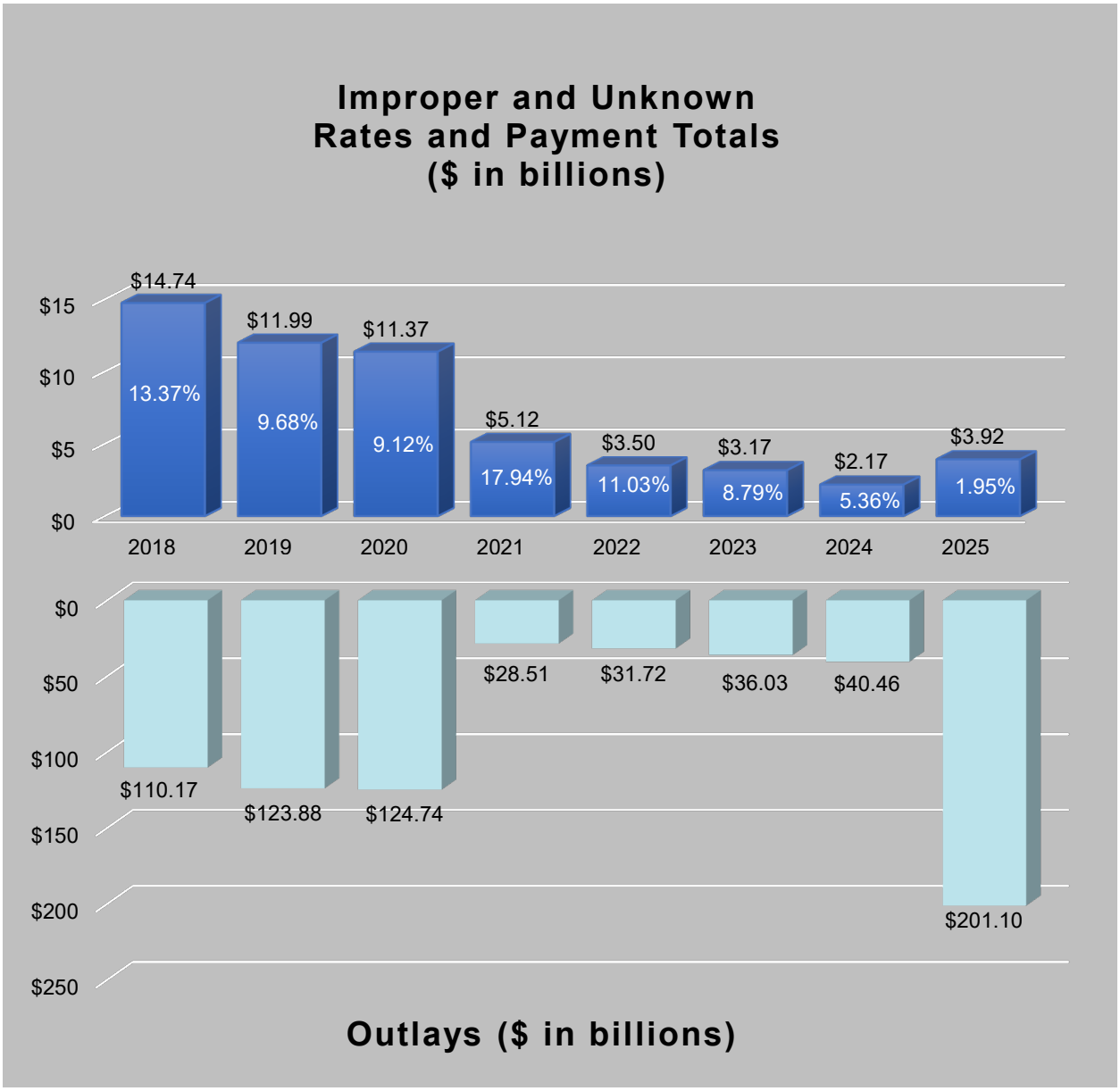
Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Modified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Controls Over Significant Accounting Estimates	1	-	1	-	-	-
Financial Systems and Reporting	1	-	-	-	1	-
IT Internal Controls	1	-	-	-	-	1
Internal Use Software	-	1	-	-	-	1
Total Material Weaknesses	3	1	1	-	1	2
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems conform, except for the below nonconformance					
Nonconformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Financial Systems and Reporting	-	-	-	-	1	1
Total Nonconformances	-	-	-	-	1	1
Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)						
	Agency			Auditor		
System Requirements	Lack of compliance noted			Lack of compliance noted		
Accounting Standards	No lack of compliance noted			No lack of compliance noted		
USSGL at Transaction Level	Lack of compliance noted			Lack of compliance noted		

*Due to the FY 2025 requirement for single year presentation, the adjusted prior period balances cannot be displayed without comparative statements; however, the beginning balance of Cumulative Results of Operations on the SCNP has been updated to reflect the correction of a prior period error.

PAYMENT INTEGRITY INFORMATION ACT REPORTING

In FY 2025, VA reported under a 10% error rate for all programs for the first time since FY 2014. VA is also pleased to announce that the Supplies and Materials (SM) program is reporting under statutory thresholds in FY 2025; therefore, this program will revert to fulfilling legislative requirements for risk assessments no less than every 3 years in FY 2026. In addition, VA included its largest program, Compensation, in improper and unknown payments reported this year due to the program being determined at risk of significant improper and unknown payments in FY 2024. This increased the spending subject to reporting by $160.6 billion or 397.03%. Therefore, in FY 2025, VA is reporting an overall increase of $1.8 billion to improper and unknown payments but an overall decrease of 3.41%, making it difficult to compare VA's progress between FY 2024 and FY 2025. The last time VA reported improper and unknown payments for Compensation was in FY 2020. At that time, VA's overall percentage of improper and unknown payments reported was 9.12% while for FY 2025, it is 1.95%.



Since FY 2018, VA has reduced its overall improper and unknown payments by $10.8 billion or 73.41% and removed seven programs from reporting requirements by prioritizing corrective actions on the largest proportion of errors and noncompliance with laws and regulations. VA continues to strengthen its risk assessment, test plans, and collection of error data to ensure accurate projections and inform effective remediation strategies.

RISK ASSESSMENTS AND RESULTS

Payment Integrity Information Act (PIIA) requires agencies to review and assess all programs and activities with annual spending greater than $10 million for improper and unknown payment risk at least once every 3 years to identify those susceptible to significant improper payments. In addition, VA conducts off-cycle risk assessments when a significant change in legislation and/or a significant change in funding occurs as required by OMB.

For FY 2025, VA is reporting 64 programs subject to risk assessment requirements with 28 programs completing an improper and unknown payment risk assessment. All of the 28 programs were determined unlikely to be at significant risk of improper and unknown payments, defined as $10 million and 1.5% of outlays or $100 million in total.

PROGRAMS REPORTING IMPROPER AND UNKNOWN PAYMENTS

During FY 2025, VA tested and developed projections for seven programs: Beneficiary Travel (BT), Compensation, Medical Care Contracts and Agreements (MCCA), Supplies and Materials (SM), Pension, Purchased Long-Term Services and Supports (PLTSS), and VA Community Care (VACC). In addition, VA reported on three high-priority programs (Pension, PLTSS, and VACC) based on payment integrity testing completed in FY 2024. Per OMB Circular A-123, Appendix C, dated March 5, 2021, programs with estimates of monetary loss exceeding $100 million for the year are considered high priority and require additional reporting the following fiscal year. Based on payment integrity testing completed in FY 2025, VA will report Compensation, Pension, and VACC as high-priority programs during FY 2026. PLTSS will no longer be included in the reporting.

FY 2025 Improper Payments by Program

FY 2025 Payments Overview	Beneficiary Travel (BT)		Compensation		Medical Care Contracts and Agreements (MCCA)		Supplies and Materials (SM)		Pension		Purchased Long-Term Services and Supports (PLTSS)		VA Community Care (VACC)	
	$ *(in millions)*	% of Outlays	$ *(in millions)*	% of Outlays	$ *(in millions)*	% of Outlays	$ *(in millions)*	% of Outlays	$ *(in millions)*	% of Outlays	$ *(in millions)*	% of Outlays	$ *(in millions)*	% of Outlays
Outlays	**$2,053.35**		**$157,452.95**		**$1,333.36**		**$3,939.20**		**$3,549.89**		**$7,330.11**		**$25,444.18**	
Proper Payments	**$1,897.67**	**92.42%**	**$155,105.37**	**98.51%**	**1,248.42**	**93.63%**	**$3,914.85**	**99.38%**	**$3,195.41**	**90.01%**	**$6,982.69**	**95.26%**	**$24,836.51**	**97.61%**
Improper Payments	**$122.24**	**5.95%**	**$866.60**	**0.55%**	**$15.00**	**1.13%**	**$.93**	**0.02%**	**$310.76**	**8.75%**	**$301.58**	**4.11%**	**$567.49**	**2.23%**
Overpayments	**$96.39**	**4.69%**	**$480.74**	**0.31%**	**$13.87**	**1.04%**	**$.93**	**0.02%**	**$272.29**	**7.67%**	**$77.08**	**1.05%**	**$552.15**	**2.17%**
Within Agency Control	**$96.39**	**4.69%**	**$480.74**	**0.31%**	**$13.87**	**1.04%**	**$.93**	**0.02%**	**$272.29**	**7.67%**	**$77.08**	**1.05%**	**$552.15**	**2.17%**
Data Does Not Exist	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%
Inability to Access Data	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%
Failure to Access Data	$96.39	4.69%	$480.74	0.31%	$13.87	1.04%	$.93	0.02%	$272.29	7.67%	$77.08	1.05%	$552.15	2.17%
Outside Agency Control	**$0.00**	**0.00%**	**$0.00**	**0.00%**	**$0.00**	**0.00%**	**$0.00**	**0.00%**	**$0.00**	**0.00%**	**$0.00**	**0.00%**	**$0.00**	**0.00%**
Data Does Not Exist	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%
Inability to Access Data	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%
Failure to Access Data	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%
Non-Monetary Loss	**$25.84**	**1.26%**	**$385.85**	**0.25%**	**$1.13**	**0.08%**	**$0.00**	**0.00%**	**$38.47**	**1.08%**	**$224.50**	**3.06%**	**$15.34**	**0.06%**
Underpayments	**$0.53**	**0.03%**	**$385.85**	**0.25%**	**$0.00**	**0.00%**	**$0.00**	**0.00%**	**$38.47**	**1.08%**	**$1.82**	**0.02%**	**$15.34**	**0.06%**
Data Does Not Exist	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%
Inability to Access Data	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%
Failure to Access Data	$0.53	0.03%	$385.85	0.25%	$0.00	0.00%	$0.00	0.00%	$38.47	1.08%	$1.82	0.02%	$15.34	0.06%
Technically Improper	**$25.32**	**1.23%**	**$0.00**	**0.00%**	**$1.13**	**0.08%**	**$0.00**	**0.00%**	**$0.00**	**0.00%**	**$222.68**	**3.04%**	**$0.00**	**0.00%**
Unknown Payments	**$33.44**	**1.63%**	**$1,480.98**	**0.94%**	**$69.94**	**5.25%**	**$23.42**	**0.59%**	**$43.72**	**1.23%**	**$45.84**	**0.63%**	**$40.19**	**0.16%**
Improper Payments + Unknown Payments	**$155.67**	**7.58%**	**$2,347.58**	**1.49%**	**$84.94**	**6.37%**	**$24.35**	**0.62%**	**$354.48**	**9.99%**	**$347.41**	**4.74%**	**$607.67**	**2.39%**

Note: In FY 2025, VA tested and reported on payments made in FY 2024. A detailed description of each program's errors and corrective actions can be found on https://paymentaccuracy.gov/. The improper and unknown payment total amounts may not sum due to rounding. In addition, there may be slight variances in the dollar amounts and percentages reported on PaymentAccuracy.gov due to rounding.

Data Does Not Exist: A situation in which there is no known database, dataset, or location currently in existence that contains the data/information needed to validate the payment accuracy prior to making the payment.

Inability to Access Data: A situation in which the data or information needed to validate payment accuracy exists, but VA does not have access to it.

Failure to Access Data: Improper payments are attributed to human errors to access the appropriate data/information to determine whether a beneficiary or recipient should be receiving a payment, even though such data/information exists and is accessible to VA.

BT IMPROPER AND UNKNOWN PAYMENTS AND CORRECTIVE ACTIONS

The BT program is organizationally aligned under VHA Member Services. The program consists of mileage reimbursement and special mode transportation (ambulance, wheelchair van, etc.) to eligible Veterans and other beneficiaries for VA authorized health care appointments. In FY 2025, the program reported an estimated 92.42%, or $1.9 billion, in proper payments and 7.58%, or $156 million, in improper and unknown payments.

In FY 2025, the projected improper and unknown payment error rate decreased by 0.51%. However, the total estimated improper and unknown payment amount increased by $6 million. The increase in reported dollars while reduction in the overall rate occurred because the program's outlays increased by 11.05%. The decrease in error rate is attributed to a reduction in incorrect claim calculation errors as well as errors resulting from delinquent authorizations. Most improper and unknown payments resulted from lack of administrative qualification and no or little documentation uploaded. There are no known financial, contractor, or provider status related barriers prohibiting the program from improving its prevention of improper payments.

Strategies to Reduce Improper Payments

The following actions were taken in FY 2025, or are planned for FY 2026, to correct and mitigate the BT program's improper and unknown payments:

Mitigation Strategy or Corrective Action	Description
Automation	Actions planned include continuing with the post-implementation modernization of beneficiary travel claims processing systems.
Change Process	Actions taken included VA establishing and deploying enterprise-wide infrastructure solutions, including reviewing the effectiveness of quality assurance and monitoring reporting processes and developing and implementing effective standardized processes.
	Actions planned include VA leveraging integrations of transportation and medical record systems, targeted enhancements of general and application controls, and transportation scheduling that will streamline third-party preauthorized ordering, integrate medical qualifications, and increase efficiency in claims adjudication. VA is also consolidating beneficiary travel claims processing through standardized reimbursement processes by centralizing the workload to focus on timely and proper payments to Veterans. Finally, VA is reviewing and updating payment processes regarding paper checks, which is in alignment with Executive Order 14247: *Modernizing Payments To and From Americas Bank Account*.
Training	Actions taken included developing new and enhanced claims processing training and deploying training resources to ensure more effective communication across target audiences.

COMPENSATION IMPROPER AND UNKNOWN PAYMENTS AND CORRECTIVE ACTIONS

The Compensation program is organizationally aligned under the Veterans Benefits Administration. VBA's disability Compensation Program consists of various financial benefits paid to Veterans with disabilities resulting from disease or injury incurred in or aggravated by active military service. Compensation may also be paid for post-service disabilities that are considered secondary to disabilities occurring in service and for disabilities presumed to be related to circumstances of military service. In FY 2025, the program reported an estimated 98.51%, or $155.1 billion, in proper payments and 1.49%, or $2.4 billion, in improper and unknown payments. Most improper and unknown payments resulted from failure to access the necessary data and information and because VA needed additional supporting documentation to determine eligibility for disability benefits. There are no known financial, contractor, or provider status related barriers prohibiting the program from improving its prevention of improper payments.

Strategies to Reduce Improper Payments

The following actions were taken in FY 2025, or are planned for FY 2026, to correct and mitigate the Compensation program's improper and unknown payments:

Mitigation Strategy or Corrective Action	Description
Cross Enterprise Sharing	Actions taken and planned include sharing best practices and root cause error information across relevant VBA offices and using focus groups to identify error trends and corrective strategies.
Audit	Actions taken and planned include conducting audits to strengthen oversight and mitigate payment risk through randomized reviews of in-progress and completed claims to ensure alignment with established policies and procedures.
Training	Actions taken and planned include staff evaluation of training programs to ensure content is aligned with policy and procedures to improve accuracy in claims processing and lower improper payments. Actions taken and planned also include a competency-based training system to align training and assessments with the technical competencies essential for a designated claims processor role.

MCCA IMPROPER AND UNKNOWN PAYMENTS AND CORRECTIVE ACTIONS

The MCCA program is organizationally aligned under the VHA Procurement Logistics Office. The program includes contracts for research, medical and educational data or services, such as pathology and laboratory medicine, primary care, and telehealth. In FY 2025, the program reported an estimated 93.63%, or $1.3 billion, in proper payments and 6.37%, or $85 million, in improper and unknown payments.

In FY 2025, the improper and unknown payment error rate increased by 4.09%, and the total estimated improper and unknown payment amount increased by $57 million. Most improper and unknown payments resulted from invoice pricing not reconciling to the contract and claims not paid according to contract. There are no known financial, contractor, or provider status related barriers prohibiting the program from improving its prevention of improper payments.

Strategies to Reduce Improper Payments

The following actions were taken in FY 2025, or are planned for FY 2026, to correct and mitigate the MCCA program's improper and unknown payments:

Mitigation Strategy or Corrective Action	Description
Change Process	Actions taken included notifying contracting personnel of incorrect procurement procedures for resolution and updating contract language or rejecting vendor invoices that do not have the required information to validate payment accuracy.
	Actions planned include notifying contracting officers and/or contracting officer representatives of improper payment errors and suggesting solutions related to claim not paid according to contract and unauthorized commitments to avoid future improper payments made on contracts. VA will also notify contracting personnel of incorrect procurement procedures for resolution and update contract language.
Training	Actions taken included providing training to individuals who are incorrectly certifying invoices for payment.
	Actions planned include VA improving contract processes for lab services contracts to ensure payment accuracy.

PENSION IMPROPER AND UNKNOWN PAYMENTS AND CORRECTIVE ACTIONS

The Pension program is organizationally aligned under the Veterans Benefits Administration Pension and Fiduciary Office. The program helps eligible Veterans and their survivors cope with financial challenges by providing supplemental income through Veterans and Survivors Pension benefits. Specifically, the Veterans Pension program provides monthly payments to wartime Veterans who meet certain age or disability requirements; the Survivors Pension offers monthly payments to qualified surviving spouses and unmarried dependent children of wartime Veterans. Pension program recipients must meet income and net worth limits set by Congress. Income limits require adjustments when beneficiaries have changes to eligibility factors (e.g., income or medical expenses, dependency, etc.), and these changes are the primary cause of improper payments. In FY 2025, the program reported an estimated 90.01%, or $3.2 billion, in proper payments and 9.99%, or $354 million, in improper and unknown payments.

In FY 2025, the improper and unknown payment error rate decreased by 3.86%, and the total improper and unknown payment amount decreased by $164 million. Most improper and unknown payments resulted from beneficiaries not notifying VA of changes in Social Security income and processing errors related to medical expenses.

A known barrier to reductions is the reliance upon beneficiaries to report when they experience a change in receiving benefits from other sources, as this is an important factor in determining continued eligibility for benefits. When VA identifies a potential change for the beneficiary that could impact their Pension benefit, VA must provide the beneficiary advance notice, known as due process, to provide additional documentation. The due process period protects the beneficiary from reduction adjustments being made to their pension payments without validation of the data. Therefore, VA must continue to make the pension payment at the higher rate and does not know if the payment at the lower rate is accurate or not until due process is complete.

Strategies to Reduce Improper Payments

The following actions were taken in FY 2025, or are planned for FY 2026, to correct and mitigate the Pension program's improper payments:

Mitigation Strategy or Corrective Action	Description
Audit	Actions taken and planned include randomly reviewing claims processors' work to ensure policies and procedures are properly applied in making accurate pension rate decisions to prevent future improper payments. In addition, VA did and will perform focused reviews of targeted problem areas to address Social Security Administration (SSA) income match claims and human errors during annual site visits. These actions are fully implemented and are ongoing from year to year, versus being completed once.
Automation	Actions taken and planned included conducting quarterly automated matches with SSA to identify variances between SSA income a beneficiary is receiving versus the amounts reported by a beneficiary to VA. These actions are fully implemented and are ongoing from year to year versus being completed once.
Training	Actions taken and planned included focused staff training on unreported SSA errors and human errors related to income and medical expense counting to ensure consistent application of policies and procedures in making accurate pension rate decisions to prevent errors linked to data access issues and future improper payments. These actions are fully implemented and are ongoing from year-to-year, versus being completed once.

PLTSS IMPROPER AND UNKNOWN PAYMENTS AND CORRECTIVE ACTIONS

The PLTSS program is organizationally aligned under the VHA Geriatrics and Extended Care (GEC) Office that strives to advance quality care for aging and chronically ill Veterans by providing policy direction for the development, coordination, and integration of geriatrics and long-term care clinical programs. In FY 2025, the program reported an estimated 95.26%, or $7.0 billion, in proper payments and 4.74%, or $347 million, in improper and unknown payments.

In FY 2025, the improper and unknown payment error rate decreased by 8.78%, and the total estimated improper and unknown payment amount decreased by $413 million. The decrease in reported dollars and the overall rate occurred despite program outlays increasing by 30.41%. Most of the improper and unknown payments resulted from purchases being made without a contract using a Basic Ordering Agreement, which is not a contract, or failure to deny claims not received within the required timeframes. There are no known financial, contractor, or provider status related barriers prohibiting the program from improving its prevention of improper payments.

Strategies to Reduce Improper Payments

The following actions were taken in FY 2025, or are planned for FY 2026, to correct and mitigate the PLTSS program's improper and unknown payments:

Mitigation Strategy or Corrective Action	Description
Audit	Actions taken included VA conducting post-payment reviews to proactively identify errors in the implemented system change to prevent future improper payments and issuing additional payments or establishing bills of collection for claims that were paid in the incorrect amount.
Automation	Actions taken included updating the claims processing system to pay Bowel and Bladder and Community Nursing Home claims appropriately.
Change Process	Actions taken included moving to a standardized rate schedule for Community Nursing Home payments to transition payments from a legacy system to an automated claims processing system. In addition, VA continued clarifying appropriate payment methodology with third-party administrators to bill at the correct rates and implemented short- and long-term contracting options for Community Nursing Home payments to improve compliance with procurement requirements. VA also resolved contracting requirements involving missing signatures and inability to reconcile procurement vendor to invoice vendor, establishing Veterans Care Agreements when appropriate.
	Actions planned include continuing to clarify payment methodology with third-party administrators to bill at the correct rates and ensure timely submission of claims. VA will also transition all indefinite delivery contracts or establish Veterans Care Agreements to utilize patient driven payment model rates as required by Centers for Medicare and Medicaid Service. Additionally, VA will work internally with network contracting offices to ensure compliant contracting methods are used to process claims. In addition, VA will work to establish Veterans Care Agreements. Finally, VA will work with medical center staff to ensure proper documentation is maintained to support payment accuracy and ensure clean claim requirements are adhered to.
Training	Actions taken included providing education and training to resolve missing documentation errors related to authorization, payment, or Veteran level of care to support the payment process.

SM IMPROPER AND UNKNOWN PAYMENTS AND CORRECTIVE ACTIONS

The SM program is organizationally aligned under the VHA Procurement Logistics Office. This program provides supplies and materials, whether acquired by formal contract or other form of purchase, that are ordinarily consumed or expended within 1 year after they are put into use, converted in the process of construction or manufacture, or used to form a minor part of equipment or fixed property or other property not separately identified in the asset accounts. In FY 2025, the program reported an estimated 99.38%, or $3.9 billion, in proper payments and 0.62%, or $24 million, in improper and unknown payments. This program is under the statutory threshold for significant improper payments and will revert to fulfilling legislative requirements for risk assessments no less than every 3 years. Management will continue its responsibilities for internal control outlined in the Government Accountability Office Green Book.

In FY 2025, the improper and unknown payment error rate decreased by 6.95% and the total estimated improper and unknown payment amount decreased by $256 million. The decrease in reported dollars and the overall rate occurred despite program outlays increasing by 6.29%. Most improper and unknown payments resulted from an inability to validate pricing or invoice pricing that did not reconcile to the contract. There are no known financial, contractor, or provider status related barriers prohibiting the program from improving its prevention of improper payments.

Strategies to Reduce Improper Payments

The following actions were taken in FY 2025 to correct and mitigate the SM program's improper and unknown payments:

Mitigation Strategy or Corrective Action	Description
Change Process	Actions taken included improving contract processes for the Medical Supplies Prime Vendor payments and the Nutrition and Food Services payments to ensure payment accuracy. In addition, VA provided education and training to contracting officers and/or ordering officials to ensure contracts contained required signatures and proper approvals were obtained prior to placing orders. Finally, VA restructured existing contracts and provided education and training to certifying officials for rejecting invoices that do not comply with contract requirements.

VACC IMPROPER AND UNKNOWN PAYMENTS AND CORRECTIVE ACTIONS

The VACC program is used to provide timely and specialized care to eligible Veterans. This program allows VA to authorize Veteran care at community care facilities when the needed services are not available through VA, or when the Veteran is unable to travel to a VA facility. In FY 2025, the program reported an estimated 97.61%, or $24.8 billion, in proper payments and 2.39%, or $608 million, in improper payments and unknown payments.

In FY 2025, the improper and unknown payment error rate increased by 0.49%, and the total estimated improper and unknown payment amount increased by $191 million. Most improper and unknown payments resulted from the program's failure to validate that payment was made in accordance with the contract rate and in the appropriate amount per regulation. There are no known financial, contractor, or provider status related barriers prohibiting this program from improving its prevention of improper payments.

Strategies to Reduce Improper Payments

The following actions were taken in FY 2025, or are planned for FY 2026, to correct and mitigate the VACC program's improper and unknown payments:

Mitigation Strategy or Corrective Action	Description
Audit	Actions taken and planned include conducting post-payment reviews to identify errors in automated adjudication logic to prevent future improper payments and issue additional payments or

Mitigation Strategy or Corrective Action	Description
	establish bills of collection for claims that were paid in the incorrect amount.
Change Process	Actions taken included ensuring contract language was clear and clarifying any inconsistent payment methodology instances with third-party administrators regarding payment discrepancies. In addition, VA ensured timely filing criteria was clear and proper monitoring was in place.
	Actions planned include ensuring contract language is clear and clarifying any instances of inconsistent payment methodology when third-party administrators bill at incorrect rates, do not follow clean claim requirements, or when providers do not meet the requirements for reimbursement. In addition, VA is entering into a contract modification to clarify the claims processing for standard episodes of care.

PROGRAMS WITH RECOVERY AUDIT RECOMMENDATIONS

In FY 2025, VA utilized a recovery audit contractor (RAC) for Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA), PLTSS, Spina Bifida Health Care, and VACC. The RAC has made one recommendation that could prevent future overpayments.

Recommendation	Description of Actions Taken and Planned
VA engage or expand the available provider education resources to include: documentation of standards and billing/coding guidelines.	Actions taken included establishing a workgroup to create a provider manual for Veteran and beneficiary community care programs (including CHAMPVA, Indian Health Services/Tribal Health Program, PLTSS, Spina Bifida Health Care, and VACC). In addition, VA created an external stakeholder presentation to educate providers on the lifecycle of a claim with guidance on preventing coding rejects. Additionally, VA updated the Alaska Tribal Health Program Guidebook, the Indian Health Services claims guide and the Community Care website, which houses billing slides. Finally, VA provided annual training to both the Alaska Tribal Health and 48 contiguous states to assure proper billing practices.
	Actions planned include creating a provider manual for Veteran and beneficiary community care programs. The manual will educate providers on both authorization and payment processes and requirements. In addition, VA is educating providers on the lifecycle of a claim with guidance on preventing coding rejects. Community care providers falling under VACC are the target audience.

VA's PIIA and high-priority program reporting can be found, once published by OMB, at https://paymentaccuracy.gov/.

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

The Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (P.L. 114-74) requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to maintain their deterrent effect. The following table depicts the covered civil monetary penalties that are under VA's purview.

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency/ Bureau/Unit	Location for Penalty Update Details
Veterans' Benefits Improvement and Health-Care Authorization Act of 1986, as amended	False Loan Guarantee Certifications	1986	2025 (via regulation)	The greater of (a) two times the amount of Secretary's loss on the loan, or (b) another appropriate amount not to exceed $28,619	VBA/Loan Guarantee	Federal Register 90 (01/10/2025): 1902-1903
Program Fraud Civil Remedies Act of 1986, as amended	Fraudulent Claims or Statements	1986	2025	$14,308	All VA Programs	Federal Register 90 (01/10/2025): 1902-1903

Per the Inflation Adjustment Act, VA will update their penalty rates in the Federal Register annually by January 15. In January 2025, VA published its annual regulation in the Federal Register, reflecting the Federal Civil Penalties annual inflation adjustment for FY 2025.

GRANT PROGRAMS

Pursuant to the OMB Uniform Guidance in 2 C.F.R. § 200.344(c), recipients of grants and cooperative agreements must liquidate all obligations incurred under their awards within 90 days after the end of the period of performance, unless the awarding agency authorizes an extension or program-specific statutes specify a different liquidation period.

VA is required to disclose the number of awards and balances for which closeout has not yet occurred, but for which the period of performance has elapsed by 2 years or more prior to September 30, 2025. A summary of this information is disclosed in the following table.

CATEGORY	2-3 Years	>3-5 Years	>5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	-	-	-
Number of Grants/Cooperative Agreements with Undisbursed Balances	-	1	-
Total Amount of Undisbursed Balances	$-	$35,915	$-

VA manages multiple grant programs, however, only two programs made up the 75 open grant that were awaiting close-out at the beginning of the year

The State Home Construction grant office closed all 10 remaining grants that were open with expired funding during FY 2025 for a total of $278,281. State Home Construction does not have any open expired grants.

The Adaptive Sports grant office has made significant progress reducing the open grants. In FY 2025, the grant office closed a total of 64 open expired funding grant obligations for a total of $2,111,108. Adaptive Sports currently comprises one grant with an undisbursed balance of $35,915.

FINANCIAL REPORTING-RELATED LEGISLATION

Legislative provisions enacted in the current fiscal year that impact VA's financial accounting, reporting, or auditing issues are reported below.

FY 2025

- **Restoring Benefits to Defrauded Veterans Act (P.L. 118-114):** This legislation requires VA to pay certain reissued benefits (i.e., benefits that were misused by a fiduciary) to a beneficiary's estate in situations where a beneficiary predeceases a payment. VA must pay such benefits to an individual or entity in the following order: the estate of the beneficiary, a successor fiduciary serving the beneficiary when the beneficiary died, or the next inheritor determined by a court of competent jurisdiction.
- **Senator Elizabeth Dole 21st Century Veterans Healthcare and Benefits Improvement Act (P.L. 118-210):** This legislation addresses various programs, benefits, and services provided by VA, including those related to health care, educational assistance, home loans, homelessness, disability, and memorial affairs.
- **Veterans Benefits Improvement Act of 2024 (P.L. 118-196):** This legislation addresses certain requirements related to VA medical disability examinations for purposes of benefit claims and other administrative matters related to the benefit claims processes and personnel.
- **Veterans Compensation Cost-of-Living Adjustment Act of 2024 (P.L. 118-130):** This legislation requires VA to increase the amounts payable for wartime disability compensation, additional compensation for dependents, the clothing allowance for certain disabled Veterans, and dependency and indemnity compensation for surviving spouses and children. Specifically, VA must increase the amounts by the same percentage as the cost-of-living increase in benefits for Social Security recipients that was effective on December 1, 2024. The act requires VA to publish the amounts payable, as increased, in the Federal Register.
- **VA Home Loan Program Reform Act (P.L. 119-31):** This legislation authorizes VA to take certain actions in cases of default on home loans under the VA home loan program through the following: introduces a partial claim program to help Veterans avoid foreclosure; authorizes VA to pay lenders to prevent foreclosure, provided the VA secures an interest in the property; requires VA to establish loss mitigation procedures; and, supports funding for homelessness prevention programs.



APPENDIX

Abbreviations and Acronyms.....152

VA Online.....155

Acknowledgements.....156

80th Anniversary of D-Day Landings Commemorated in Normandy

September 6, 2024, was the 80th anniversary of the D-Day landings that turned the tide of World War II. It was commemorated on France's Normandy coast with events remembering, celebrating, and honoring the thousands of American and allied service members whose enormous sacrifices liberated Europe. Though fewer World War II Veterans are still living, willing, and able to travel to France, many came to join world leaders in an extraordinary show of enduring North Atlantic Treaty Organization (NATO) unity. With World War II military encampments, demonstrations, air shows, and ceremonial flyovers, the numerous commemorations drew thousands of visitors, truckloads of international press, and celebrity guests. Convoys transported reenactors and history enthusiasts in loaded down World War II - era allied and axis armored vehicles, jeeps, trucks, and motorcycles. Military ambulances driven by jubilant medical corps-garbed men and women; their sirens screeched incessantly. 1930s vintage cars displaying Free-France and resistance flags, filled with civilians in 1940s dress, drove through parking lots packed with privately or club-owned World War II vehicle collections.

American Veterans, their families, and tourists came in on buses. Service members from the States and American bases in Europe, and allied service members from around the globe, took part in many of the ceremonies, adding a sense of military strength, pomp, and alliance to the sandy, sunbaked proceedings. With the history of their homeland, Normans are used to this kind of invasion. Many residents are ardently pro-American and fly U.S. flags year-round. Welcoming back returning American heroes and friends, hundreds more U.S. flags are flying over these weeks in appreciation for service and sacrifice. French schoolchildren are taught their history, and residents have reached out to Americans who lost family members on their beach. The sky droned with C-47s/DC-3s filled with tourists and journalists, flying respectfully over the beaches, villages, and cemeteries. A lone P-51 Mustang and then a Spitfire, a formation of Piper Cubs, were all here to honor the anniversary. Huge NATO C-130s streamed past sites throughout the week, rehearsing for the flyovers with which nearly every major ceremony began, or ended. Helicopters constantly buzzed the area, and folks residing on Omaha Beach would run out to wave if they thought any might be Marine One. On the horizon, a few miles off Omaha Beach, lies anchored a French helicopter assault ship stationed for security and to provide a landing exhibit of NATO capabilities.

D-Day anniversary events included a ceremony commemorating the sacrifices of Native American soldiers during World War II, held at the Charles Shay Indian Memorial on Omaha Beach in the village of Saint Laurent-sur-Mer, France. Along with a wreath laying, there was a Native American blessing ceremony, a Native American prayer, and a water ceremony held on Omaha Beach, where 19-year-old Charles Shay came ashore as a combat medic on September 6, 1944. The memorial plaque reads, "About 175 American Indians invaded Omaha Beach. Some were medics, others fought as seamen, scouts, snipers, radio operators, machine gun, artillery gunners, combat engineers, or observers. A member of the Penobscot Indian nation 19-year-old private Shay, also known as 'Little Muskrat,' was a combat medic from Indian Island, Maine. Soon after dawn he came ashore near here as a member of an assault platoon. Repeatedly plunging into the treacherous sea, he carried critically wounded comrades to safety, under heavy fire. For his unselfish heroism on this beach, he was awarded the Silver Star and he continued to save the wounded until the war ended."

ABBREVIATIONS AND ACRONYMS

Acronym	Definition
ALGB	Actuarial Liability Governance Board
ACL	Access Control List
ADA	Antideficiency Act
ADP	Average Days Pending
AFR	Agency Financial Report
AGA	Association of Government Accountants
AMA	Veterans Appeals Improvement and Modernization Act
APP&R	Annual Performance Plan and Report
AR	Accounts Receivable
ARDC	AR Data Collector
ATO	Authority to Operate
BDN	Benefits Delivery Network
BFS	Bureau of the Fiscal Service
Board	Board of Veterans' Appeals
BT	Beneficiary Travel
CAATS	Centralized Automated Accounting Transaction System
CAI	Capital Asset Inventory
CAP	Corrective Action Plan
CCN	Community Care Network
CEAR	Certificate of Excellence in Accountability Reporting
CFO	Chief Financial Officer
CHAMPVA	Civilian Health and Medical Program of the Department of Veterans Affairs
CIO	Chief Information Officer
CHAMPVA	Civilian Health and Medical Program of the Department of Veterans Affairs
CLC	Community Living Center
COBOL	Common Business Oriented Language
COLA	Cost-of-Living Adjustment
COVID-19	Coronavirus Disease 2019
CPAC	Consolidated Patient Accounting Centers
CPI-W	Consumer Price Index for Urban Wage Earner and Clerical Workers
Credit Reform Act	Federal Credit Reform Act of 1990
CSC	Credit Subsidy Calculator
CSO	Commissioner's Standard Ordinary
CSRS	Civil Service Retirement System
CUEC	Complementary User Entity Controls

Acronym	Definition
DC	District of Columbia
DEA	Survivors' and Dependents' Educational Assistance
Department	Department of Veterans Affairs
DFAS	Defense Finance and Accounting Service
DGI	Digital GI
DoD	Department of Defense
DOJ	Department of Justice
DOL	Department of Labor
eCMS	Electronic Contract Management System
EHR	Federal Electronic Health Record
EHRM	Electronic Health Record Modernization
eMPWR	Enterprise Management of Payment Workflow and Reporting
EPMO	Enterprise Program Management Office
ERM	Enterprise Risk Management
ESCB	Enterprise Secure Configuration Baselines
ESCO	Energy Service Company
ESPC	Energy Saving Performance Contracts
EUL	Enhanced-Use Lease
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FCA	Facility Condition Assessment
FCRA	Federal Credit Reform Act of 1990
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement System
FFB	Federal Financing Bank
FFMIA	Federal Financial Management Improvement Act
FIBB	Federal Investments and Borrowings Branch
FISMA	The Federal Information Security Modernization Act of 2014
FLRM	Fractional Logistics Regression Model
FMBT	Financial Management Business Transformation
FMBTS	Financial Management Business Transformation Service

APPENDIX
ABBREVIATIONS AND ACRONYMS

Acronym	Definition
FMFIA	Federal Managers' Financial Integrity Act
FMS	Financial Management System
FMWT	Fund Balance With Treasury
FOCAS	Flight On-the-Job Training, Correspondence, Apprenticeship System
FR	Financial Report
FSC	Financial Services Center
FTE	Full-time Employee
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted in the United States of America
GAO	Government Accountability Office
GEC	Geriatrics and Extended Care
GL	General Ledger
GPRAMA	Government Performance and Results Act Modernization Act
GRC	Governance, Risk and Compliance
GSA	General Services Administration
GSS	General Support Systems
HR	Human Resources
HRA/OSP	Office of Human Resources and Administration/Operations, Security and Preparedness
ICA	Internal Control Assessment
iFAMS	Integrated Financial and Acquisition Management System
IFCAP	Integrated Funds Distribution, Control Point Activity, Accounting and Procurement System
IGL	Insurance General Ledge
IGT	Intra-governmental Transactions
IPA	Independent Public Accountants
IPPS	Invoice Payment Processing System
ISA	The Interconnection Security Agreement
ISO	Information System Owners
IT	Information Technology
IUS	Internal Use Software
IUSD	IUS in development
JV	Journal Voucher
Kearney	Kearney & Company, P.C.
LGY	Loan Guaranty
LLG	Liability for Loan Guarantee
LTR	Loan-to-Value ratio
MCCA	Medical Care Contracts and Agreements
MCCF	Medical Care Collections Fund
MD&A	Management's Discussion and Analysis
MGIB-AD	Montgomery GI Bill - Active Duty
MinX	Management Information Exchange
MLB	Major League Baseball
MOU	Memorandum of Understanding
NATO	North Atlantic Treaty Organization
NCA	National Cemetery Administration
NFR	Notices of Findings and Recommendations
NSC	Non-Service Connected
NSLI	National Service Life Insurance
NVSSC	National Veterans Summer Sports Clinic
OA	Occupancy Agreements
OALC	Office of Acquisition, Logistics, and Construction
OBO	Office of Business Oversight
OCLA	Office of Congressional and Legislative Affairs
OEI	Office of Enterprise Integration
OFM	Office of Financial Management
OGC	Office of General Counsel
OHERM	Office of Electronic Health Record Modernization
OIG	Office of Inspector General
OIT	Office of Information and Technology
OM	Office of Management
OMB	Office of Management and Budget
OPEB	Postemployment Benefits Other Than Pensions
OPIA	Office of Public and Intergovernmental Affairs
OPM	Office of Personnel Management
ORB	Other Retirement Benefits
P.L.	Public Law
P3	Public-Private Partnerships
PACT Act	Sergeant First Class Heath Robinson Honoring our Promise to Address Comprehensive Toxics Act of 2022
PGIB	Post-9/11 GI Bill
PIA	Privacy Impact Assessments
PIIA	Payment Integrity Information Act

Acronym	Definition
PLTSS	Purchased Long Term Services and Support
POA&M	Plan of Action and Milestones
PP&E	Property, Plant, and Equipment
PYR	Prior Year Recovery
RAC	Recovery Audit Contractor
REO	Real Estate Owned
Reserve Fund	Housing Trust Reserve Fund
RSI	Required Supplementary Information
SBR	Statement of Budgetary Resources
SCA	Security Control Assessments
SCNP	Statement of Changes in Net Position
S-DVI	Service-Disabled Veterans Insurance
SFFAS	Statement of Federal Financial Accounting Standards
SGLI	Servicemembers' Group Life Insurance
SM	Supplies and Materials
SNC	Statement of Net Cost
SOA	Society of Actuaries
SOC	System and Organization Controls
SP	Special Publication
SSA	Social Security Administration
SSAE	Statement on Standards for Attestation Engagement
TAP	Transition Assistance Program
TB	Trial Balance
TEF	Cost of War Toxic Exposures Fund
TFM	Treasury Financial Manual
TPA	Third-party Administrators
Treasury	U.S. Department of Treasury
TSGLI	Traumatic Servicemembers' Group Life Insurance

Acronym	Definition
U.S.	United States
U.S.C.	United States Code
UESC	Utility Energy Service Contracts
USGLI	United States Government Life Insurance
USSGL	U.S. Standard General Ledger
VA	Department of Veterans Affairs
VACC	VA Community Care
VALife	Veterans Affairs Life Insurance
VAMC	VA Medical Center
VASP	Veterans Affairs Servicing Purchase
VBA	Veterans Benefits Administration
VBM	Valuation Basic Male
VBMS	Veterans Benefits Management System
VCS	Veterans Canteen Service
VEO	Veterans Experience Office
VGLI	Veterans' Group Life Insurance
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network
VistA	Veterans Information System and Technology Architecture
VLM	Veterans Law Judge
VMLI	Veterans' Mortgage Life Insurance
VO	Veteran Object
VR&E	Veteran Readiness and Employment
VRI	Veterans Reopened Insurance
VRM	Vendor Resource Management
VSLI	Veterans Special Life Insurance
VSS	Veteran Self-Scheduling
WIP	Work-in-Process

VA ONLINE

Burial and Memorial Benefits for Veterans

Center for Faith-based and Neighborhood Partnerships

Clinical Training Opportunities and Education Affiliates

Dependency and Indemnity Compensation

Dependent and Survivor Benefits

Disability Compensation for Veterans

Educational and Vocational Counseling

Employment

Energy Management Program Service

Freedom of Information Act

Health Care in VA

Health Promotion and Disease Prevention

Home Loans

Homeless Programs

Human Resources and Administration/Operations, Security and Preparedness

Infertility

Insurance for Service members and Veterans

Intimate Partner Violence Support

Medical Research in VA

Minority Veterans

Office of Rural Health

Opportunities for Veteran-Owned Small Businesses

PACT Act and Your Care

Pension Information for Veterans and Survivors

Privacy Policy Information

Public Health

Recently Published VA Regulations

Reports, Surveys, or Statistics Regarding the Veteran Population

Sexually Transmitted Infection Prevention / Treatment

Substance Use/Alcohol Treatment

Survivors Assistance

Tobacco Cessation Resources

VA Benefits

VA Directives and Handbooks

VA Transition Assistance Program

VA's AFR Submission and Strategic Plans

VA's Budget Submission

VA's Home Page

VA's Social Media Sites

Veteran Readiness and Employment

Virtual Mental Health Care

Vow to Hire Heroes

Whole Health

Women Veterans

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Office of Finance

Office of Business Oversight

Office of Actuarial Services

Office of Asset Enterprise Management

Office of Financial Management Business Transformation Service

Office of Congressional and Legislative Affairs

Office of Enterprise Integration

Office of Human Resources and Administration/ Operations, Security and Preparedness

Office of Information and Technology

Office of Public and Intergovernmental Affairs

Office of Acquisition, Logistics, and Construction

Board of Veterans' Appeals

Office of General Counsel

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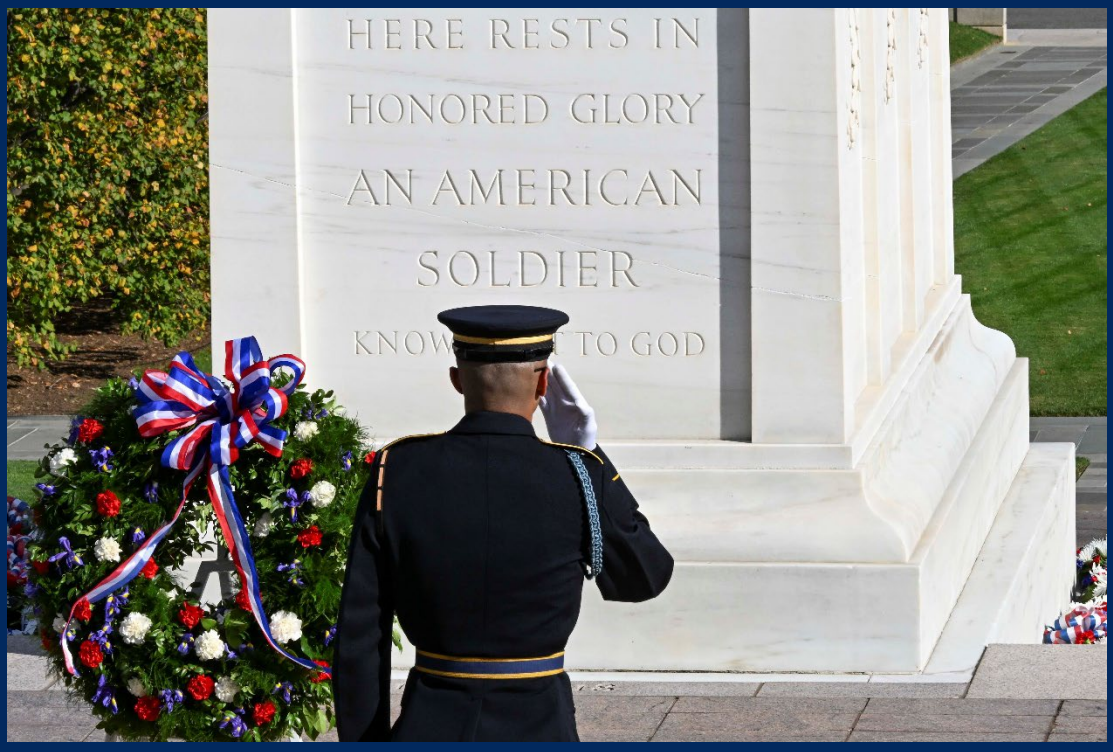

Veterans Day traditional wreath-laying at the Tomb of the Unknown Soldier at Arlington National Cemetery on November 11, 2024.

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