



*Inspiring*  
**INDEPENDENCE**



## ON THE COVER:

Our military has inspired liberty around the world since 1776. They have forged a viable nation, defeated global tyranny, and galvanized America's strength. All along the flame of freedom has burned bright. 200 years ago America's leaders made a Promise to care for its aging veterans. Today that tradition endures with a focus on greater independence. The AFRH is motivating residents to push the limits of vitality through new programs and modern services. No event reflects their undying spirit like our Senior Olympics, featured on the cover. As we celebrate another successful year, the residents and staff are, as always, **INSPIRING INDEPENDENCE.**



### GUIDING PRINCIPLES:

#### Person-centered

"Person-centered Care" is defined as the careful manner in which resident needs are considered while developing responsive plans of care and delivering meaningful services.

#### Accountability

We expect our workforce to achieve what we promise to residents, staff and service partners. To ensure success, we measure progress and provide feedback to our customers.

#### Integrity

We will strongly uphold the mission of AFRH. We are honest and ethical and deliver on our commitments. We recognize that good ethical decisions require individual responsibility enriched by collaborative efforts.

#### Workforce Growth

We strive to hire and retain the most qualified people. We maximize their success through training and development as well as maintaining and promoting open communication.

#### Honor Heritage

We honor the rich history of the US Armed Forces—from our Veterans to our victories. As such, our campus reflects that military heritage with memorabilia and tributes.

#### Inspire Excellence

We continuously work to improve each process, service and its delivery, while striving for excellence in all we do. We expect excellence and reward it.

#### One Vision / One Mission / One Organization

Success depends on our devotion to an unwavering Vision and Mission. Working together in different locations, under various managers and leaders, we maintain a distinct focus to serve our residents. We collaborate and respond in a unified and single voice.

The FY11 Performance and Accountability Report (PAR) is published by the Armed Forces Retirement Home (AFRH), Office of the Chief Financial Officer (CFO). An electronic version is available online at: [www.afrh.gov/afrh/about/par/afrhentirepar11.pdf](http://www.afrh.gov/afrh/about/par/afrhentirepar11.pdf)

### VISION:

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

### MISSION:

To fulfill our nation's commitment to its veterans by providing a premier retirement community with exceptional residential care and extensive support services.

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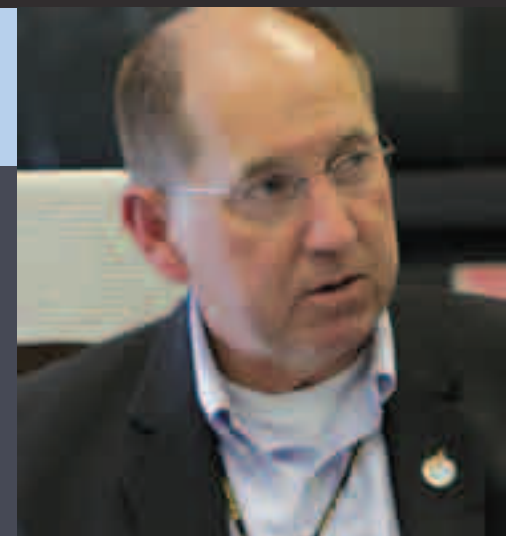
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*The COO / CFO Message*

# ENGINEERING TRANSITION



*“I am proud to lead those who live and work at this historic organization.”*

Since 2002, we have been transforming the AFRH, striving to reduce risk, creating an efficient business, and meeting the needs of our residents. FY11 has been no different. This past year was filled with success and change at the Agency as we focused even harder on fine-tuning our business model to promote health and wellness.

As the recently selected COO, it is both an honor and a privilege to serve those who served America. Today I am proud to report the AFRH is doing well. As you review this Performance and Accountability Report (PAR) for FY11, you will see how we are making significant headway and inspiring greater independence for America’s veterans.

**Surveying Highlights**

In the past year, we witnessed the grand opening of the new Gulfport facility. And in Washington, the Scott Project moved rapidly forward with the hard demolition of the old Scott Building. Both of these vital projects are bringing our Person-centered Care and Aging in Place philosophies from vision to reality.

In February I met with AFRH leadership to develop our next five-year Strategic Plan. Our planning session encouraged us to revalidate our Vision, Mission, and Guiding Principles—and to analyze how to make the most positive impact on residents, given our resources and experience. The 2011-2015 Strategic Plan Theme—The Power of Progress—stemmed from our Agency-wide commitment to achieve a person-centered model focusing on resident needs and choices.

We also pledged to minimize risk and increase financial stability through a variety of strategies: reducing our footprint and associated infrastructure, shoring up our facilities, growing our staff, rightsizing our population, seeking energy efficiencies, and fine-tuning contracts through the transition years (while also reducing the scope and requirements of new ones starting in 2013).

For instance, the dining contract decreased by \$2 million, healthcare produced savings of \$1.2 million, and Campus Operations decreased by \$1 million—for a total of more than \$6 million in savings in FY11 alone. And we expect these savings to continue in 2013.



Further, we restructured our Performance Improvement (PI) process focused on high-risk areas and documented key threats to monitor through our Internal Control Board.

To improve resident service, we realigned our population through an effective transfer program to the Independent Living Plus (ILP) Pilot program. We also analyzed and adjusted our staffing for efficiency and efficacy. As management problems emerged, we replaced ineffective managers to ensure team unity. All decisions have proved to be positive moves in enhancing the delivery of resident-centered care.

In the midst of these advances, we experienced a unique event in Washington. In August, a 5.8 magnitude earthquake was followed by a CAT 1 hurricane three days later. Result: the 150-year-old historic Sherman Building and heart of our business operations was closed due to structural damage. Since then, our admin staff has been operating in auxiliary offices.

**Promoting Achievements**

Through our strategic planning we set a course for positive AFRH Trust Fund growth and essential modernization on the Washington campus. \$5.6 million in Trust Fund money was requested and approved to plan a design-build renovation of the Scott Dormitory (coined “the Scott Project.”) Working with DoD, \$70 million was taken from its top line and programmed in our Budget Authority for the Scott Project in 2010.

In tandem with these investments, the AFRH received its 7th annual “unqualified” audit opinion in FY11. This outcome validates our strong controls and sound fiscal management.

Infrastructure-wise, we refocused and improved our AFRH Capital Improvement Plan (CIP), which outlines 10 years’ worth of vital improvements on both campuses. These projects include a smaller footprint in Washington, a focus on Person-centered Care and Aging in Place, plus assessments of the environmental impacts.

Off-campus, we increased interactions with partners such as the National Association of Uniformed Services (NAUS), the Petworth Neighborhood, Armed Forces Foundation, Non Commissioned Officers Association (NCOA), GEICO, Camp Shelby, Keesler Air Force Base, Walter Reed National Medical Center, Virginia Medical Center, and the VA Biloxi, to name a few.

To promote greater health, the AFRH became “smoke-free”. We worked with residents, conducted numerous focus groups, identified smoking areas, and began our effort to build environmentally-controlled smoking shelters.

Further, we underwent assessments by Office of Personnel Management (OPM), our Advisory Board, and CARF<sup>1</sup>. In fact, AFRH-Washington (AFRH-W) received CARF praise for strides in Person-centered Care and rapid staff training. Meanwhile, AFRH-G prepared for its first CARF inspection in the first quarter of FY12.

**Overcoming Challenges**

The AFRH transition is in full swing. Change is not easy—especially for seniors. AFRH-G residents are adjusting to Mississippi, the new building, and its staff. And AFRH-W is in flux as residents experience inconvenience and change during modernization. But, as they say, change is good for the soul. In my first year as COO, I determined our greatest challenges lie in managing expenses during major ongoing projects:

PROJECT	FISCAL CHALLENGE
The Scott Project	maintaining schedule, cost & safety
Gulfport Stand-up	achieving capacity & effective staffing
Sherman	funding for repairs & reconstruction
Washington Master Plan Revival	securing investors & funding

PROJECT	PERFORMANCE CHALLENGE
Person-centered Care	focusing staff, reaching a plateau & altering services
Aging in Place	reducing high care levels and related costs via rightsizing AFRH-W, promoting independence via ILP expansion on both campuses & Scott construction
Information Technology	attaining e-records, networking & video-conferencing
Financial Management	ensuring the Trust Fund stays solvent during expenditures, keeping expenses down & creating revenue from the Washington Master Plan
Gulfport Administration	keeping a cohesive team, ensuring a vibrant organization & maintaining accreditation



Joe Woo (Chief Architect) & Justin Seffins (Facilities Manager) join McManus at the Scott Demolition.

Strong fiscal management of these large-scale projects is vital to safeguarding our assets. Today the Trust Fund is solvent. However, its greatest risk will occur in the transition years (2010-2013) as we continue to stand up operations in Gulfport and transition to a reduced footprint in Washington. Yet, many AFRH infrastructure and facility upgrades, coupled with contract-reduction efforts, will have a direct and positive impact on Trust Fund solvency.

While we recognize negative growth will occur in the transition years as we expense the Scott Project, we expect positive growth to continue again after 2013. We are also reviewing our fee structure and enhancing Agency-level staffing to meet the growing demands of the transition years. As we move toward our vision of economical operations on both campuses, we continue to review and adopt practices that will improve service and nurture Trust Fund growth.

The National Defense Authorization Act (NDAA) for FY02 permitted AFRH through DoD to sell, lease or otherwise dispose of underutilized buildings and property. The NDAA for FY09 altered the language by requiring the AFRH to follow Enhanced Use Lease (EUL) procedures for lease of AFRH property. DoD is currently reviewing the Agency’s development strategy for the 77 acres of development. A decision is expected this calendar year.

In the interim, the AFRH is mothballing unoccupied buildings within the 77 acre development zone, preparing to close the Power Plant and LaGarde facility, developing plans for a new fence around our primary development footprint, renewing relationships with our neighbors, and developing relationships with our new real estate manager (US Army Corps of Engineers) in anticipation of sale/leasing.

**Giving Thanks**

The standup of Gulfport has not been easy on residents or employees. We adjusted to unexpected problems and made necessary changes in staffing. Through this transition, the residents have been very understanding and have remained supportive. Life at AFRH-W has also been challenging for everyone as we entered the Transition Period with displaced services. All was on-track—then the earthquake hit and left a trail of damage in its aftermath. Hence, all programs

now have even more limited space. We moved dining once again into the Fitness Center, so the residents re-named it “Jerry’s Diner” (to honor a staff member in the Fitness Center, which had to move elsewhere). All things considered, the Washington residents are showing great tolerance and appreciation for all we have done.



**Envisioning Tomorrow**

We are experiencing a time of great opportunity and challenges that lead me to believe we have so much to gain. As the COO of our great Homes, I will continue my commitment to resident care, support our staff through great challenges, and seize every opportunity to make life better at the AFRH. I am proud to lead this historic organization and those who live and work here. Each day, I see our good people commit to Person-centered Care and enhance the AFRH. We are on a fast track to have a premier home in Washington by 2013, much like Gulfport, where our veterans will do more than grow old. They will simply grow. As you enjoy this report and discover the storied lives of our residents, you will see how they have inspired so many others to greatness. In turn, we seek to inspire our residents to greater joy and independence for life.

Sincerely,

Steven G. McManus  
 Chief Operating Officer (COO)  
 Chief Financial Officer (CFO)  
 November 15, 2011

<sup>1</sup>Continuing Care Retirement Community

<sup>2</sup>Commission on Accreditation of Rehabilitation Facilities and the Continuing Care Accreditation Commission



## Introduction:

Memorable 2011 Events

Person-centered Care

The AFRH Legacy

The Scott Project

2011 in Review

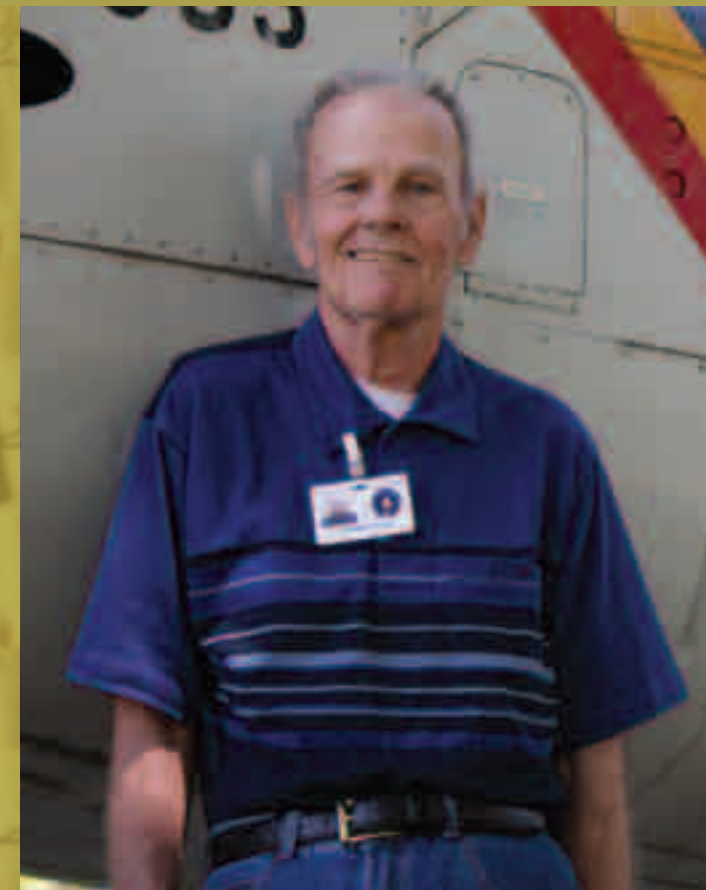
Two Disasters, One Week

Agency at a Glance

PAR Introduction

“Once I visit Alaska,  
I will have walked through  
every state.”

—*Edmund Crump (Air Force)*



Edmund traveled the world for 20 years in the Air Force. Once, he was stationed with his three brothers in the Philippines. Today his wanderlust continues. According to his pedometer, he's logged over 35,000 miles in eight years walking the scenic AFRH-W grounds.

At age 76 there's no stopping him. He took 8th place in the 1500 Meter Race Walk at the National Olympics in Houston. And in DC he took a Gold Medal in his age range. Edmund enjoys walking, plus it greatly benefits his health: "I don't think anyone here is in better shape. I feel good and have no aches and pains." His energy is a wonderful inspiration to residents who strive to maintain vitality.

Ed also enjoys the AFRH Senior Olympics. He writes a bowling column in the newspaper and loves the remodeled bowling center. It features new amenities and a 'fridge with soft drinks and beer to celebrate high scores. "They treat me great".

Memorable 2011 Events

# UPLIFTING MOMENTS

# 1

FY11 began in October 2010 with a dream come true: seeing our Gulfport residents return to a fresh, new facility. Their faces were beaming and many were filled with tears of joy. This homecoming was both inspiring and eye-opening, as it showed us all how hopeful yet fragile life can be.



As residents departed for Gulfport, AFRH-Washington began a major construction project to update its aging facility. The "Scott Project" is paving the way for Aging in Place. The planned Scott Building will feature therapy, physical fitness, swimming, and a progressive Wellness Center.

# 2



# 3

Sung Choon Park is Minister of Patriots and Veteran Affairs for the Republic of Korea. On a July visit he told AFRH residents, "The peace, freedom, and prosperity the Korean people are now enjoying is largely credited to the devotion and commitment of Korean War veterans." Our residents treasured his gratitude.



Our residents have been so grateful for their safe evacuation and joyful return to the Gulf Coast. In fact, they have wanted to repay those who graciously helped them in their time of need. So, in July we launched the inaugural Volunteerism Expo at AFRH-G to show residents new ways to give back.

# 4



Person-centered Care

# PROMOTING INDIVIDUALITY

**PERSON-CENTERED VALUES:**

Freedom of Choice

Personal Dignity

Mutual Respect

Self-determination

Purposeful Living

“We’ve always been person-centered in our approach to care.”

– Karen Tillman-McCombs  
*(Performance Integrator)*

Our new philosophy of senior vitality is called Person-centered Care. It means we consider each resident’s needs in a careful and supportive manner while also developing proactive plans of care. This approach enables the AFRH to deliver meaningful services and tailored care to each individual.

In order for Person-centered Care to be effective, everyone must identify and understand each resident’s individual needs and listen carefully to their expressed desires. Negotiation between the resident and staff will yield smart choices for consideration. Then, realistic actions will be taken within the scope of our resources and capabilities. This way, each resident becomes an active participant in guiding and charting his or her own life.



Person-centered Care doesn’t imply that all resident desires will be met without regard to available resources or the Agency’s capabilities. Rather, our goal is to produce personalized and attainable results within the support structure of a caring environment.

The tremendous value of this movement extends well beyond the development of a written plan for each resident. The manner in which AFRH implements each plan is just as important. So we have pledged to uphold various management controls on a regular basis to ensure the success of this new philosophy.

**See Sidebar at Right >>**

*Acts of Independence*

- We implemented greater communication via Team-STEPPS
- We are breaking down organizational barriers to achieve a person-centered home
- We are assessing policies, procedures & delivery to insure Agency-wide deployment
- We insure implementation is in sync with the policy & guidance of CARF

**OUTCOME:**

Person-centered Care will help the AFRH achieve its Mission, Vision, and Guiding Principles, all of which make this a more vibrant and wonderful place to live and work.



*The AFRH Legacy*

# REVERING HISTORY

Fostering the safety and independence of America's veterans began exactly 200 years ago. The visionary patriots of our young nation conceived

of a "safe haven" for America's aging defenders of liberty. This shelter would serve as repayment for the sacrifice of military service. Plus it would reassure

our military that they would have a secure, peaceful place if they were injured or infirm.

So, in 1811 America's leaders made a Promise to care for our Nation's former military. The US Congress promptly passed legislation to create a self-sufficient home in Philadelphia for destitute Navy officers, sailors and Marines. By 1834 the Naval Asylum opened its doors, and a rich legacy was born.

By 1851 momentum had grown to fund a Soldiers' Home in Washington, DC using reparations from the Mexican War. It began in a rustic countryside home (now President Lincoln's Cottage, a National Landmark). Along with changes in the military, this Home would later admit airmen, too.

For 140 years, both separate and distinct homes evolved with the times. In 1991 the two merged in order to realize greater efficiencies and unity, and became one modern retirement community: the AFRH.

Today we provide a secure and comfortable lifestyle for our eligible former enlisted. The residents here enjoy dynamic activities, modern amenities, and various levels of care based on their unique needs and desires. In the end, we're confident that we are realizing the vision of our forefathers.

*US Naval Asylum*



*Original Soldiers' Home*



*The Eagle Gate, Washington*



*Naval Home Camaraderie*



## KEY MILESTONES

Old-Tyme Timeline:

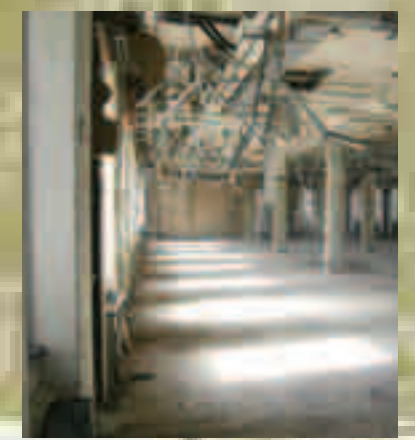
- | **1811** Law passes to shelter old US veterans
- | **1834** Naval Asylum opens in Philadelphia
- | **1851** Soldiers' Home is established in DC
- | **1890** Inmates work the Soldiers' Home farm
- | **1910** Naval Home vets do light workshop labor
- | **1991** Two distinct Homes merge as one: AFRH

**2011** 200th anniversary of the Promise

*The Scott Project*  
**PERSONALIZING CARE**

High on a hill overlooking Washington, the AFRH has been home to many unsung heroes of necessary and just wars in America's defense of freedom. As our residents have aged, so has the infrastructure around them. Soon a modern facility for activities and health-care that equals those at the new AFRH-G will adorn these grounds.

The Scott Project is a comprehensive AFRH-W renewal that is focused on Aging in Place. Slated for completion in FY13, the Project entails demolishing the aging Scott Building and erecting a new one in its place with modern healthcare and activity spaces. In tandem, we will relocate Assisted Living (AL) residents to Sheridan alongside our Independent Living (IL) residents.



**The goal of the Scott Project is twofold:**

**1** to promote greater independence, improved wellness, and personal empowerment for the residents, *and*



*The Cafeteria was relocated to Sherman N.*

to modernize our aging infrastructure. Like AFRH-G, the future AFRH-W campus will have modern amenities, yet it will respect our rich heritage. The Scott Project is a noteworthy investment, yet we know it will pay great future dividends.

*The original Sherman N. mess hall, circa 1900*

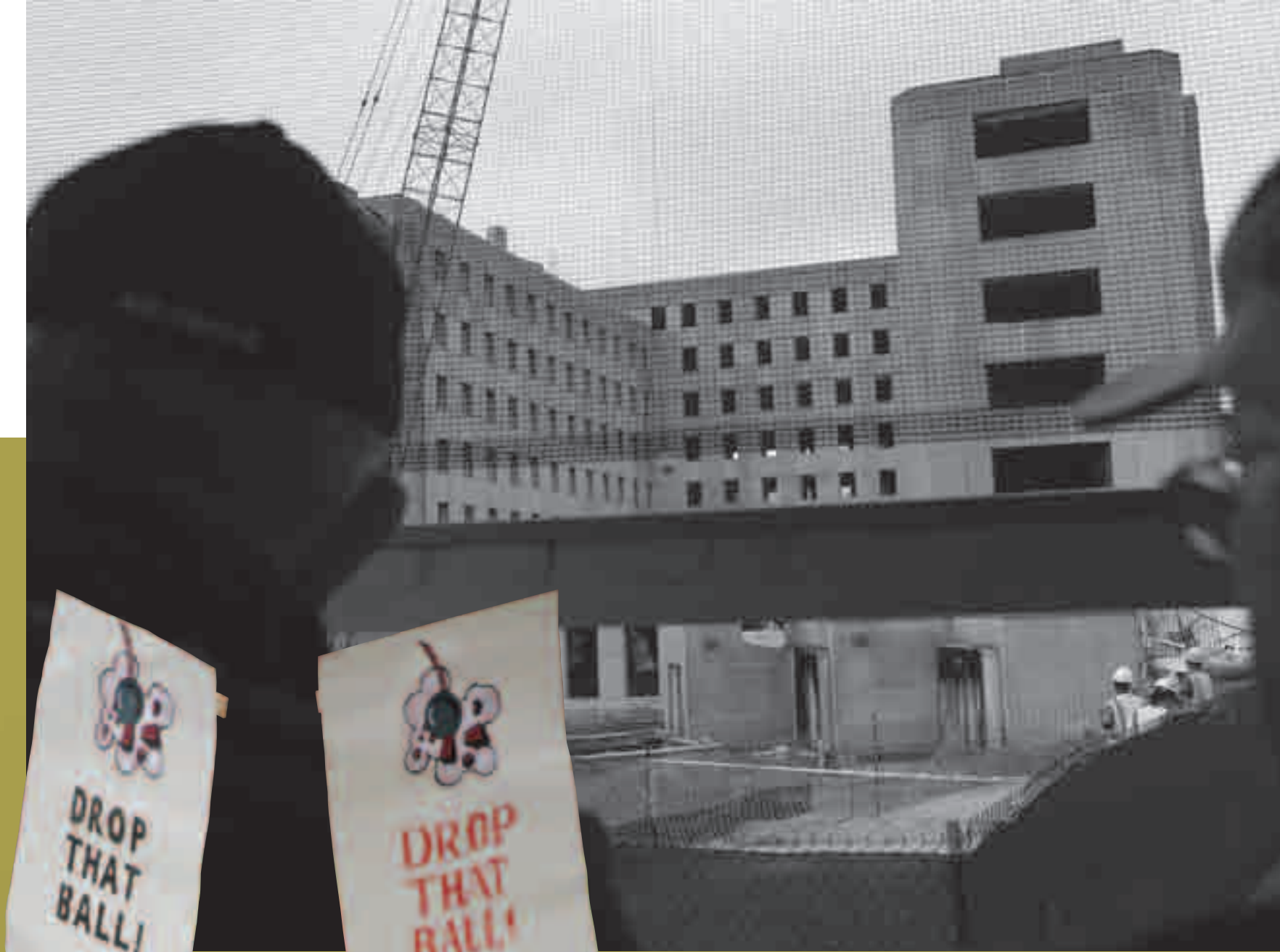


*Acts of Independence*

- We closed & began demolishing Scott
- We moved IL residents to Sheridan
- We relocated AL residents to LaGarde
- We moved dining & activities to Sherman N. & moved again to Sheridan Fitness Center after the earthquake
- We relocated admin offices, Wellness Center & Library to Sheridan

*Acts of Independence*

- We hold numerous resident focus groups
- We work through the Resident Advisory Council
- We consult with senior design experts
- We employ principles in gerontology
- We strictly follow CARF guidelines
- We ensure Person-centered Care



The new Scott will offer more amenities with less maintenance. It is designed to current building codes, is highly energy efficient to meet our Energy Goals\*, and is in compliance with the latest standards in senior care. For greater wellbeing, it will have a Health & Wellness Center with medical, dental and optometry services.

Soon, Long Term Care (LTC) and Memory Support (MS) residents will be in much closer proximity to IL and AL, thus unifying the AFRH population. So, those with physical or cognitive impairments will be drawn into the community, instead of being isolated and stigmatized in the remote LaGarde Building half a mile (and a bus ride) away.

*Scott Project Business Partners: project management by GSA; construction management by Jacobs Engineering; design by DiMella Shafer; and design-build by Hensel Phelps / Cooper Carry*

**AFRH Energy Goals:**

- 30% reduction in energy intensity by 2015 (2003 baseline)
- 26% reduction in water intensity by 2020 (2007 baseline)
- 22% annual reduction of petroleum usage by vehicles through 2020 (2005 baseline)
- Reduce waste generation & increase recycling
- Reduce toxic and electronic waste
- Increase renewable energy use



*The relocated Library in Sheridan*

*Artists' rendering, new Scott lobby & new dining hall*



Best of all, these plans are rooted in Person-centered Care and are financed from the AFRH Trust Fund. Ultimately, the Scott Project will produce a facility that will serve a population similar to Gulfport. By 2013, the AFRH will have two new facilities unified by a singular philosophy for inspiring independence.



*Tunnel for safe passage to interim dining hall in Sherman N. (pre-earthquake)*



*The Scott Project encourages walking. Distances are reduced to help residents become more active. Also dependency on transportation or powered mobility devices is lowered.*

*Residents view the demolition of their old home.*

2011 in Review

# REGARDING PROGRESS

## AFRH ORGANIZATION

- Resident eligibility expands to the US Coast Guard
- AFRH-Gulfport officially opens its doors
- AFRH earns 7th consecutive Unqualified Audit Opinion
- The Agency goes smoke-free in both facilities
- Steven McManus is named new COO of the AFRH
- Dr. Sissay Awoke is named Agency Medical Director



## GULFPORT COMMUNITY

- Joyous residents return to new Gulfport Home
- “Glory on the Gulf” event celebrates new AFRH-G
- AFRH-G offers pilot Independent Living Plus (ILP)
- More than 490 IL residents now thrive at AFRH-G



“It is a pleasure and a privilege to serve our veterans.”

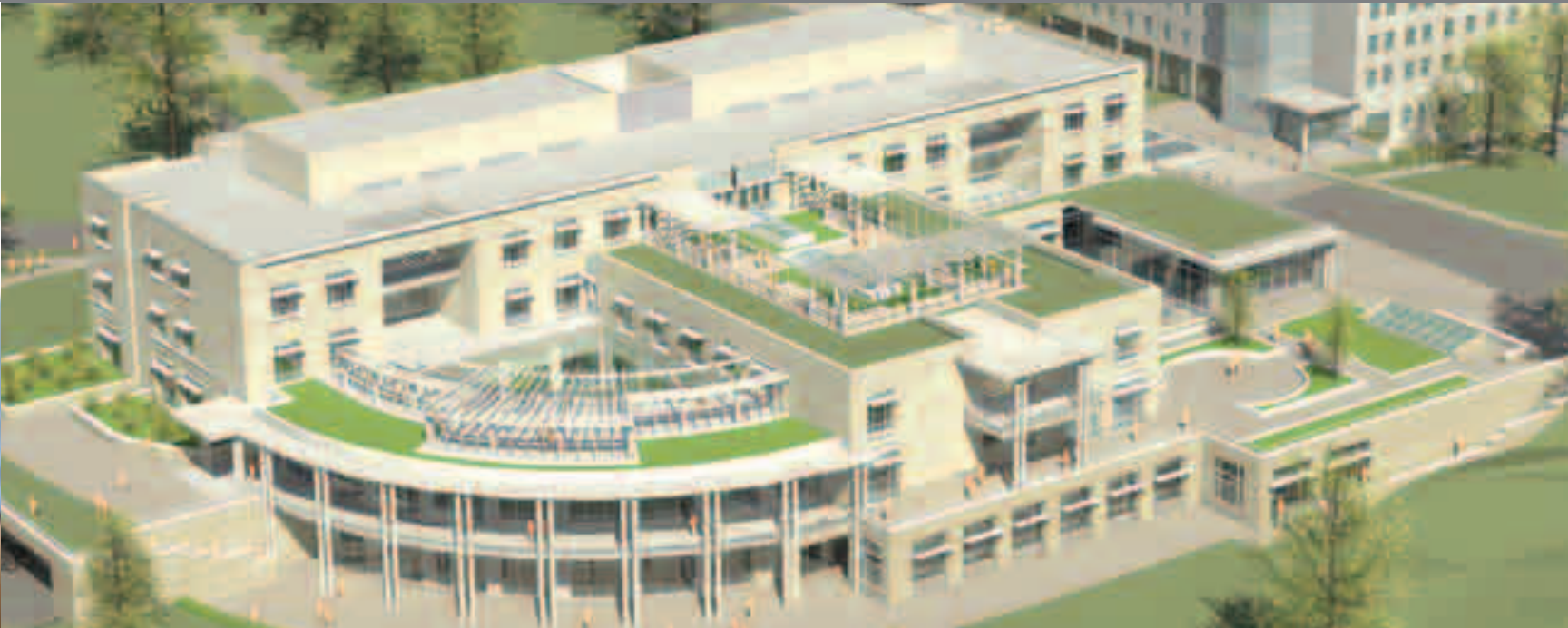
– Dr. Sissay Awoke (Agency Medical Officer)

- Management defines FY11-15 person-centered strategy via Strategic Plan
- AFRH Advisory Board meets in Gulfport, MS (1st time AFRH-G is represented since FY05)
- 10-year AFRH Capital Improvement Plan is renewed
- Scott Project defines Aging in Place in Washington



Robert L. Gordon III, Deputy Assistant Secretary of Defense (Military Community & Family Policy), welcomes residents home.

# WASHINGTON COMMUNITY



### Scott Project Transition begins

- Climate-controlled tunnel opens: Sheridan-to-Sherman
- IT Services are moved from closed Scott to Sherman
- Interim dining, recreation & theater open in Sherman N.
- Scott Building chillers & cooling towers are relocated
- Sheridan Elevator Design approved by NCPC & CFA\*

\* NCPC: National Capital Planning Commission  
CFA: US Commission of Fine Arts

“This is like heaven compared to civilian homes.”

– Harris Bircher (Navy, Pearl Harbor Survivor)

### Scott Project Phase I Endeavors

- Scott Building is vacated & closed permanently
- Resident rooms and staff offices are vacated
- All IL residents are moved to Sheridan
- Health & Wellness Center relocated to Sheridan
- AFRH-W Bowling Center renovation is complete
- Soft demolition / wrecking ball continues in fall

### New Scott Building

- Design-Build contract awarded to Hensel-Phelps
- Essential Design documents are complete

### 2011 in Review (cont.)



*Two Disasters, One Week*

# STIRRING RESOURCEFULNESS

## East Coast Quake

Tuesday August 23rd (1:50 pm):

The “East Coast Quake” rocks the nation’s capitol. The epicenter is rural Virginia, 83 miles from DC.

AFRH senior staff members flee a second-floor conference room in Sherman Building—seconds before crumbling stone and falling debris cave in the ceiling. Residents scurry to safety on the quad lawn.

The historic, castle-like Sherman Building has the most dramatic damage. The turret that encases our signature clock tower is cracked, crown molding is damaged and broken, and heavy stones fell crushing a staff member’s luxury car. Total damage is estimated at \$7 - 13 million dollars.

The AFRH scrambles to shore up the crumbling Sherman so it may withstand hurricane-force winds on the way in three days. Hensel Phelps, Scott Project design-builder, removes loose stones and adds temporary covering over the roof holes in record-time. The precarious clock tower is secured with industrial wire. Sheridan was assessed for loose panels in the exterior and replaced with water-resistant covers. Three damaged elevators in Sheridan are closed. LaGarde is evacuated but no damage was sustained.

In August, the residents and staff at AFRH-W had their world shaken by two natural disasters that occurred in just one week—a 5.8 magnitude earthquake and Hurricane Irene. Over the past 200 years, two such events have never occurred together in Washington.

The safety and wellbeing of 600 residents was secured thanks to swift staff and decisive action by our staff. Yet, several historic buildings at AFRH in the Sherman complex,

which are now closed, have severe stress cracks, caved-in ceilings, and crumbled building blocks. The estimated cost for repairs is \$7 - \$13 million.

Needless to say our transition plans on the Scott Project have altered because our office spaces and resident activities moved from Sherman to other campus buildings. Yet management is confident our plans will be back on track by the start of FY12 through the support of Congress.

## Hurricane Irene

Friday August 26th (9:50 pm):

Category 1 Hurricane Irene roars through DC after causing widespread damage to homes and businesses along the east coast. Wind gusts reach up to 70 mph. Flooding and damage ensue in Maryland, Virginia and DC. Dozens of mature trees are leveled. Up to eight inches of rain fill the District in less than three days.

Remarkably, no added damage occurs on the AFRH-W campus as a result of the storm thanks to precautionary actions by Hensel Phelps. Yet, the ensuing weeklong rainstorm causes serious flooding in DC, along the waterfront in Alexandria, and across the river in Maryland. Also, tens of thousands of local residents are left without power for days.



“It was a frightening, yet fortunate day for the AFRH. Thanks to decisive action everyone is safe.”

—Steven G. McManus,  
AFRH COO

*Acts of Independence*

- We evacuated the residents safely
- We served a BBQ dinner outside, that evening
- We engaged engineers to assess residences
- We stabilized the Sherman complex
- We removed rubble & closed the complex
- We reinforced clock tower before the storm



*We swiftly set up makeshift dining in the Fitness Center.*



“My lady-friend who uses a walker was carried down the stairs on the back of a construction worker.”

—Wilfred McCarty  
*(Army, WWII veteran)*

“The staff was fantastic—we are safe, we got evacuated, and we got our food straight away!”

—Jim Webster  
*(Navy, WWII veteran),  
Town Hall Meeting*



**OUTCOME: NO INJURIES. ALL SAFE.**

*Agency at a Glance*

# APPRAISING VALUE

<b>FEDERAL AUTHORITY:</b>	AFRH Act of 1991, Public Law 101-510 (as amended in 1993, 2001, 2006, 2008 & 2010)
<b>CURRENT LOCATIONS:</b>	Beach Drive, Gulfport, MS (47 acres) N. Capitol Street NW, Washington, DC (272 acres)
<b>ORGANIZATION:</b>	AFRH Corporate Headquarters (Washington, DC) managing
<b>2 AFRH COMMUNITIES:</b>	AFRH-Gulfport // AFRH-Washington
<b>RESIDENT CAPACITY:</b>	Gulfport, MS: 584 // Washington, DC: 568
<b>AVERAGE RESIDENT:</b>	82 Years Old
<b>MAIN FUNDING:</b>	Congressional Authorizations from a Government-held Trust Fund fed by: Resident Fees, Active Duty Enlisted Military & Warrant Officer Withheld Pay, Fines & Forfeitures, Gifts & Leases, and Investment Income
<b>TRUST FUND BALANCE:</b>	\$162 Million

**GENERAL SERVICES:**

- Private Rooms & Showers
- Medical, Dental & Vision Care
- Dining Facilities
- Senior Activities & Programs
- Recreational Activities
- Shuttle & Public Transportation
- Independent Living
- Independent Living Plus Pilot
- Assisted Living
- Memory Support Living
- Senior Day Club
- Long Term Care

**MAJOR AMENITIES:**

- Fitness Center
- Walking Trails
- Life Trail Course
- 9-hole Golf Course (AFRH-W)
- Swimming Pool (AFRH-G)
- Bowling Centers
- Hobby Shops
- Fish Ponds
- Theater
- Library
- Computer Center



*PAR Introduction*

# INSPIRING INDEPENDENCE

FY11 marked a new beginning on the Gulf Coast and the start of a dynamic transformation in Washington for the AFRH. The goal of these major advances is to promote Person-centered Care and motivate our residents to remain independent.

The Agency is achieving this goal by providing modern amenities and advanced services to a new generation of former military. Our brave heroes have inspired the world to battle oppression, and in turn, they continue to inspire the AFRH staff to meet our vision through greater involvement.

The AFRH is entering a new stage in its storied history. Management has fully met and exceeded the visionary goals set forth in the FY06-10 Strategic Plan. To begin our transition, we developed a new AFRH Strategic Plan for FY11-15<sup>4</sup>. In this initial year of the Plan, our sole focus was “Person-centered Care.”

Each year US Federal agencies are required<sup>5</sup> to report performance to Congress and the public in the PAR. Here we share insight into the Home’s rich heritage and lively community, while explaining the relationship between our objectives, the costs, and our results. Further, we illustrate how we protect and manage the AFRH Trust Fund—and demonstrate how those funds will continue to provide the best possible retirement for eligible residents.

This PAR covers events from Oct 1, 2010 - Sep 30, 2011. It has four parts that outline how the AFRH is succeeding and how our efforts benefit those who served America. Their dedicated sacrifices, combined with their payroll contributions to the AFRH, have earned them a special place to call “home.” The Agency is delighted to report that we are providing them with a superior retirement.



## 1 Part 1 Management’s Discussion and Analysis (MD&A):

a summary of our performance and financial status, as well as accomplishments and challenges. It includes our compliance with essential legal requirements.

## 2 Part 2 Performance:

a detailed outline of the AFRH Goals and Objectives. It showcases our achievements and our shortfalls, plus our new Key Strategic Performance Goals.

## 3 Part 3 Financial:

the Audit Opinion, Financial Statements, disclosures, and Notes regarding AFRH fiduciary activities over the past fiscal year.

## 4 Part 4 Accompanying Info:

the IG Statement, Management Challenges, Improper Payments, and Acronyms



**AFRH employees & contractors prepared this report per Federal guidelines.**

<sup>4</sup>[www.afrh.gov/afrh/about/strategic2011-2015.pdf](http://www.afrh.gov/afrh/about/strategic2011-2015.pdf)

<sup>5</sup>The Accountability of Tax Dollars Act of 2002  
 The Federal Management Information Security Act of 1998  
 The Federal Financial Management Improvement Act of 1996  
 The Government Management Reform Act of 1994  
 The Government Performance and Results Act of 1993  
 The Chief Financial Officers Act of 1990  
 The Federal Managers Financial Integrity Act of 1982, and  
 The Inspector General Act of 1978





“I get to live here, run a hobby shop, and have friends like Smitty.”

—Bill Norvell (Navy & Army)

### Management's Discussion & Analysis:

- AFRH Organization
- AFRH Locations
- Our Residents
- Our Staff
- Agency New Direction
- Key Strategic Performance Goals:
  - Goal 1: Resident-centered Care
  - Goal 2: Exceptional Stewardship
  - Goal 3: Staff-centered Environments
  - Goal 4: External Stakeholders
- Performance Summary & Highlights
- Financial Overview
- Legal & Regulatory Compliance
- Risk Management



At age 16, Bill began fixing cars. He soon discovered a lifelong passion to work on motorcycles, engines, and bicycles.

When he came to AFRH-G in 2002, he eagerly took over the bicycle shop. And he took a class and read books to learn new technical tricks. “It’s like anything else when you have a gift...I just see things and can figure them out,” said Bill.

Quickly, the bike shop became Bill’s second home. Now he stays far beyond shop hours—because it doesn’t seem like work. “I love helping residents—I even fix TV sets and walkers.” Thanks to his dedication, our residents are more active and independent.

Bill is fortunate to get help from Neville “Smitty” Smith, a retired aircraft engine mechanic and fellow resident. Smitty rides his bike daily and works in the shop part-time. “He’s super, and he’s got a good head. I can say, ‘I’ll be gone a week—can you watch the shop?’ And he takes care of everything.”

AFRH Organization

# DRIVING INNOVATION



The Advisory Board offers advice at a meeting near AFRH-G in May.

### COHESIVE AGENCY

The AFRH is organized as a contemporary business establishment. On the corporate level, a COO leads the Agency and sets policy and procedures for experienced staff members at two separate locations. This business arrangement results in strategic decisions that advance the organization and effective communications that keep Congress and constituents informed.

The COO is subject to the authority, direction, and control of the Secretary of Defense, delegated to the Under Secretary of Defense (Personnel & Readiness) and the Deputy Assistant Secretary of Defense (Military Community and Family Policy).

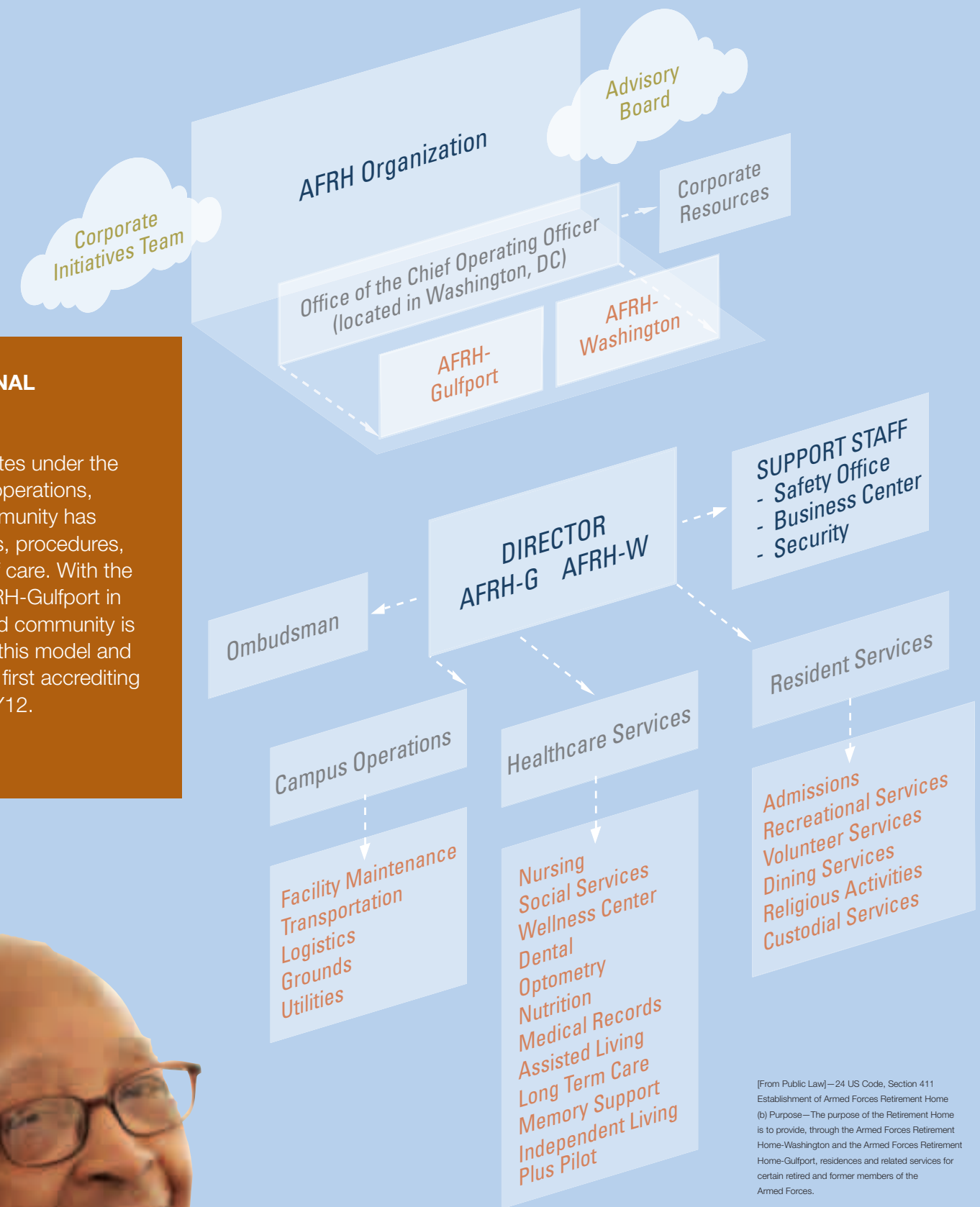
### INDEPENDENT COMMUNITIES

The AFRH manages independent functioning retirement homes in different locations. Each AFRH facility operates under a Director, who reports to the COO. Each community may make its own tactical operational decisions, manage its facilities, and respond to local resident requirements.

A Local Advisory Board, which is comprised of active duty military, civilians, and community representatives, provides expertise and knowledge of military- and medical-related concerns for all aspects of senior living.

### ORGANIZATIONAL STRUCTURE

The AFRH operates under the "One Model" of operations, where each community has the same policies, procedures, and standards of care. With the reopening of AFRH-Gulfport in FY11, our second community is moving towards this model and preparing for the first accrediting survey in early FY12.



### VISION, MISSION & PRINCIPLES:

See Inside Front Cover or [AFRH Strategy](#) at [afrh.gov](#).

### PERSON-CENTERED VALUES

Our new philosophy of Person-centered Care has several distinct core values, which guide all management and staff decisions. These values include: choice, dignity, respect, self-determination, and purposeful living. All values are adhered to and delivered within the support structure of a caring environment.

Learn more about [Person-centered Care.pdf](#) at [afrh.gov](#).



The new Badge Buddy, as worn by staff and contractors.



"I did everything. I've been around the world, and I've seen it all."  
 — Frank Nash, age 90 (Army)

[From Public Law]—24 US Code, Section 411 Establishment of Armed Forces Retirement Home (b) Purpose—The purpose of the Retirement Home is to provide, through the Armed Forces Retirement Home-Washington and the Armed Forces Retirement Home-Gulfport, residences and related services for certain retired and former members of the Armed Forces.

AFRH Locations

# FACILITATING AUTONOMY

The original idea to create shelter for our former military began two centuries ago. And the buildings and people serving those homes have come and gone. Yet, through it all, one constant has remained: devoted support and secure environments.

Over the past few years, we have taken our unique brand of care a major step further by advancing resident independence. Our programs, services, and facilities have been upgraded and our philosophy of care has moved towards Person-centered Care and Aging in Place. Today, two AFRH senior living communities exist: one in Gulfport, MS and one in Washington, DC.



### GULFPORT, MS

Scenic Oceanfront Retreat

AFRH-G is located on 47 acres on the Mississippi Sound in a relaxed southern setting. Sandy beaches, waterfront views, beautiful sunrises, fun casinos, and a charming town surround our Gulfport home. The old building, destroyed by Hurricane Katrina in 2005, was replaced with an energy-efficient facility with modern conveniences. Gulfport opened this state-of-the-art LEED Silver Certified living facility in October 2010. While this building is new, we are still tweaking its operations and enhancing the complex to deliver true Person-centered Care.

Learn more about [AFRH-Gulfport](http://afrh.gov) at [afrh.gov](http://afrh.gov).

Henry Pike (Marine Corps & Army) and Louis Nemeck (Navy) cut the ribbon at "Glory on the Gulf".

### WASHINGTON, DC

Dynamic Urban Oasis

AFRH-W sits on 272 acres in the heart of Northwest Washington, DC. Beautiful trees, majestic views, tranquil wildlife, and historic landmarks encompass our Washington home. In a warm, country setting, it is nestled in the heart of our Nation's Capital, a vibrant metropolis. Venture off campus and you're just minutes from the Metro, bus line, White House, monuments, theaters, museums, pro sports and more. This historic home is in transition. By 2013 it will feature a modern LEED Gold Certified building and new amenities to further support Person-centered Care and Aging in Place.

Learn more about [AFRH-Washington](http://afrh.gov) at [afrh.gov](http://afrh.gov).



Actor Gary Sinise and AFRH-W residents honor fallen warriors at the WWII Memorial.

*Our Residents*

# EXUDING INDIVIDUALITY

All the AFRH residents may share a common background of serving as enlisted or Warrant Officers in the US military. Beyond that, each resident is unique and colorful, and has a fascinating story to tell. Our aim is to help each one stay independent as long as possible.

First off, we offer our residents a wide range of events, programs, and activities that promote health and wellness. Plus, our pilot ILP program supports those who need extra assistance with daily living activities. Altogether, our progressive support promotes vitality while helping the residents to defy the limitations of aging. Over 85% of all our Residents are in Independent Living or Independent Living Plus Pilot.

AFRH has an active stipend program that allows residents to work on campus. Many who are physically and mentally active treasure jobs giving tours, assisting volunteers, distributing mail, and more.



**BY GENDER**

Male: 914 (90%)

Female: 104 (10%)

**BY WAR THEATER\***

World War II: 374 (27%)

Korean War: 466 (34%)

Vietnam: 500 (37%)

Grenada: 8 (1%)

Panama: 9 (1%)

Gulf War: 6 (<1%)

War on Terror: 1 (<1%)

*\*Some served in more than 1 war*

**BY ELIGIBILITY** *(Some qualify under several criteria)*

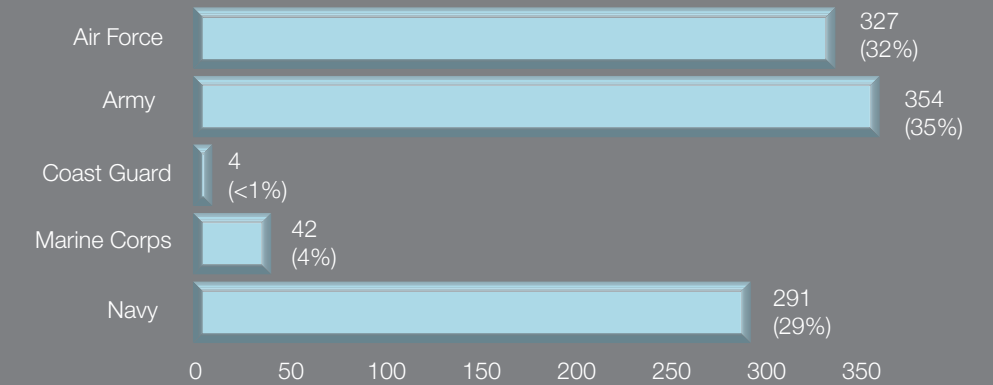
Retiree: 772 (74%)

Service-connected Disability: 129 (12%)

War Theater: 96 (9%)

Female (served before 1948): 54 (5%)

**RESIDENTS BY US MILITARY BRANCH (2011)**



As of September 30, 2011

**INSPIRATION**



The first application from an eligible Coast Guard retiree was approved right after the Coast Guard & Maritime Transportation Authorization Act of 2010 (Sec 205) became law.

**RESIDENT ELIGIBILITY<sup>6</sup>**

(A) You must meet ALL of these criteria:

- You served as a member of the Armed Forces and at least one-half of that service was not active commissioned service (other than as a Warrant Officer or Limited-duty Officer)
- You are free of drug, alcohol, and psychiatric problems
- You have never been convicted of a felony
- You will enter the Home in Independent Living<sup>7</sup> and tend to your personal needs, attend daily meals, and keep your medical appointments

(B) Plus ONE of the following criteria:

- You have at least 20 years of active duty service and are at least 60 years old, OR
- You are unable to earn a living due to a service-related disability, OR
- You are unable to earn a living due to a NON-service-connected disability, yet you served in a war theater or received hostile fire pay, OR
- You served in a women's component of the Armed Services before June 12, 1948

<sup>6</sup>Per US Code 24, Section 412 (24 USC.412)

<sup>7</sup>Higher care levels are available later, if residents need it



Our Staff

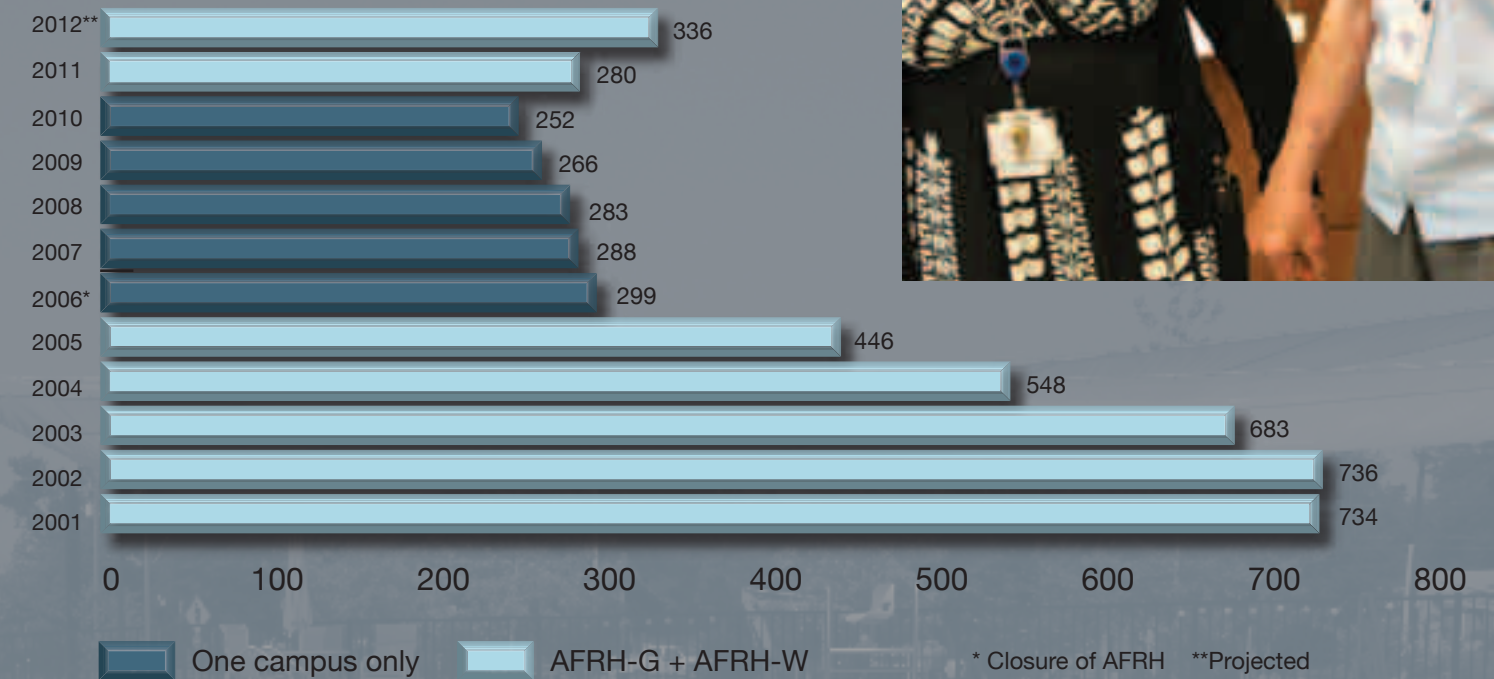
# MOTIVATING VITALITY

The AFRH promotes staff creativity and resident independence.

The AFRH staff is comprised of diverse and compassionate individuals who care about our nation's veterans. Each employee encourages residents to be active and to make choices that promote vitality. The overarching goal is to deliver Person-centered Care that maximizes each resident's abilities.

However, being person-centered is not a one-way street of tailoring care to each resident. This new philosophy also encompasses an inclusive element for all Agency staff so they may also thrive. This unique approach motivates each staff member to try harder and to maximize his or her potential. To promote this concept Agency-wide, we have created a new Strategic Goal—Promote Staff-centered Environments—which adds focus to the staff's role in learning and growing.

AFRH Staffing Trends



This new approach extends to AFRH service partners who provide transportation, facility maintenance, landscaping, food service, healthcare, personnel, finance, strategic planning, marketing, and IT. By recognizing the needs of everyone involved in resident service, the AFRH has crafted a culture that inspires and nurtures.



The result: we have been able to achieve more with fewer staff members. Over a 10-year period, our employee roster has been continually fine-tuned to match the evolving community needs, the emerging resident independence, and the smaller campus population.

Agency New Direction

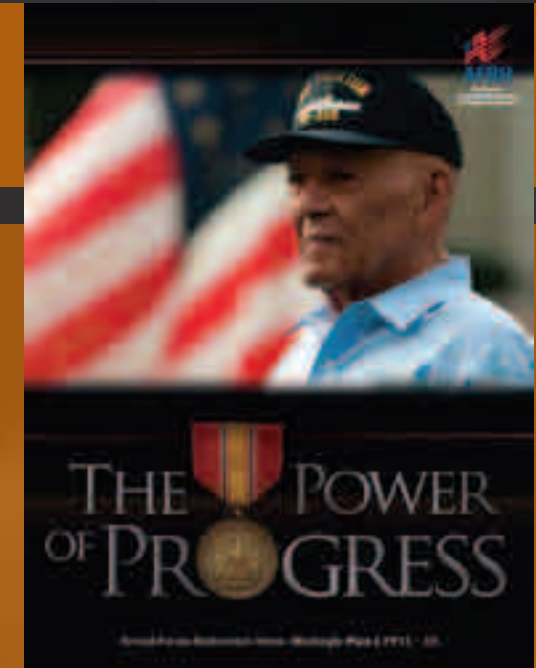
# INVIGORATING STRATEGY



Congressman Joe Wilson & Raymond Whitelow (Air Force) at AFRH-W in May.

The AFRH Vision and Guiding Principles were updated in FY11 to meet and exceed the expectations of a new generation of residents. Advanced business practices and ongoing capital improvements have bolstered service. Plus, we revamped our facilities and programs to include Aging in Place, the movement that promotes personalized care and broader support. Each day, management is achieving its strategy to create two premier facilities that are also cost-effective.

The AFRH 2006-2010 Strategic Plan ended on a high note with the opening of the new facility in Gulfport. On the heels of this and other achievements, we refocused our person-centered approach to retirement living. The updated FY11-15 Strategic Plan builds on the original strategy's success while seeking new and better ways to manage the Agency. After all, prudent management and fiscal discipline put us in the position to re-create the AFRH in the first place.



See the full [AFRH Strategic Plan](http://afrh.gov) at [afrh.gov](http://afrh.gov).

## KEY STRATEGIC PERFORMANCE GOALS

In keeping with the Obama Administration's approach to focus on measurable goals with high impact, the AFRH chose to focus on vital areas that impact its future. Below are the four key Goals of the AFRH:

1

### Embrace Resident-centered Care

Each person will understand each resident's individual needs and take realistic action to fulfill them within AFRH resources and capabilities.

2

### Maintain Exceptional Stewardship

Pursue and implement innovative ways to deflect, reduce, and manage costs by maximizing assets, resources, and programs to fulfill needs and wishes of current / future residents.

NEW 3

### Promote Staff-centered Environments

Expand staff knowledge that directly impacts the accountability and efficiency of the Agency, which will in turn empower all employees to be proactive.

4

### Leverage External Stakeholders

Harness, cultivate and focus our external stakeholders to become increasingly active participants who are engaged in AFRH operations in each of the next five years.

Performance Summary & Highlights

# IMPRESSING ACHIEVEMENTS



We manage performance in a variety of ways. Internally, we use community Business Plans featuring action plans for the year with quarterly feedback reports on progress. Also, our staff performance reviews are linked to our Strategic Goals—then the effectiveness of each employee is carefully measured.

Externally, the AFRH is inspected annually by accrediting bodies or the DoD IG, and when required by OPM. The AFRH Corporate maintains documentation for Agency accreditation and also manages issues, risks, and quality improvement derived from inspections.

### OUR CHALLENGES

The AFRH managers understand which challenges require hard work and steadfast commitment. We are tracking progress on them regularly and are striving constantly to overcome them.

**“The staff is concerned about each person. It’s a receptive atmosphere.”**

—Esker McConnell, AFRH-W RAC Chair (Army)

### MANAGEMENT CHALLENGE

**Return Residents to Gulfport and Initiate Programs & Services**

### INSPIRING RESULTS

- > residents safely returned starting Oct 2010
- > over 490 lived in Gulfport by Sep 2011
- > staff was added to provide full services

**Implement, Manage & Monitor AFRH-W Scott Project Plan**

- > Scott Building closed in Dec 2010
- > old Scott demolished by end of Sep 2011
- > Transition Period fully deployed using interim spaces for programs & activities

### UNEXPECTED EVENT

- > the earthquake damaged Sherman Building.
- > residents & staff were shaken, but safe.

### PERFORMANCE CHALLENGE

**Implement Scott Project Construction**

- > demolition & design-build is on-track
- > preparing for groundbreaking: Nov 2011
- > on time & within budget

### INSPIRING RESULTS

**Implement ILP Program**

- > AFRH-G ILP began; up to 39 by Sep 2011
- > AFRH-W ILP up to 52 by Sep 2011; staff added

**Implement e-Records / e-Health Records Systems**

- > HealthMEDX contracted for AFRH-G
- > training at both AFRH-G & -W completed (to begin in FY12)

**Financial Management of Operating Costs & Expenditures**

- > internal controls & risks in sync with performance improvement
- > exceptional stewardship
- > strategically transitioning to decrease resident populations in levels of care
- > attainment of LRFP financial goals



*During the earthquake, stone and debris crashed through the roof into our offices.*

## PERFORMANCE TRENDS & FY11 RESULTS

Performance Measures by Strategic Goals	Baseline Performance Measure Target set Before FY11*	Baseline Performance Measure Target set in FY11	FY07	FY08	FY09	FY10	FY11
<b>Goal 1: EMBRACE RESIDENT-CENTERED CARE</b>							
Accreditation*	In good standing	In good standing	Met	Met	Met	Met	Met
% of resident satisfaction*	70%	70%	Met	Met	Met	Met	Met
% of resident assessment plans*	95%	95%			Met	N/A	Met
<b>Goal 2: MAINTAIN EXCEPTIONAL STEWARDSHIP</b>							
Trust Fund solvency	Even balance of resources versus obligations	Even balance of resources versus obligations	Met	Met	Met	Met	Met
Accuracy of financial reporting*	Unqualified audit opinion	Unqualified audit opinion	Met	Met	Met	Met	Met
Housing for veterans (Scott Project)	On schedule and within budget	On schedule and within budget	Met	Met	Met	Met	Met
Trust Fund growth		Positive result of Washington Master Plan					NA
Cost avoidance		1 per year					Met
<b>Goal 3: PROMOTE STAFF-CENTERED ENVIRONMENTS</b>							
Evidence of measurable training goals*	80% participation in 4 mandatory training classes for all staff	80% participation in 4 mandatory training classes for all staff	Met	Met	Not Met	Met	Met
% of Employee Climate Survey responses of "Excellent" or "Very Good"	70%	70%		Met	Not Met	Not Met	Met
Measureable evidence of growth beyond work activities		Development Plan					Met
Achievable Person-centered Care		2 initiatives per year					Met
<b>Goal 4: LEVERAGE EXTERNAL STAKEHOLDERS</b>							
Congressional contacts		Quarterly					Met
Annual community events		2 per community per year					Met



When residents are asked what's so special about AFRH, a common answer is "the activities". Staff is the driving force behind activities—so our strategy to create a staff-centered environment where employees can thrive is definitely working. Susan Bergman is one employee who has the pleasure of seeing residents in action: "The more we add their interests onto the schedule, the more they want to come to activities. And that increases participation."

Bergman tracks resident participation monthly. In April, there were over 600 interactions, which meant over

80% engagement. Susan is very pleased with those results: "It's pretty cool, tracking that. You do it everyday but you don't immediately realize the cumulative impact. All those little interactions add up."

Recreational activities include music, cross-stitch, and field trips. Gardening is also a favorite pastime. Susan guides the residents to Walmart to choose seeds. Then, even those who didn't make the trip help plant, water, and nurture those seeds into big vegetables.

**"Recreation makes a big difference in their lives."**

**—Susan Bergman**  
*(Recreation & Music Therapist)*

### INSPIRING RESULTS

Once again, our financial management and resident satisfaction measures have earned high marks. Yet, the challenge remains to meet those measures that involve our staff. To improve results in this area, the AFRH has created a new strategic goal: Promote Staff-Centered Environments.

Our strategic and performance planning is a mix of measures from the 2006-2010 strategy combined with the new ones in our FY11-15 Strategic Plan. The summary below matches the measures that are reported in more detail in Performance.





Financial Overview

# PROPELLING RESOURCEFULNESS

The independent accounting firm Brown & Company expressed an Unqualified Opinion on our comparative FY11 and FY10 Financial Statements, Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position and Statement of Budgetary Resources. Further, Brown & Company did not report any material weaknesses.

Agency management, in partnership with BPD, is accountable for the integrity of the financial information presented in this Report. All Financial Statements and data have been prepared from the AFRH accounting records in conformity with Generally Accepted Accounting Principles (GAAP) as defined by the CFO's Act of 1990 and OMB.



## AFRH Trust Fund: Solvent

AFRH is unique in that all funding comes from its Trust Fund, as allocated by Congress.

**TRENDS:** The Fund balance has fluctuated throughout its history, reaching dramatically low levels in the early 2000s. Through efficiencies and economies, management raised that balance to an all-time high of \$186 million last year. In FY11 the AFRH expended funds as an investment in future generations of residents via the Scott Project. This reduced the Trust Fund balance to \$162 million. Still, through our Long-Range Financial Plan (LRFP) we forecast that the Trust Fund will remain solvent and its balance will increase again to current levels by FY15.

### Limitations of the Principal Financial Statements

Our Statements have been prepared to report the financial position and operating results of AFRH, pursuant to the requirements of 31 U.S. 315(b). They were prepared following GAAP. These statements are in addition to financial reports prepared from the same books and records used to monitor and control budgetary resources. They should be read with the understanding they are for a component of the US Government, a sovereign entity.

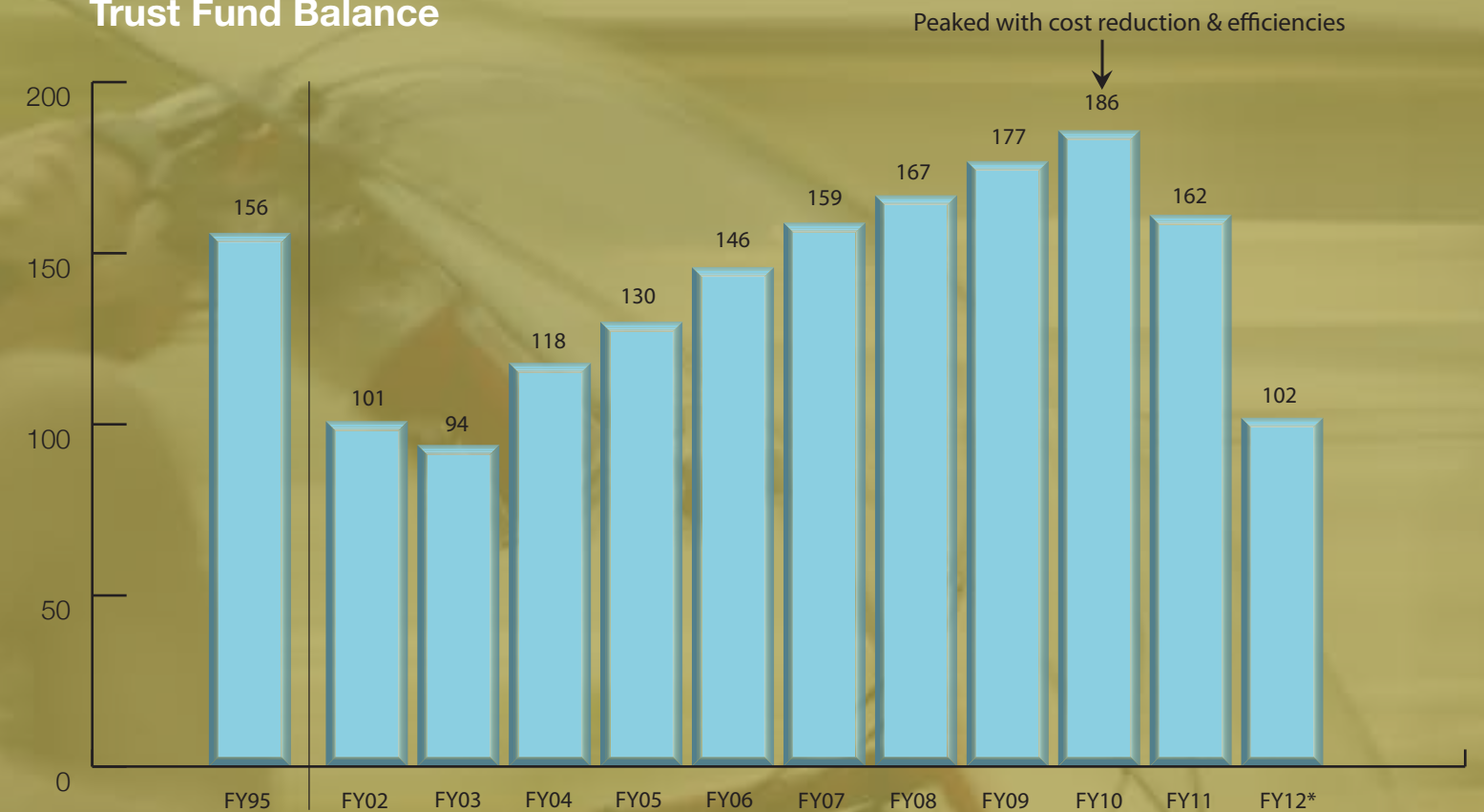
INSPIRATION

### 7th Consecutive Unqualified Opinion

**Audit Trends:**

FY04	N/A
FY05	Unqualified
FY06	Unqualified
FY07	Unqualified
FY08	Unqualified
FY09	Unqualified
FY10	Unqualified
FY11	Unqualified Opinion

### Trust Fund Balance

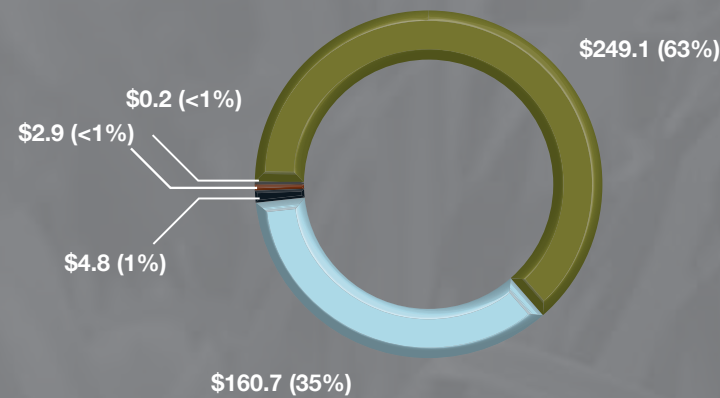


\*Projected

## Ending Net Position: Slight decrease

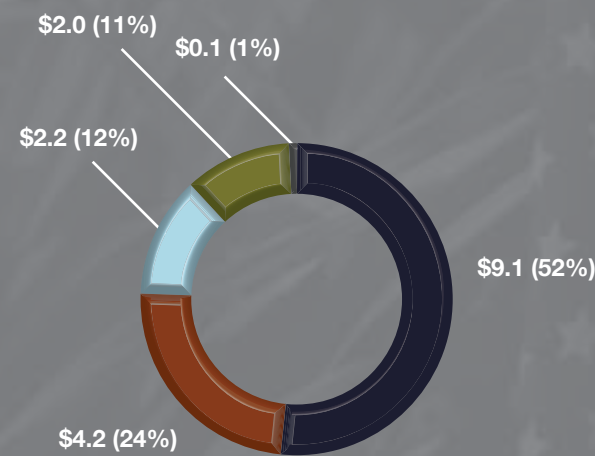
	FY11	FY10	Net changes:	% Change
<b>Assets</b>	\$ 462,654,637	\$ 478,932,570	(\$ 16,277,933)	-3%
<b>Liabilities</b>	\$ 17,636,058	\$ 16,776,584	\$ 859,474	+5%

AFRH Assets FY11 (in \$ Millions)



- Fund Balance With Treasury
- Investments
- Property, Equipment, and Software, Net
- Accounts Receivable, Net
- Accounts Receivable

AFRH Liabilities FY11 (in \$ Millions)



- Federal Employee & Veterans' Benefits
- Other (Note 8)
- Intragovernmental Other (Note 8)
- Intragovernmental Accounts Payable
- Accounts Payable

\*Numbers are rounded

## Assets & Liabilities: Changing

Net Position is the current value of the Agency's assets less liabilities. Our Net Position at the end of FY11 (per the Consolidating Balance Sheet and the Consolidating Statement of Changes in Net Position) was \$445 million: a \$17 million decrease from the prior fiscal year. This decrease reflects spending from the Trust Fund for the ongoing Scott Project and standing up Gulfport.

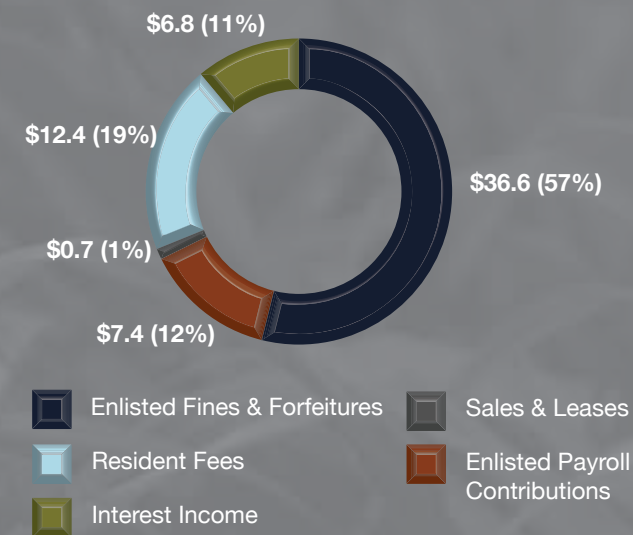
## Major Expenditures: Resident Care

The AFRH began tracking its expenditures by Strategic Goal in FY09. An analysis of that data shows that the Agency has been spending the greatest proportion of its funds on the Goal of Exceptional Service (which supported our High-priority Performance Goal of Healthcare and Improved Housing). The next highest expenditure was in Stewardship, encompassing the Agency's drive to modernize and improve operations.

In FY11, the AFRH revamped its strategy. The data we currently have is mapped to FY06-10 Strategic Goals. Starting in FY12, data will be mapped to our new strategy.

## Revenue: Fluctuating

AFRH FY11 Revenue Sources (in \$ Millions)



- Enlisted Fines & Forfeitures
- Resident Fees
- Interest Income
- Sales & Leases
- Enlisted Payroll Contributions

Amounts are based on a cash basis.

AFRH 5-year Revenue Trend

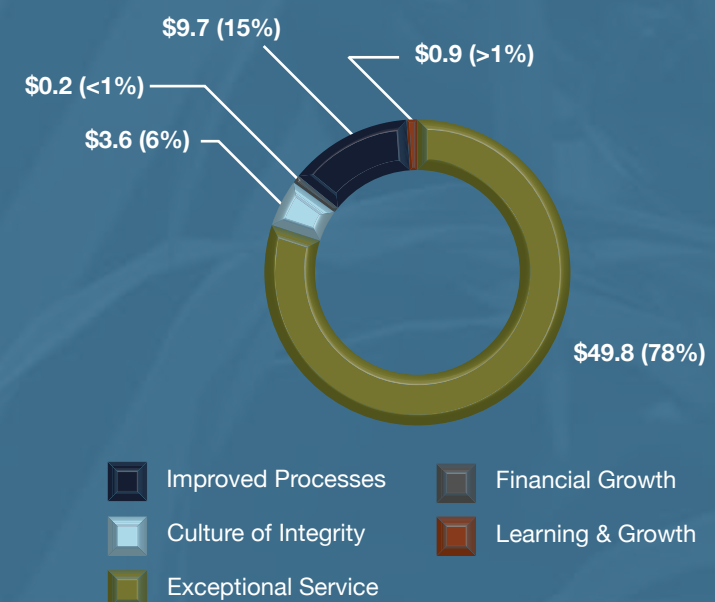


The AFRH Trust Fund, established by Congress in the 1800s, is the source of funding for all operations and capital expenditures. Its revenue comes from automatic deductions from active duty military (enlisted and Warrant Officer including US Coast Guard), 50 cents per month per person for the duration of service, plus Enlisted and Warrant Officer Fines & Forfeitures from all branches of military service and US Coast Guard, Interest Income (on Treasury Notes), Sales / Leases, and Resident Fees.

Enlisted Fines & Forfeitures are the main source of revenue for the AFRH Trust Fund, typically accounting for more than 50 percent. These funds come from conduct violations charged to eligible active duty personnel. In recent years, we have seen a decline in that revenue source.

Sales / Leases have decreased with the departure of the Corps of Engineers in Sherman North to make room for transitional dining for the Scott Project. Then, the earthquake forced the closure of Sherman, eliminating income from independent dormitory rooms for staff relocations and from the DC Public Charter School.

AFRH FY11 Net Costs by Strategic Goal (in \$ Millions)



- Improved Processes
- Culture of Integrity
- Exceptional Service
- Financial Growth
- Learning & Growth

## Our new strategy focuses on Person-centered Care.

### FY06-10 Strategic Goals

Exceptional Service / Financial Growth  
Improved Processes / Learning & Growth  
Culture of Integrity

### FY11-15 Strategic Goals

Resident-centered Care / Exceptional Stewardship  
Staff-centered Environments / External Stakeholders

## Budget: \$71 Million

The Congressional Budget Request for FY11 totaled \$71 million (\$69 million in O&M and \$2 million in Capital Improvements). This was a net decrease of \$63 million over FY10.

Conversely, the Agency's annual operating costs have increased by \$7.1 million. This growth is associated with the opening of our new 660 thousand square foot facility in Gulfport, MS—plus approximately \$8 million to stand up a workforce and initiate base year contracts for operations that began in October 2010. FY11 marks the last year of growth in operating costs, as the new AFRH-G facility began operations in Gulfport, MS on October 1, 2010.

Our strategic objectives for both campuses became a reality as Washington managers worked diligently to replicate their processes, contractual services, and programs for a receptive new Gulfport management team. For the first time in the storied history of the AFRH, we have two campuses mirroring one another in operations.

We expected our Budget Authority to stabilize in 2011 as resources (funding and FTE) continue to shift from Washington to Gulfport. Although we opened Gulfport at the start of FY11, the AL, MS, and LTC populations will surely grow as residents Age in Place. Initially we planned for a minimum number of beds to be occupied in these levels of care to minimize costs Agency-wide.



## Long Range Forecast

We are working on multiple initiatives to reduce costs in the out-years. Our primary efforts are an ILP program to assist our residents with aging in place. We believe this effort will reduce costs in the Trust Fund while enhancing the care and wellbeing of residents.

The greatest risk to the Trust Fund occurs in the Transition Period: 2010 - 2013. During this timeframe we have been establishing and maintaining operations in Gulfport and shifting to a reduced footprint in Washington. We recognize negative growth will occur in the transition years as we expense the Scott Project, yet we expect positive growth to continue after 2013. In fact, many of these infrastructure and facility upgrades will have a positive, direct impact on the long-term solvency of the Trust Fund.

**RESULTS: The Trust Fund is solvent for two severe risk scenarios from FY11–20.**

## Capital Improvement Plan

The AFRH is committed to being person-centered. So, we created the Scott Project to refocus our attention and revamp our facilities to promote Person-centered Care and Aging in Place. While the AFRH has created an LRFP to evolve and remain solvent, management also must maintain its plans for each campus to achieve this vision.

The 10-year Capital Improvement Plan (CIP) for each community was updated in FY11. Working with residents and staff on each campus, our managers developed a vision of the physical needs for both. Each CIP includes a compilation of various development projects with detailed descriptions, dependencies, compliance requirements, and costs. An added purpose of these Plans is to align the LRFP with the Agency's new capital improvement needs.

The AFRH-G campus, albeit modern and efficient, still has capital improvement needs given the Agency's new focus on Person-centered Care. So, projects envisioned for development by 2021 must be planned and funded.

At AFRH-W, the most valuable and efficient footprint is the historic quadrangle near the Eagle Gate. Hence, AFRH-W is no longer utilizing buildings that do not directly serve residents—such as the old security building and the Grant Building. These structures are a still valuable resource and are now available for renovation and lease by outside entities. Hence, AFRH-W has 48 projects that are now in line for funding and execution.

Although Sherman is in the CIP, most likely its priority will be moved up because of the earthquake damage. We are working with DoD and Congress to identify the requirements.

## Environmental Initiatives

Under Federal mandates (Executive Orders 13423 and 13514), the AFRH completed its first comprehensive evaluation of energy usage and greenhouse emissions. Its first report will be forthcoming in FY12.

FY11 marks the first year of significant energy efficiencies with the opening of the new Gulfport facility. It is undergoing certification for LEED Silver energy efficiency. One AFRH-W construction goal in the Scott Project is focused on LEED Gold certification for the new Scott Building.

Further, the AFRH performed an investment grade audit on three buildings at AFRH-W—the Sherman, the Sheridan, and Quarters 2. Recommendations with costs to improve energy efficiencies were detailed and will be combined in the Agency's energy initiatives in the next reporting period for the Executive Orders.

Per the Department of Defense (DoD) environmental initiatives, the AFRH is committed to improve facility sustainability to reduce its carbon footprint. The goals are to reduce emissions, energy consumption, and water usage to meet Federal reductions standards. Our new energy efforts, combined with a reduced footprint at AFRH-W, will reap the greatest savings.

## AFRH is driven to reduce its carbon footprint.

### Key Actions

#### Supporting Actions



Complete the Scott Project that reduces operational square footage by 400,000 square feet (Feb 13)

Shut down the Power Plant to reduce emissions (Feb 13)

Dispose of, sell, or lease 77 acres to reduce consumption (TBD)

## Energy Goals:

- 30% reduction in energy intensity by 2015 (2003 baseline)
- 26% reduction in water intensity by 2020 (2007 baseline)
- 22% annual reduction of petroleum product usage by vehicle fleets through 2020 (2005 baseline)
- Reduce waste generation and increase recycling
- Reduce toxic and electronic waste
- Increase renewable energy usage

# LEGAL & REGULATORY COMPLIANCE



## MANAGEMENT ASSURANCES

Good stewardship can be defined as the effective and responsible management of the resources that have been entrusted to us. For the AFRH, those resources include the funds in the AFRH Trust Fund and the buildings and grounds at the two AFRH communities.

Beyond responsible management, we are bound to generate great progress in resident care, financial management, Strategic Goals, and Key Strategic Performance Goals continually. Success in all of these endeavors and more will help us achieve the AFRH Mission.

Internal controls are an integral part of all AFRH systems and processes. Of late, AFRH managers have been directed to place greater emphasis on performing duties in compliance with applicable laws and regulations. At the same time, managers must maintain strict operational and service integrity.

“AFRH can provide reasonable assurance FMFIA objectives have been met.”

—**Steven G. McManus,**  
AFRH COO & CFO

## STATEMENT OF ASSURANCE

The AFRH is in full compliance with all applicable requirements in accordance with the Federal Managers' Financial Integrity Act (FMFIA), PL No. 97-255 Section 2, and OMB Circular A-123—Management's Responsibility for Internal Control. AFRH managers, along with our partners BPD and the National Finance Center (NFC), actively participate in all IC.

Based on our annual analysis, the AFRH can provide reasonable assurance that FMFIA objectives have been met. Also, no material weaknesses have been reported in our IC or financial reporting. Given our comprehensive management controls, I am pleased to certify with reasonable assurance that:

- AFRH financial reporting is reliable. Transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with GAAP. Assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- AFRH internal controls are effective for both the financial reporting through our partner BPD and for our campus operations through our corporate IC Board.
- AFRH is in compliance with all applicable laws and regulations under FMFIA, FFMIA and FISMA. Financial and business exchanges are executed in accordance with laws governing the use of budget authority, as well as laws and regulations that could have a direct and material effect on the financial statements.
- AFRH performance reporting is reliable. Performance measures are properly recorded, processed and summarized to permit information preparation per criteria established by AFRH management.

Sincerely,

Steven G. McManus  
Chief Operating Officer (COO)  
Chief Financial Officer (CFO)  
November 15, 2011

## RISK MANAGEMENT

In the past two years, the AFRH managers have focused their internal controls on expanded action planning for identified risk areas. Using Performance Improvement reviews on each campus, each Director performs analysis and review of risks. The IC Board only deals with high risks. Each quarter, the Directors report and brief the IC Board on high and moderate risks.

At the Corporate Level, the AFRH monitors expansive, long-term projects aimed at reducing risk. Currently those projects include:

- 1) The Scott Project
- 2) The AFRH LRFP
- 3) The CIP
- 4) The Washington Master Plan

### SCOTT PROJECT

1

**The overarching goal:** boost service and amenities, while lowering operating costs. Our budget forecast shows AFRH-W operating costs will reduce from \$45.9 million in FY09 to \$36.6 million in FY12. These savings will yield an annual Return on Investment (ROI) of 29% on the \$76 million construction investment.

#### Major savings on cost drivers:

- Closure of a dining facility & its operations
- Elimination of on-campus transportation
- Reduced custodial requirements
- Reduced facility maintenance needs
- Reduced subsistence costs
- Reduced utilities costs
- Reduced nursing staff by nearly 50%
- Closure of the LaGarde Building
- Reduced square footage: app. 421,050 sq. ft.

#### Fiscal benefits of Scott Project:

- Postures AFRH operations for positive Trust Fund Growth
- Creates similar capacity & service between AFRH-G & W
- Finalizes the closure of 77 acres for future development
- Lays a foundation to close the aging Power Plant
- Enhances wellness, which will reduce the cost of care

#### Success in Transition Period (FY10-13):

- Reduced Population at AFRH-W
- Executed Contract Strategy
  - > Made modifications for reduced scope
  - > Pushed for same costs on each campus (Dining Services & Custodial)
- Engineered Contracts at AFRH-W:
  - > Facility Maintenance
  - > Grounds Maintenance
  - > Dining Services
  - > Custodial
  - > Transportation
  - > Pharmacy & Medical Supplies
  - > Nurse Staffing
  - > Utilities
- Added Savings from ILP
  - > Minimized growth of AL at AFRH-G
  - > Reduced growth of AL at AFRH-W

### THE LRFP

2

The LRFP is a 10-year projection of the Trust Fund balance derived from revenue flowing in minus the costs that flow out (E.g., operations & maintenance plus all capital improvements).

The LRFP considers detailed forecasts of the impact of efforts to reduce operating costs and improve resident wellness. Cost savings at AFRH-W include maintaining less square footage, new contracting processes, changing IT processes, and enhanced energy efficiency. At AFRH-G, new energy efficiencies are part of the strategy, too. Such initiatives, along with compliance with EOs on energy efficiencies, will move the AFRH toward optimal efficiency.

Long range planning is vital now, as the AFRH is investing in a new building, making capital improvements, and implementing new operating processes. The LRFP recalculates the Trust Fund balance projection using a variety of future economic scenarios such as inflation, interest rates, and reduction in revenue from active duty personnel.

In a sense, the LRFP acts as an advance-warning tool to focus management's attention on areas that may become future high-cost problems.

### THE CIP

3

The AFRH maintains 10-year CIPs for both communities. Both Plans include a compilation of various development projects with detailed descriptions, dependencies, compliance requirements, and costs. An additional purpose for these Plans is to align the LRFP with the Agency's identified capital improvement needs.

The aim of these Plans is to make sure the facilities align with the philosophies of Person-centered Care and Aging in Place. The AFRH has expanded and now tracks all projects year by year. This ensures that the Agency achieves its Goals, meets legal and governmental requirements, addresses resident needs, and delivers resident-focused care.

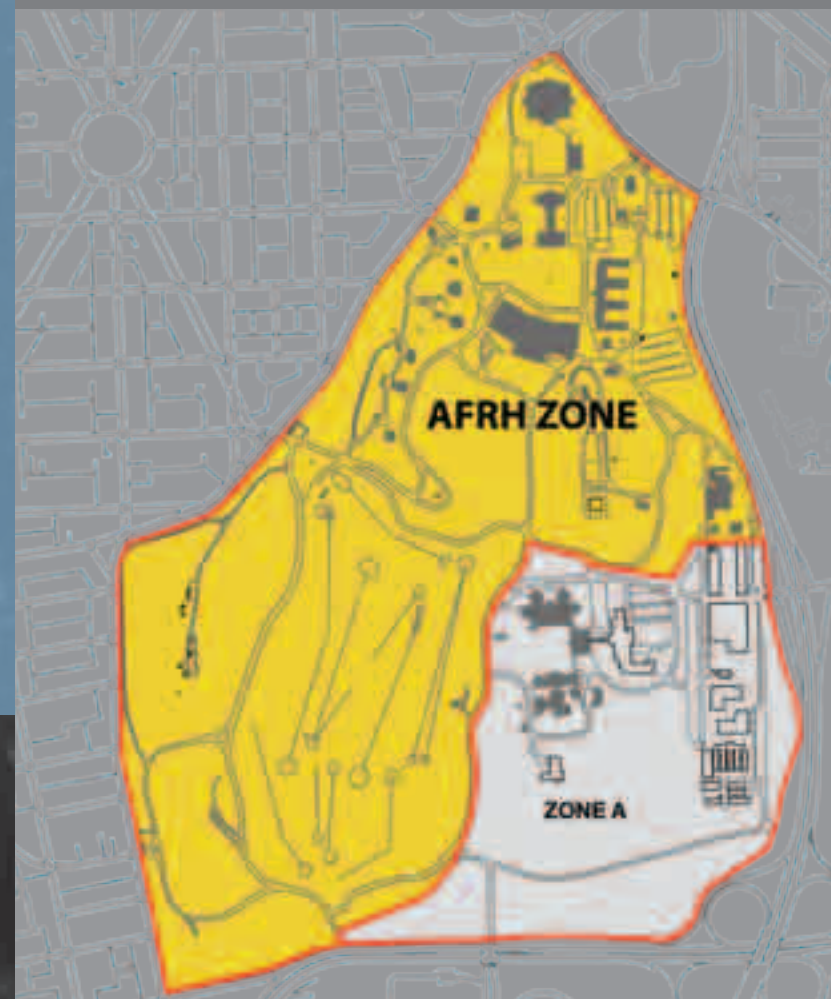
### WASHINGTON MASTER PLAN

4

The National Defense Authorization Act for FY02 (as modified by Public Law 111-084) permitted the AFRH via DoD to sell, lease, or otherwise dispose of underutilized buildings and property. So, we launched the Washington Master Plan as the basis of the AFRH risk management strategy. The focus of this Plan is to preserve and improve the Home for residents, as well as to generate additional revenue for the Trust Fund.

Given the changing economic conditions beginning in 2008, we had to shift our focus from revenue generation to infrastructure improvements. We mothballed facilities within the 77-acre development zone and closed buildings not serving residents. Plus, we initiated the shutdown of the Power Plant, the remapping of utility grids, and the revitalization of key historic buildings.

During FY11, the Army Corps of Engineers was engaged to determine if the designated 77 acres are excess (per June 2010 Presidential Memorandum--Disposing of Unneeded Federal Real Estate) and if they could potentially be offered for lease or sale. This study continues in FY12.



**INTERNAL CONTROLS**

Rigorous controls are integrated into our financial reporting system, via BPD and NFC. An AFRH Senior Assessment Team, established by the CFO, has maintained oversight of our IC program since 2006. Each manager on this Team reports controls through an annual survey. The AFRH can provide qualified assurance that controls over financial reporting were operating effectively as of Sep 30, 2011.

Our IC categories (required by law):

1. Control Environment: organizational structure & culture
2. Risk Assessment: identifying factors that may hinder objectives
3. Control Activities: policies, procedures & mechanisms
4. Information & Communications: flow of information  
Monitoring: periodic assessments

**FEDERAL MANAGER'S FINANCIAL INTEGRITY ACT (FMFIA)**

This Act requires each agency to report the health and integrity of its financial, program, and related activities. It ensures that resources are consistent with the overall mission, that programs achieve intended results, and that both are free of waste, fraud, and mismanagement. Further, the Agency COO must see that laws and regulations are followed and that fiscal management complies with Federal standards. FMFIA sets requirements for internal controls as well as requests yearly evaluation of the control and financial systems to protect their integrity. The AFRH performs these evaluations annually and is pleased to report no "material weaknesses" have been found in FY11.

An independent audit was performed on BPD's financial management systems (i.e., the controls placed on the financial management systems). This assurance via Standards Number 70 (SAS70) validates the integrity of AFRH management controls and our compliance with Federal financial systems standards.

**NBC's SUPPORT INCLUDES:**

- Applying relevant updates or patches
- Configuring servers and user accounts securely
- Installing/operating firewalls & network monitoring tools
- Providing virus defense & incident response
- Offering periodic vulnerability assessments, and
- Ensuring a complete Network Interconnect Agreement

We are in the process of kicking off our Certification & Accreditation (C&A) process with NBC. This is a part of the FISMA requirement that all agencies have this certification done every three years. Our FISMA review for 2011 was not completed before the end of the fiscal year, but will be conducted during the first quarter FY12.

**FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)**

FFMIA requires all agencies to provide reliable, consistent disclosure of data per GAAP. For FY11, the AFRH is in substantial compliance. BPD-ARC established our accounting process and they are also in compliance and exercise internal controls. Based on Agency assessment and the audit opinion, the AFRH is in compliance with Federal financial management systems requirements, the Federal Accounting Standards Advisory Board, and the US Standard General Ledger (USSGL) at the transaction level.

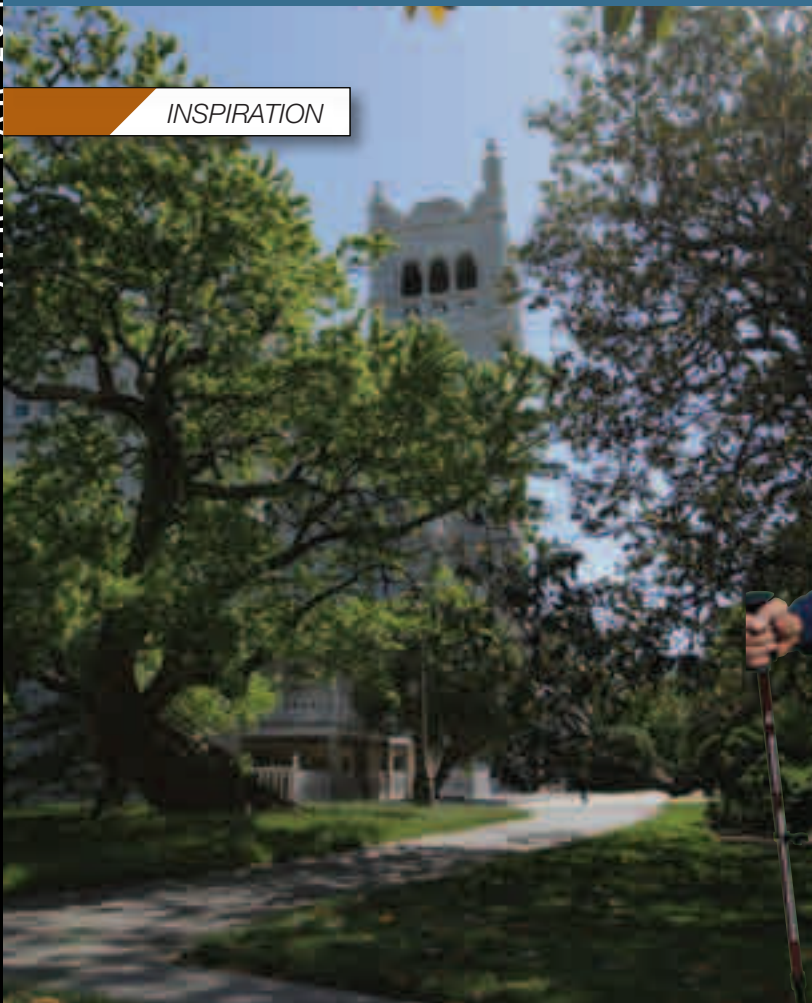
The AFRH is FFMIA compliant at the Agency & auditor levels via:

- Overall Substantial Compliance
- System Requirements
- Accounting Standards
- USSGL at Transaction Level

**FEDERAL INFORMATION SECURITY MANAGEMENT ACT (FISMA)**

FISMA requires a competence review of information security and privacy policies, procedures, and practices. One of its primary objectives is to ensure the effectiveness of information security controls. The AFRH has worked tirelessly to move to a FISMA-compliant environment starting in FY09.

Department of Interior (DOI) NBC, through a Memorandum of Understanding, provides FISMA compliant desktop support and hosting services consolidation for all IT. In FY10 AFRH-W became operational and in FY11 AFRH-G came online.



The earthquake closed the Sherman— but the network inside never wavered.

**FINANCIAL MANAGEMENT SYSTEMS**

The AFRH uses financial systems from our partner BPD-ARC (Oracle financials 11i, Oracle Assets, PRISM and WebTA). ARC personnel operate and maintain the system, ensuring top-notch support. Plus they provide value-added services that interface with Oracle Federal Financials (e-payroll, procurement, purchase card, e-travel, Federal investment, and IPAC transactions). Ultimately, ARC is responsible for the financial integrity and security of this system. However, payroll transactions are handled by NFC and they are integrated with the above-mentioned systems.

“It feels wonderful to fly. It’s like rockabye baby.”

— Bill Allen  
(Navy)



**COMPLIANCE**

With the National Defense Authorization Act of FY09, the AFRH was required to secure and maintain accreditation by a nationally recognized civilian entity for every aspect of each facility of the Home (including medical and dental care, pharmacy, IL, AL, and nursing care). The AFRH maintains a national accreditation and must be inspected annually. In the years the accrediting entity does not inspect, the DoD IG assesses the Agency. The DoD IG last visited the AFRH in FY09. In all other years, CARF has been on campus to validate our accreditation.

**CARF/CCAC ACCREDITATION:**  
(Valid 2008 - 2013)

CARF is the accrediting body for CCRCs and others in senior services. CARF helps ensure that retirement homes fulfill their promise of quality, lifetime care to seniors. The AFRH achieved this accreditation in September 2008 for a 5-year period ending in 2013. CARF performed an inspection (corporate and campus) in September 2010. Although there were no findings, written recommendations emphasized Person-centered Care, safety, breaking down silos, and more definitive guidelines for resident transitions.

Stemming from CARF’s AFRH-W visit, the need for understanding and demonstrating Person-centered Care by each staff member and contractor was emphasized. For the entire year, new training accelerated everyone’s knowledge of this practice. The development of a new AFRH Badge Buddy proudly declares that AFRH provides Person-centered Care.



**M**arch 1942: Japan sank the heavy cruiser USS Houston. 1,600 Houstonians volunteered to avenge it—including 16-year-old Bill.

“After Basic, I was a crewmember on Airship Blintz, a 300-ft. Navy blimp. Our job: locate enemy subs. I was an expert in Radio Radar and Magnetic Air Detection. We could locate subs underwater.”

Bill escorted Navy convoys from Brazil to Africa. “Every time a sub saw us, it dove back down. They knew we could sink it.” No convoy escorted by blimp ever lost a ship. “It’s an immense bag and hell to sail. We called it ‘Lighter Than Air’. Many hours I’d look out and see ships at sea, as far as the eye could see.”

Bill docked at AFRH-G in 2000. “I love this Home. I live on 7th deck and sit on my balcony watching the banana boats come in. I talk to my chaplain about going to heaven. I told him, ‘I think I’m in paradise already.’”



**HIGHLIGHTS FROM THE CARF SURVEYORS’ REMARKS (AFRH-W visit, Sep 2011):**

*“The management team has been challenged yet has been very flexible and has demonstrated the ability to be capable”*

*“Employees at all levels are dedicated and compassionate—open to innovation and to improvement opportunities”*

*“The AFRH has impressive processes to redefine process improvement”*

*“The AFRH has a thorough process in dealing with contracts”, and*

*“The AFRH exhibits a commendable thoroughness in Annual Reports”*

All CARF requirements were implemented at AFRH-G to show CARF compliance for six months (April - Sep 2011). Then AFRH-G will be inspected for the first time in early FY12.



“I’m not volunteering for the recognition. I’m doing this to help.”

—Bob Rutherford (Navy)

## Performance:

- Performance Management
- Human Capital Strategic Planning
- Key Strategic Performance Goals
- Historical Performance Trends
- Results of Performance Measures
- Verification & Validation

Volunteering is a big part of resident life. The new AFRH-G, which promotes Aging in Place, makes it easy for Bob to do his part—and then some. He shows movies, gives tours, chauffeurs residents, and sponsors newbies. Plus, he’s worked endlessly for the Fleet Reserve Association.

Bob also volunteers in the town of Gulfport leading a local food drive where residents donate to the nearby Seabee base. When a mother-in-need teared up at this kindness, he said, “Don’t be that way. We’re here to help.” Bob even mentors children and volunteers in the USO office.

His altruism began in the Navy. As a counselor aboard several carriers, he explained benefits and counseled shipmates to “motivate and point them in the right direction”.

Bob enjoys casinos, restaurants, and even napping. Yet, he always finds time to give back: “People tell me I’m too busy. Well, I don’t sit in my room and let the day go by. If I can help somebody, that’s all I care about.”



## Performance Management

## SPURRING SUCCESS

Person-centered Care is now the driving force of staff performance at the AFRH. In large and small ways, it is helping the AFRH achieve its Mission, Vision, and Guiding Principles. Plus, it is making the Home a more wonderful place to live and work.

Still, the growth and progress of our staff depends on successfully identifying areas of improvement and making prudent adjustments. Below are two key areas where management has engineered solid progress in staff performance.

## Clarifying “Person-centered”

In September 2010, the AFRH-W CARF inspection revealed the philosophy of Person-centered Care was not entirely understood at all levels in the AFRH. So, we bolstered efforts to clarify the understanding of this key principle among staff and residents throughout FY11.

AFRH also launched its new Strategic Plan to hone its person-centered goals for residents, staff, and external stakeholders. This new Plan will also help guide Agency stewardship.

Further, all AFRH staff training now includes a special module on Person-centered Care. In fact, we also developed a very popular new course — Train-the-Trainer — that provides great insight and information to our instructors. We are confident these efforts will clarify our new philosophy and bring staff in line with our strategy.

**Results:** We successfully trained well over our target of 80% of staff. (Note: training resumed in Gulfport after a five-year closure.)

“A fulfilled staff means happy residents.”

— Mary Kay Gominger  
AFRH-G Public Affairs Officer

## Motivating Staff

Our managers are highly motivated to deliver personalized care to every resident. So, they continually stress its importance to all staff — in verbal and written communications.

This year’s performance cycle actually began under the old Strategic Goals from FY06 -10 (which didn’t emphasize the new person-centered philosophy). By the six-month mandatory progress review, our managers rewrote new performance standards to include the new FY11-15 Goals with our person-centered principles.

In a sense, the new standards are a physical representation of the new direction of the AFRH. Staff expectations were clearly outlined in writing. And managers were very proactive in issuing the updated standards quickly and in reinforcing their importance verbally.

**Results:** 100% of staff received performance standards with new goals. (Note: This is unprecedented.)

“I love my job...life’s too short to do something you’re unhappy with.”

— Margie Asper  
Security Assistant & employee since 1965

Human Capital Strategic Planning

# VITALIZING RESOURCES



The AFRH Strategic Human Capital Plan (SHCP) identifies smart strategies to address key performance challenges. These strategies are linked to our Strategic Goals and reflect the spirit of the AFRH Guiding Principles. The Plan finalized in FY10 stresses to all of our dedicated, compassionate employees the vital importance of achieving our Mission.

*Human Capital Officer Donna Smith inspires our staff daily.*

## SHCP GOALS

Our Human Capital (HC) Goals are in direct alignment with the five human capital systems in OPM's "Human Capital Assessment and Accountability Framework" (HCAAF). In its next iteration, the SCHP will clearly map our human capital goals to the new FY11-15 AFRH Strategic Goals. For now, our SHCP Goals are as follows:

### STRATEGIC ALIGNMENT:

*Promote Mission-focused human capital planning*

#### Achievements:

- HC aligned with FY11 Strategy & Person-centered Care
- Matched Gulfport & Washington per AFRH "One Model"

### LEADERSHIP & KNOWLEDGE MANAGEMENT:

*Forge a leadership culture for organizational excellence*

#### Achievements:

- Recruited & filled essential AFRH positions
- Implemented Management Succession Plan

## FY11 HIGHLIGHTS

OPM regularly evaluates Federal agencies to gather trends and best practices. In turn, they share results with policy counterparts to ensure compliance with Merit Systems Plans (MSP).

OPM reviewed our first Human Capital Management Report (HCMR) in FY11 with a positive response (see sidebar at right). OPM encourages each agency to use this evaluation to assess and analyze activities, to highlight accomplishments, and to determine what worked well (or what needs to be changed).

### RESULTS-DRIVEN PERFORMANCE CULTURE:

*Ensure a widespread culture of service excellence*

#### Achievements:

- Built a strong work ethic in Gulfport
- Developed the new Strategic Goals
- Deployed communications methodology (TeamSTEPPS)
- Now striving to make AFRH-G & AFRH-W consistent

### TALENT MANAGEMENT:

*Recruit & develop a workforce committed to Veterans*

#### Achievements:

- Revamped job descriptions to match both facilities
- Implemented Career Connector for staff recruitment

### ACCOUNTABILITY:

*Promote human capital accountability*

#### Achievements:

- Received 100% of employee Performance Plans
- Linked all Plans to the AFRH Mission & Goals
- Earned positive results from CARF & OPM reviews

### Strengths:

- > Developed a full HC program with strategies linked to AFRH objectives
- > Each HC Goal includes activities, performance measures & results
- > Developed an accountability system to meet required OPM actions
- > Addressed The AFRH Management Leadership Succession Plan
- > Successfully reopened AFRH-G and instituted the ILP Pilot Program

### Challenges:

- > Review goals, measures & targets to make necessary adjustments

### Opportunities:

- > Showcase our revision of the performance management system
- > Focus on implementing our leadership succession plan
- > Communicate HC program to staff (especially Gulfport)

Key Strategic Performance Goals

# IMPELLING PERFORMANCE



**Past Success**

All during FY06-10, the AFRH achieved noteworthy progress in its “High-priority Performance Goals”. Those Goals were geared towards the health and wellness philosophy of aging (which we established back in 2006). All in all, they served us well.

**Future Strategy**

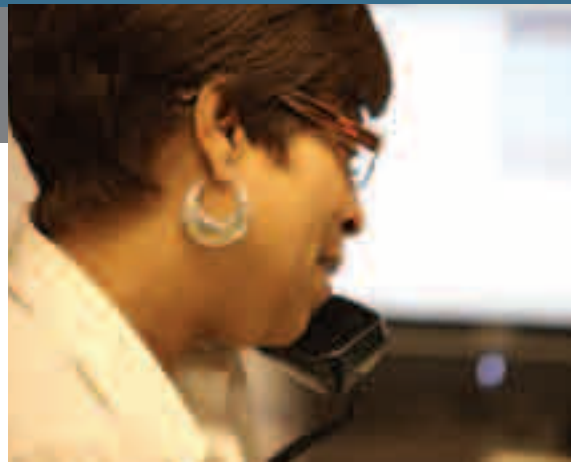
Today, the heart of our new Strategy is the Person-centered Care philosophy and the Aging in Place movement. The goal of both is to keep residents independent with personalized care—while also maintaining economical and efficient operations.

Our vision to achieve Person-centered Care has sparked a new dimension in our Strategic Goals this year—Staff-Centered Environments. We believe

nurturing the growth and development of our staff will empower them, both personally and professionally. Ultimately, that will motivate them to deliver better care.

During FY11, the new AFRH Strategic Plan for FY11-15 was created and then rolled out. It features four high-performance strategies to help guide the AFRH to even greater success.

*Frances Irving (AFRH-W Business Center) gives essential support to residents.*



“It’s my job to tweak the Home so it’s resident-centered.”

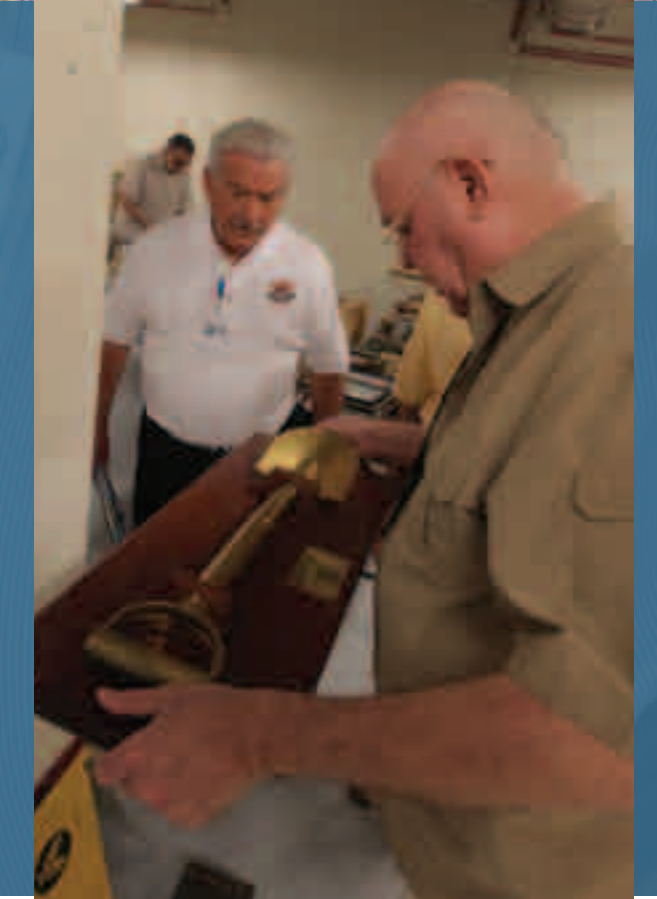
—Bill Parker  
*(Air Force, AFRH-G RAC Chair)*



Bill Parker takes seriously his role as Resident Action Committee (RAC) Chair and recognizes his great responsibility to Gulfport residents. Since the grand opening last October, he has been quite busy: “This has turned into a big job, for sure.”

Bill is working with the Exchange manager to make sure the store supplies essential goods that residents need—and discontinues items that residents don’t want. Another major project: bringing back some military flavor to the historic Gulfport Home. “We’re taking old military memorabilia and putting it up slowly and tactfully.” Soon, residents will enjoy their rich military history as well as the modern design touches that come with a new facility.

Bill believes that AFRH-G is a ‘Paradise’ and he is thrilled to be back home in the South. Before retirement, he owned a home here and helped build the Gulfport Yacht Club. “The food and culture are different here in Dixie. First you’re a southerner, second you’re an American.”



## KEY STRATEGIC PERFORMANCE GOALS (FY11-15)

### GOAL 1: Embrace Resident-centered Care

Each person will understand each resident's individual needs and take realistic action to fulfill them within AFRH resources and capabilities.

#### Objectives:

- **Communication**

- > Promote person-centered principles
- > Encourage safety awareness
- > Distribute more communications (web, bulletins, public TVs, in-house broadcasts, newspaper)
- > Utilize Team STEPPS communication methodology

- **Staff Training**

- > Endorse Person-centered Care focus

- **Health & Wellness Activities**

- > Respond to resident surveys (recreational & dining)
- > Expand assistance with daily living via ILP Pilot
- > Reduce travel distances to promote independence
- > Lower reliance on Power Mobility Devices (PMD) & buses

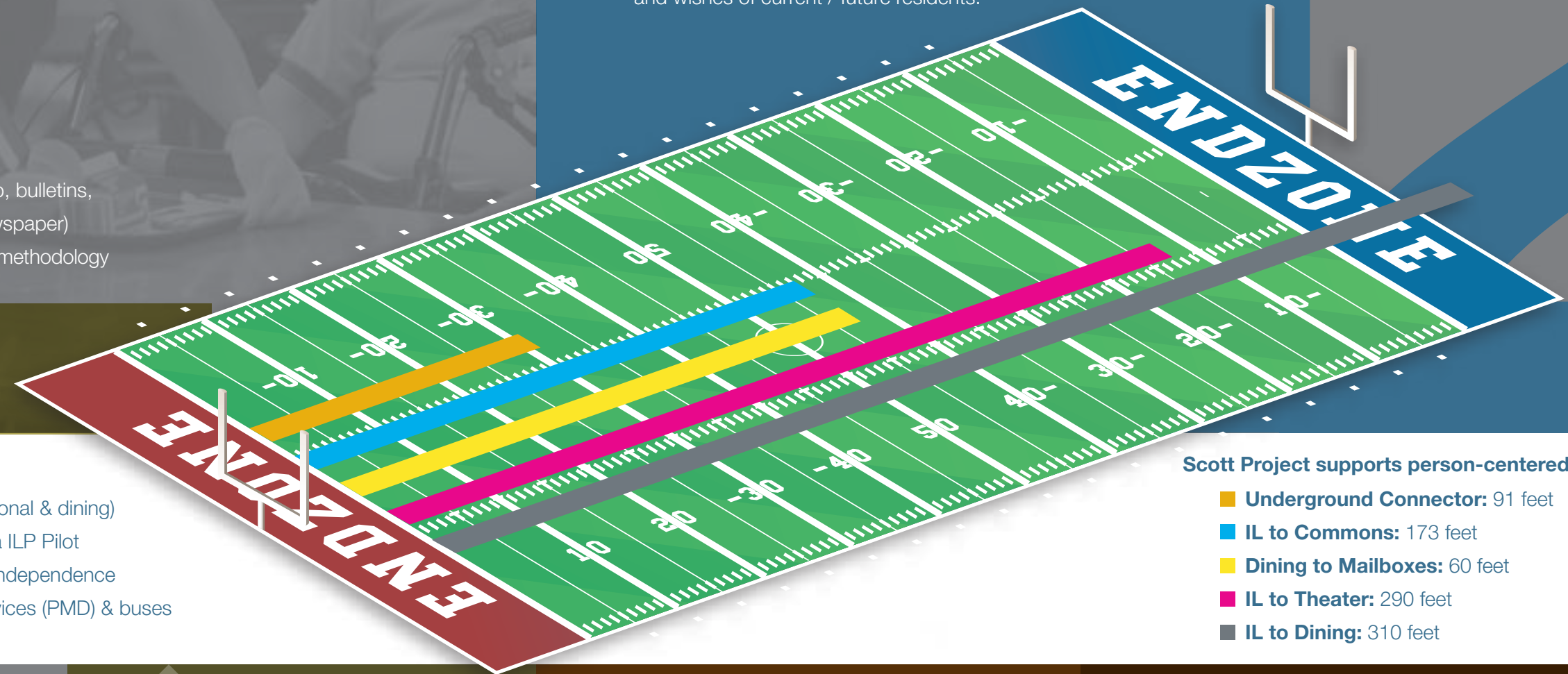
#### Results:

Our revised Goals are sparking greater AFRH staff performance.

We are pleased to present the positive outcomes below.

### GOAL 2: Maintain Exceptional Stewardship

Pursue and implement innovative ways to deflect, reduce, and manage costs by maximizing assets, resources, and programs to fulfill needs and wishes of current / future residents.



Scott Project supports person-centered needs.

- **Underground Connector:** 91 feet
- **IL to Commons:** 173 feet
- **Dining to Mailboxes:** 60 feet
- **IL to Theater:** 290 feet
- **IL to Dining:** 310 feet

#### Measures:

- CARF Accreditation: **Valid thru FY15**
- Resident surveys: **72% approve**
- Resident Assessments: **ALL (ILP, AL, LTC & MS)**

#### Achievements:

- **AFRH-G:**
  - > Move-in was smooth & satisfying
  - > ILP-Pilot went from 0 to 39 residents
  - > Residents praise year-1 recreation

- **AFRH-W:**

- > ILP Pilot went from 46 to 52 residents
- > **Scott Project:** person-centered transition
  - ~ Scott dormitory closed for demolition
  - ~ Residents moved comfortably to Sheridan & LaGarde
  - ~ Resident activities relocated from Scott
- > **After Sherman earthquake damage:**
  - ~ Tunnel to Sherman dining closed
  - ~ Dining moved to Sheridan

#### Objectives:

- Reduce costs via outside resources
- Achieve "In the black" status
- Establish metrics for financial objectives
- Create new revenue streams
- Have person-centered services & grounds

#### Measures:

- Trust Fund solvency: **solvent thru 2020**
- Financial Reporting Accuracy: **Unqualified Audit Opinion**
- Housing for Veterans (Scott Project): **On budget & schedule**
- Trust Fund Growth: **Lower, per Scott Project investing**
- Cost avoidance: **Power Plant Shutdown planning & execution underway**

#### Achievements:

- Revised the CIP for 10-year capital expenditures
- Evaluated property at AFRH-W for potential sale
- Implemented environmental Executive Orders
- Designed a LEED Gold building in the Scott Project
- Vacated & demolished old Scott Building
- Integrated telecomm system (Centrex) at AFRH-W
- Replaced dated internal PBX telecomm system at AFRH-W
- Commenced C&A process with NBC for FISMA compliance

- **Began using independent power on portions of AFRH-W campus:**
  - > North converter for Admissions Building & Quarters (1st)
  - > Sheridan Building (2nd)
  - > Power Plant designed for new Scott Building (3rd)



NEW



**GOAL 3: Promote Staff-centered Environments**

Expand staff knowledge that directly impacts the accountability and efficiency of the Agency, which will in turn empower all employees to be proactive.

**Objectives**

- Establish intel on C&A requirements
- Push personal initiative & accountability
- Link staff performance to results
- Cultivate workforce beyond training
- Adhere to Federal initiatives

**GOAL 4: Leverage External Stakeholders**

Harness, cultivate and focus our external stakeholders<sup>3</sup> to become increasingly active participants who are engaged in AFRH operations in each of the next five years.

**Objectives**

- Diversify Local Advisory Board
- Attain high-profile partners
- Share info for synergy

*Volunteers go for a joy ride at the DC Antique Auto Show.*



**Measures**

- Mandatory Training: **80% participation**
- Employee Satisfaction: **70% approve**
- Workforce Growth: **Development Plan**
- Achieve Person-centered Care: **2 initiatives / year**

**Achievements**

- 90+ % participation in all training
- 1st development plan for workforce
- *Person-centered Care:*
  - > Staff effectively trained
  - > Created new badge buddy
  - > CARF noted more staff initiative
- Corrections completed on 2006 OPM Audits (after 2008 confirmations)

**Measures**

- More Congressional contacts: quarterly
- Community events, both facilities: 2/year

**Achievements**

- *Congressional contacts:*
  - > COO briefings at service committees
  - Staffers review of quake damage
- *Community events (AFRH-G):*
  - > “Glory on the Gulf” Grand Opening, Nov 2010
  - > Community Picnic - Memorial Day, June 2011
- *Community events (AFRH-W):*
  - > Annual Antique Auto Show, Oct 2010
  - > Volunteer Community Appreciation Picnic Aug 2011

<sup>3</sup>AFRH has outside help from industry, military & nonprofit groups



*Admiral Branch of the US Navy visits AFRH-Gulfport.*

*Residents show volunteers some heartfelt community appreciation.*



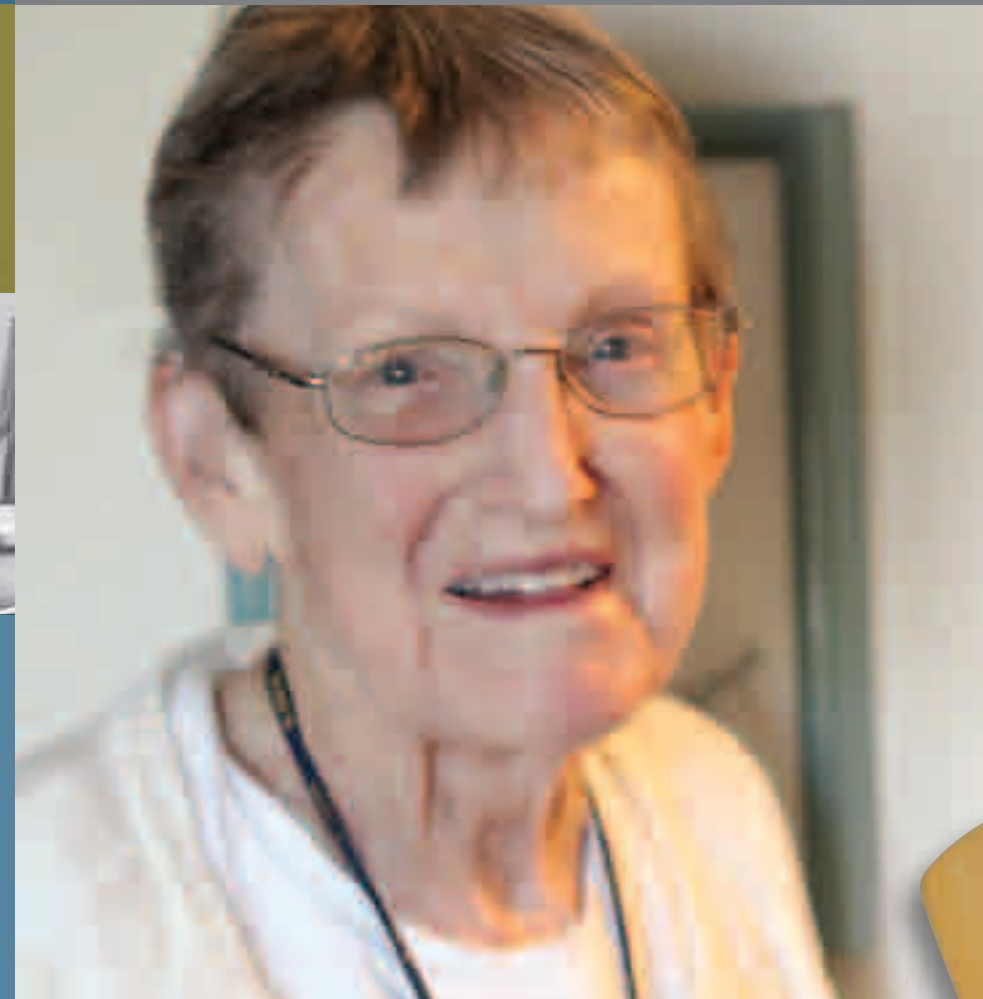
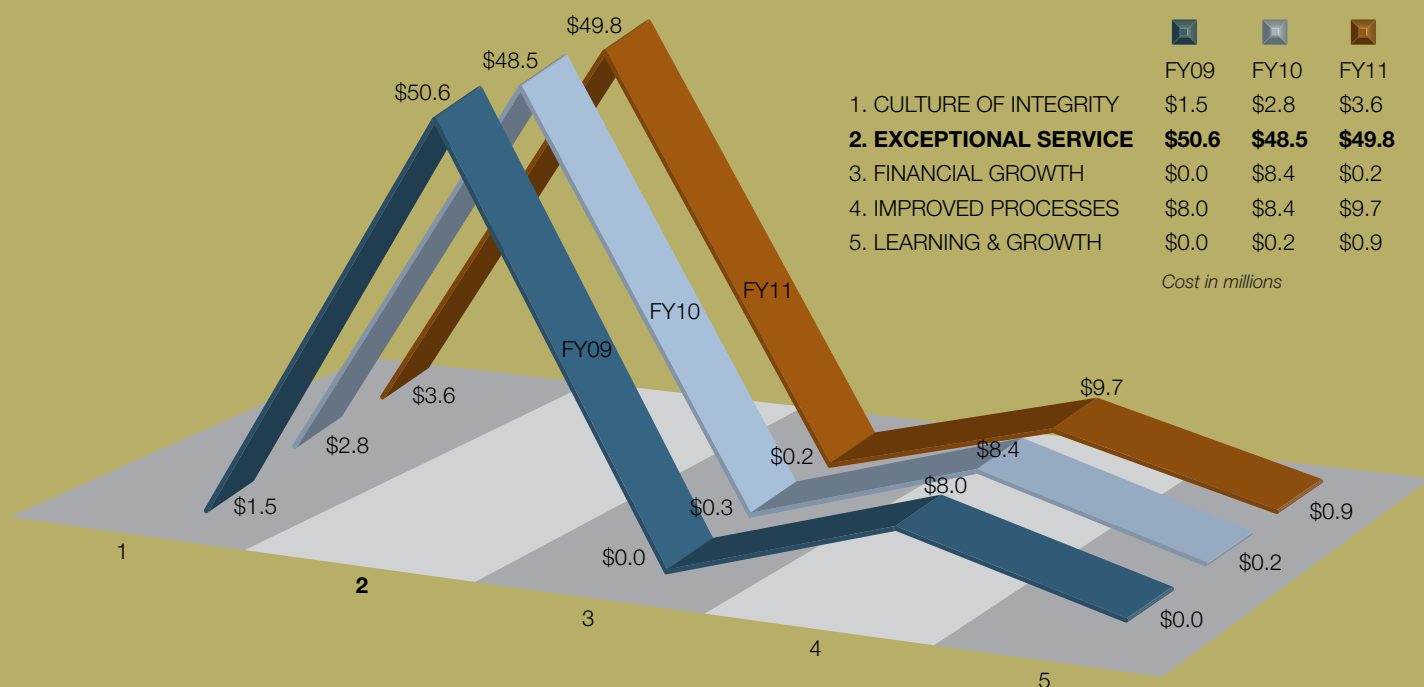
Historical Performance Trends

# INFLUENCING APTITUDE



Since FY09, the AFRH has been tracking its net costs by Strategic Goals. This practice helps us see exactly where our resources are being spent. Below is a chart that shows the trends over the past three years based on Strategic Goals FY06-10. Spending on Exceptional Service (to Residents) is well beyond 80% of all expenditures. Also we saw increased spending on staff development over the last three years.

## AFRH Net Costs by Strategic Goal



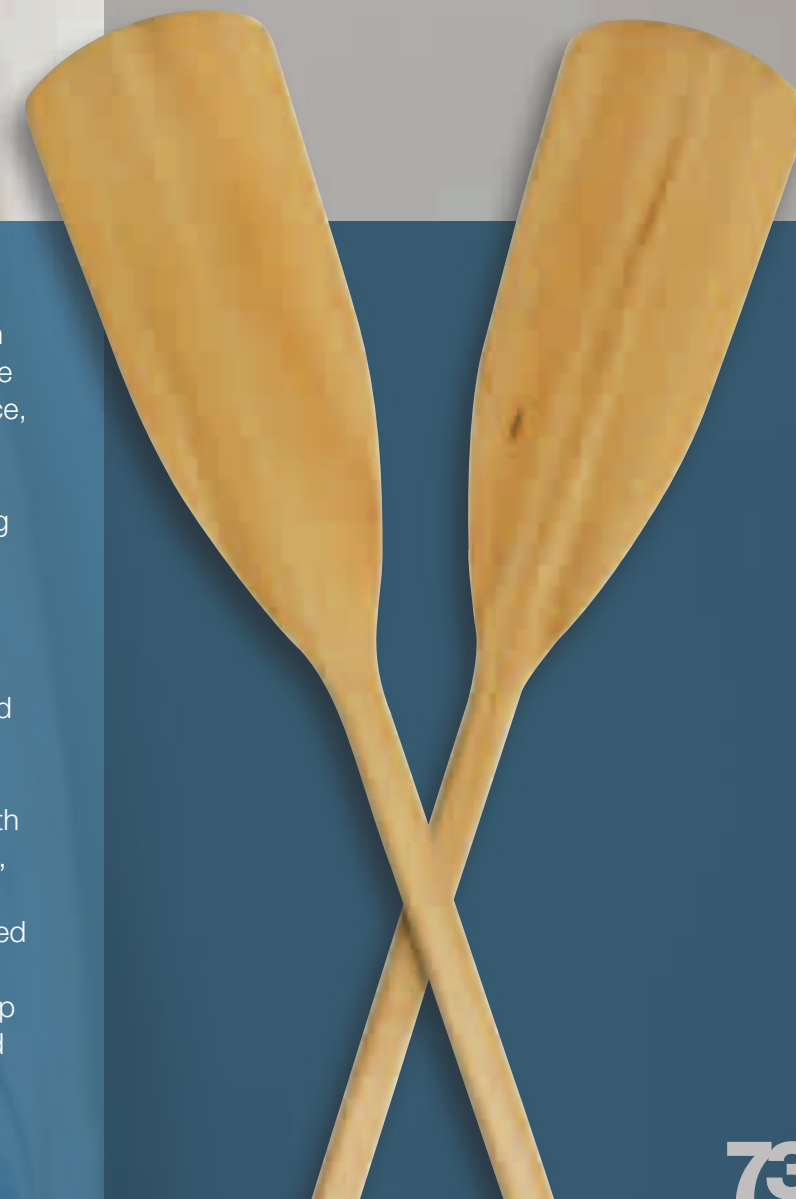
“I’ve been white water rafting down the Grand Canyon 10 times!”

—Ardith Greer  
*(Navy)*

In her 90 years, Ardith has never had a dull moment, it seems. She describes both herself and her 20 years in the Navy as “adventurous.” During World War II, she had a legal assignment in Hawaii for the Pacific Fleet. “Once, I bummed a flight to Japan just to sightsee.”

Her adventures have continued, long after retirement from the Navy. Ardith has been on many white water rafting trips as well as dozens of hiking expeditions. “I got hooked on it. Nature is just so beautiful.” Other adventures include bicycling in Death Valley and getting involved with Elderhostel, an organization that facilitates travel and education programs for seniors all around the world.

Today, Ardith maintains good health by eating healthy, doing needlepoint, and participating in AL activities at AFRH-G. A few years ago, she served as a leader of resident educational programs. In one program, her group assembled a dulcimer from a kit and learned how to play it.



Results of Performance Measures

# REFRESHING REVELATIONS

We employ several dynamic measures to track Goal achievement:

Performance Measures	IG Challenges	Resident Input	Employee Input
1	2	3	4



## PERFORMANCE MEASURES 1

For the past five years we have surged well past 80% achievement in our performance measures. This year, we only have 1 measure that has not been met: Trust Fund Growth. The reason is well founded. AFRH-Washington is in the midst of extensive spending on capital improvements. The Scott Project will reduce the Trust Fund balance, as expected, yet our goal is to replenish those funds in a few years.



Performance Targets	Description	FY11 Result
---------------------	-------------	-------------

### Goal: Resident-centered Care

Accreditation*	In good standing	✓
% Resident Satisfaction*	70%	✓
% of Resident Assessment Plans*	95%	✓

### Goal: Stewardship

Trust Fund Solvency*	Even balance of resources vs. obligations	✓
Accuracy of Financial Reporting *	Unqualified audit opinion	✓
Housing for Veterans (Scott Project)*	On schedule & within budget	✓
Trust Fund Growth	Positive result of Washington Master Plan	—
Cost Avoidance	1 per year	✓

### Goal: Staff-centered Environment

Evidence of Measurable Training Goals*	80% participation in 4 mandatory training classes for all staff	✓
% of Staff Climate Survey Responses of "Excellent" or "Very Good"*	70%	✓
Measurable Evidence of Growth Beyond Work Activities	Development Plan	✓
Achievable Person-centered Care	2 initiatives per year	✓

### Goal: External

Congressional Contacts Annual Community Events	Quarterly 2 per community, per year	✓
---	--	---

\*Carried over from FY06-10 Strategy

## IG CHALLENGES 2

We cover the IG challenges in depth in Accompanying Info.

# RESIDENT INPUT 3

Each year we survey our residents for their opinions and to see how effectively we are serving them. The results for Gulfport are the first since FY05.



### FY11 Resident Surveys:

**Dining:** AFRH-G & W

**Move-in:** AFRH-G

**Customer Service:** AFRH-G & W

## DINING

We keep them independent so they can visit their kids and travel abroad. *Catherine & Harry Williamson (Army, Air Force)*

### Gulfport Dining Survey: (199 responded)

(Overall Dining Experience = "Excellent" or "Good")

**Result**

**85%**

**Target**

70%



### Washington Dining Survey: (183 responded)

(Overall Dining Experience = "Excellent" or "Good")

**85%**

**70%**



## MOVE-IN: Gulfport

The opening of the new Gulfport facility was a unique event. From October 2010 through this past summer, the population went from zero to nearly 500. Two separate move-in surveys were given to new residents (we did not include former Gulfport residents).

One survey from January - June 2011 netted 62 responses when the majority of the new residents arrived. From June through the end of the fiscal year we only had nine residents and used a different set of questions.

### Results (January — June):

Q: Overall, Did move-in service meet or exceeded your expectations?

Comments:

"Exceeded expectations", "wonderful services", "WOW!"

**YES**  
62

**NO**  
0

### Results (July — September):

AFRH was above average on all aspects of moving in.

Comments:

"I think everyone is doing just a fine job of making this 'Home' a comfortable experience."

## CUSTOMER SERVICE

### Gulfport: (206 responded)

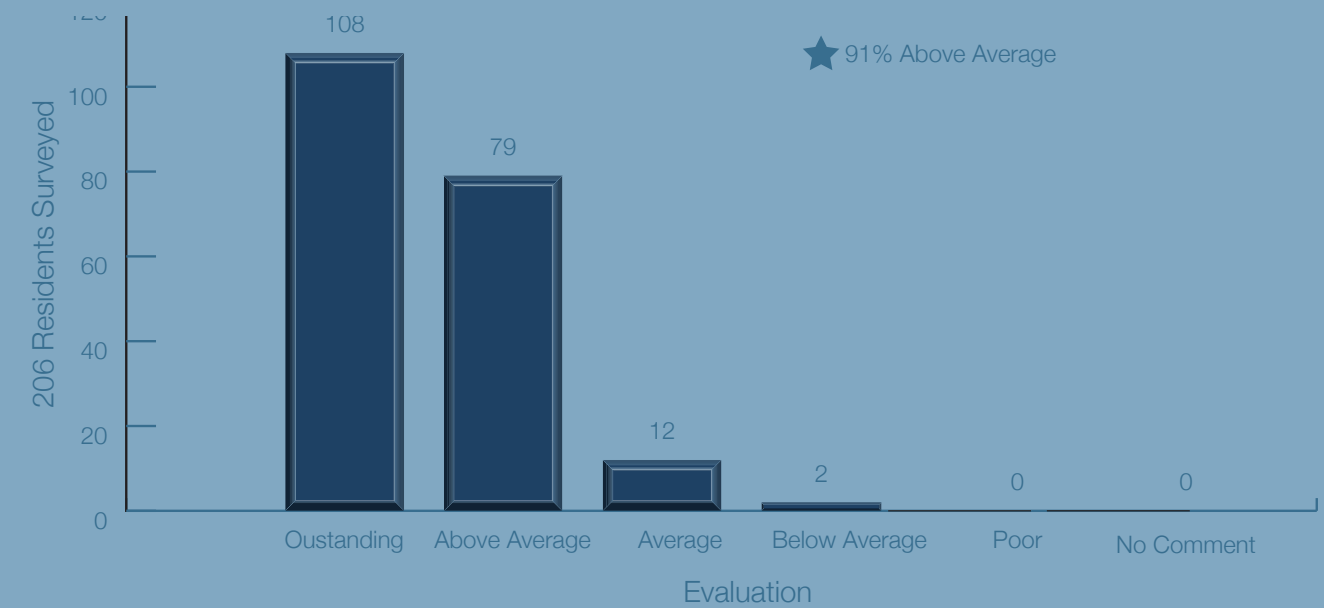
("Outstanding" or "Above Average")

**FY11 Result**

**91%**

**Target**

70%



### Washington: (158 responded)

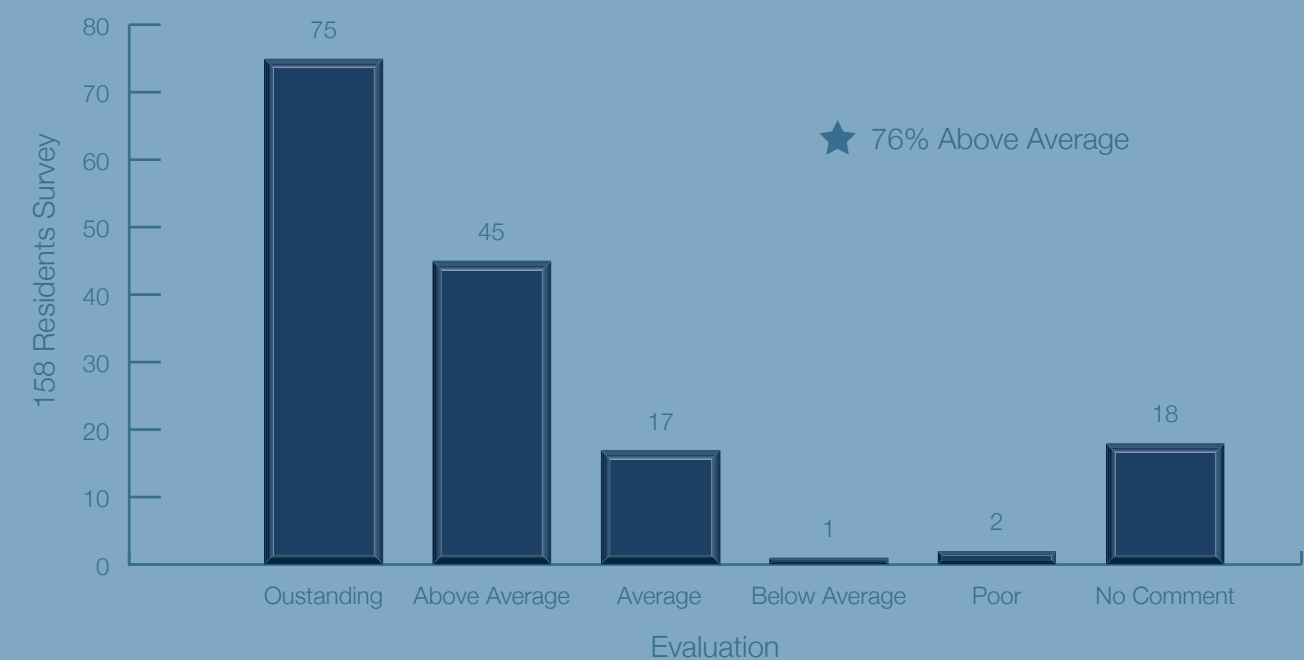
("Outstanding" or "Above Average")

**FY11 Result**

**76%**

**Target**

70%



**Note:** the Washington campus is in a transition period due to the Scott Project. Also, it has a reduced population as former Gulfport residents returned to their Home.



## Highest Rated Amenities (FY11)

### Gulfport Facilities:

The Library  
 Fitness Center / Exercise  
 Community Center  
 Walking Trails

### Gulfport Activities:

July 4 Celebration  
 Ice Cream Socials  
 Cookouts / Fish Fry  
 Memorial Day Picnic

(100+ votes for each of the 4)

### Washington Facilities:

The Library  
 Fitness Center  
 Wrapping Room

### Washington Activities:

July 4 Celebration  
 Ice Cream Socials  
 Day Trips



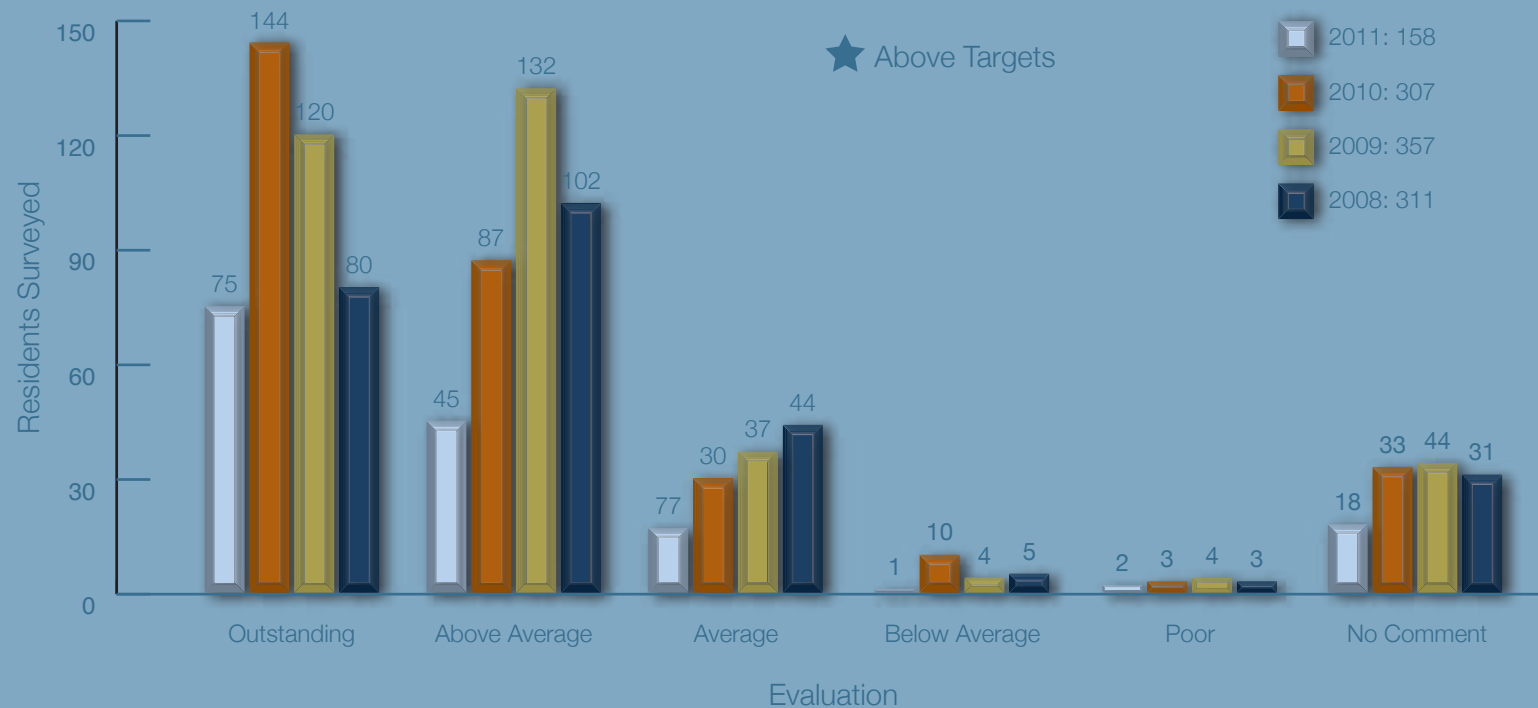
## EMPLOYEE INPUT 4

The annual Employee Evaluation Survey was administered in September 2011. Response rate from 281 employees for all of AFRH: **62%**. Overall, 73% of staff members rated "Working at AFRH" better than average.

## Trend Analysis: Customer Service (AFRH-W only)

*Note: Population has changed during the Transition Period for the Scott Project.*

**Result:** Consistently Above Targets



### Gulfport Survey:

(45 of 50 responded / 90% response rate)

Result

Target

**72%**

✓ 70%

### Washington Survey:

(128 of 231 responded / 55% response rate)

**74%**

✓ 70%

**Results:** The Majority of staff AGREE working at AFRH is "very good" or "better". These results meet our standard. However, some management problems that we resolved remind us constantly to work harder with staff to make their job more satisfying.

Verification & Validation

# REASSURING INTEGRITY

Federal agencies are required to certify completeness and reliability of performance data.<sup>9</sup> That data must be verified and validated—so AFRH has several means of external, independent reviews (E.g., OPM, BPD, CARF/CCAC, and the DoD IG).



### Success Measures:

#### Business Measures:

- Solvency of the Trust Fund
- Stability in Resident Occupancy
- Cost Savings via Initiatives
- Reductions in Land & Space (“right sizing”)
- Donations & Volunteering

#### Customer Satisfaction:

- Improved Survey Results
- Advances in Health & Wellness
- Enhancements to Facilities
- Supplemental Services

#### Employee Satisfaction:

- Boost in Performance Evaluations
- Positive Staff Climate Survey Results
- Updated Policies & Directives in FY11

*[Note: over 250 SOPs at each campus in every service area were updated & reissued]*

Policy statements = 6   Notices = 1   Directives = 8

#### Financial Data:

- Annual Reviews of Fiscal Status & Reporting Devices (BPD & external auditor)
- Published a Financial Management Notice and Draft Financial Directive



#### External Benchmarks:

- Maintenance of CARF/CCAC Accreditation
- DoD IG (no major findings) in Last Inspection (Sep 2009)
- CARF in Last Inspection (Sep 2011)

<sup>9</sup> Per the Government Performance and Results Act of 1993 and the Reports Consolidation Act of 2000



“This Home is in my blood.”

—Jim Baker  
*(Navy)*

Jim's father sailed for nearly 50 years in the US Navy. "Dad's ship was torpedoed in WWI, and he was stranded on a life raft for 11 days after the Armistice was signed." Later, he took young Jim to the original Naval Home in Philadelphia, which inspired him to join.

First, Jim attended the Gulf Coast Military Academy, which was located on the same site as AFRH-Gulfport. Then, he finished high school nearby in 1942 and entered the Navy.

"The Navy was the best. I went to North Africa on shore duty in '67, visited French Morocco, and rode a spade." Jim served on four diesel submarines during the Cold War. "I finished my career inspecting submarines at SubPac out of Pearl Harbor."

Since then, he's run into a few old schoolmates living here at the Home. At 81, Jim enjoys swimming in the new pool and strolling along the shoreline. "It's absolutely wonderful. You couldn't find a better place."



“I make my own lifestyle.”

— Clyde Hairston (Air Force)

**Financial:**

- Financial Overview
- Independent Auditors Report
- Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information



Life is good when you call your own shots. Since moving to Gulfport, Clyde has been golfing, traveling, cruising, walking, and smiling. His secret? “Living the clean life. In Washington I swam at the VA. In Gulfport I walk two miles around campus twice each morning. And I golf three times a week.”

In May, Clyde drove 5,000 miles visiting friends in Detroit, Myrtle Beach and Tampa...his daughter in Chicago... and his golfing partners in DC. “A lady friend and I took a train around Canada and the US. Then I took a cruise to Antarctica—and another to the Mediterranean.”

Clyde served four years as a Crew Chief & Aircraft Mechanic on cargo carriers. Afterwards, he worked as an inspector for Lockheed Aircraft and the NYC Transit Authority.

Recently, he built homes with Habitat for Humanity and volunteered at the Senior PGA Tournament in Mississippi. Never a dull moment for a guy 76 years young. “I’m quite happy”, Clyde summarized.

Financial Overview

# BOLSTERING TOMORROW



*“Like Gulfport, the Scott Project is a major renewal to yield far-reaching economies, efficiencies, and gains.”*

– **Steven McManus**, COO & CFO



Joyce Simpkins (the new AFRH Financial Management Officer)



### Fiscal Overview

For the seventh straight year, the AFRH is proud to have received an “unqualified” (clean) opinion on our audited financial statements, as well as no material weaknesses on our internal controls. This continued success is a direct reflection of the Agency’s commitment to sound financial management.

And for good reason. Effective fiscal management is essential for achieving our multi-faceted Mission, for realizing our Goals, and for shaping the Person-centered Care and Aging in Place vision for resident care. All of this and more will ensure many future residents a safe and comfortable retirement.

With the re-opening of our Gulfport campus at the beginning of FY11, the Home still faced uncertainty. Yet, in the end, our strict scrutiny paid huge dividends in keeping costs down and realizing our cost-efficiencies. The same will prove true with the Scott Project in Washington.

Throughout FY11, the AFRH focused on reporting and monitoring risks through our internal control assessments. A recent forecast through 2021, based on a risk analysis of the Trust Fund, states: **the AFRH Trust Fund is solvent.**

To further cement our financial stewardship, an AFRH Financial Manager has been added to the Agency staff.



“One guard wore a bayonet stuck in his belt. I thought he’d kill me.”

– **Wendell Ward**  
(Army)

As an Infantryman from 1943-45, Wendell was wounded, captured, shipped in a boxcar to Muhlberg, and imprisoned in a German field-duty camp for six months.

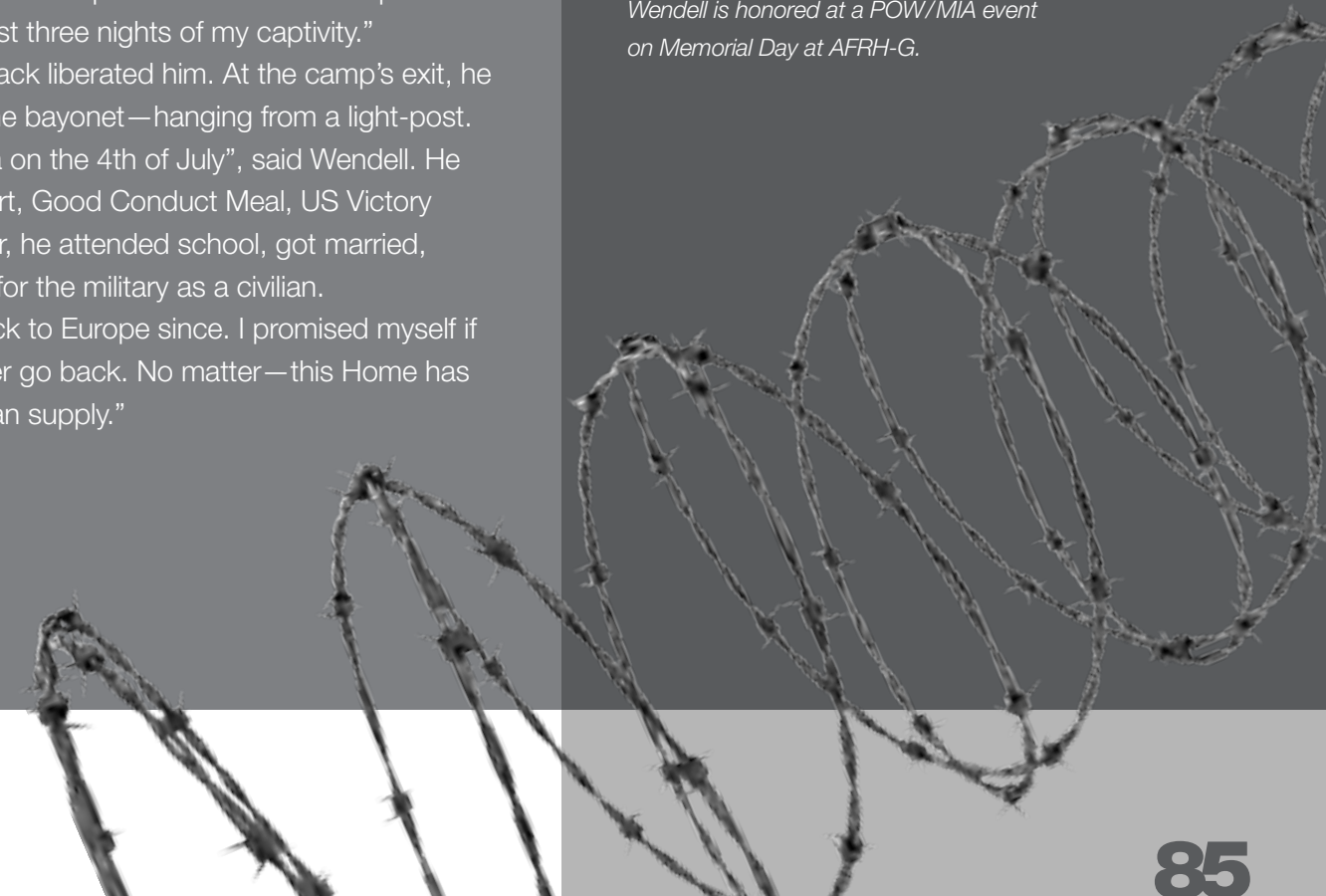
“It was no walk in the park. We had to dig ditches around the barracks. It smelled like fire because the barracks were set ablaze, and bodies were dumped in the ditches. I slept alone in those ditches the last three nights of my captivity.”

Russians on horseback liberated him. At the camp’s exit, he saw that guard with the bayonet—hanging from a light-post. “I got back to America on the 4th of July”, said Wendell. He received a Purple Heart, Good Conduct Medal, US Victory Medal and more. Later, he attended school, got married, and worked 33 years for the military as a civilian.

“I have not been back to Europe since. I promised myself if I ever got out, I’d never go back. No matter—this Home has everything mankind can supply.”



Wendell is honored at a POW/MIA event on Memorial Day at AFRH-G.





**BROWN & COMPANY CPAs, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

Armed Forces Retirement Home  
Washington, D.C.

We have audited the accompanying balance sheet of the Armed Forces Retirement Home (AFRH) as of September 30, 2011 and 2010 and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements). These financial statements are the responsibility of AFRH's management. Our responsibility is to express an opinion on these financial statements based on our audits.

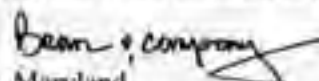
We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04, as amended, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the AFRH as of September 30, 2011 and 2010 and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *U.S. Government Auditing Standards* and OMB Bulletin No. 07-04, as amended, we have also issued our reports dated November on our consideration of the AFRH internal control over financial reporting and its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *U.S. Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis (MD&A) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by OMB Circular A-136, *Financial Reporting Requirements*, as revised, that considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

This report is intended solely for the information and use of the management of the AFRH, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

  
Largo, Maryland  
November 10, 2011

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**BROWN & COMPANY CPAs, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

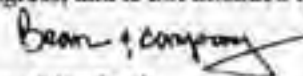
Armed Forces Retirement Home  
Washington, D.C.

We have audited the financial statements of the Armed Forces Retirement Home (AFRH) as of and for the year ended September 30, 2011 and have issued our report thereon dated November 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

In planning and performing our audit, we considered the AFRH's internal control over financial reporting by obtaining an understanding of the AFRH's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04, as amended. The objective of our audit was not to provide an opinion on internal control and therefore, we do not express an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness or significant deficiency. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04, as amended, a material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency in internal control, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be a material weakness as defined above.

This report is intended solely for the information and use of the management of the AFRH, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

  
Largo, Maryland  
November 10, 2011

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CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE WITH LAWS AND REGULATIONS**

Armed Forces Retirement Home  
Washington, D.C.

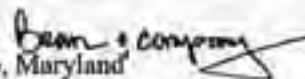
We have audited the financial statements of the Armed Forces Retirement Home (AFRH) as of and for the year ended September 30, 2011 and have issued our report thereon dated November 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The management of the AFRH is responsible for complying with laws and regulations applicable to the AFRH. As part of obtaining reasonable assurance about whether the AFRH's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 07-04, as amended. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the AFRH.

The results of our tests of compliance with laws and regulations disclosed no reportable instances of noncompliance with laws and regulations discussed in the preceding paragraph that are required to be reported under *U.S. Government Auditing Standards* or OMB Bulletin No. 07-04, as amended.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion. However, we noted no noncompliance with laws and regulations, which could have a direct and material effect on the determination of financial statement amounts.

This report is intended solely for the information and use of the management of the AFRH, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

  
Largo, Maryland  
November 10, 2011

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Financial Statements

# UPLIFTING RETURNS

"The positive AFRH Financial Statements highlight our effective stewardship of the funds entrusted to us."

— Steven McManus, COO & CFO

The Agency's management is responsible for the fair presentation of information contained in the principal financial statements. An independent accounting firm has audited the FY11 Financial Statements, which appear in this section.

The Statements and financial data presented here have been prepared from the Agency's accounting records in accordance with Generally Accepted Accounting Principles (GAAP). These Principles are prescribed by the Federal Accounting Standards Advisory Board (FASAB).

The AFRH Financial Statements should be read with the understanding they are for a component of the US Government, a sovereign entity.

In a public-to-public partnership, Bureau of Public Debt (BPD) has administered all of our FY11 financial management activities including:

*Accounting*  
*Budget*  
*Contracting*  
*Travel*

The National Finance Center (NFC), in conjunction with BPD's Oracle platform, processed our payroll and time/attendance data entry transactions. These operations were managed under mutual agreements with the Department of Treasury and Agriculture. AFRH relies on information received from BPD and NFC (plus audits and reviews) to execute its management controls.

**ARMED FORCES RETIREMENT HOME  
BALANCE SHEET  
AS OF SEPTEMBER 30, 2011 AND 2010  
(In Dollars)**

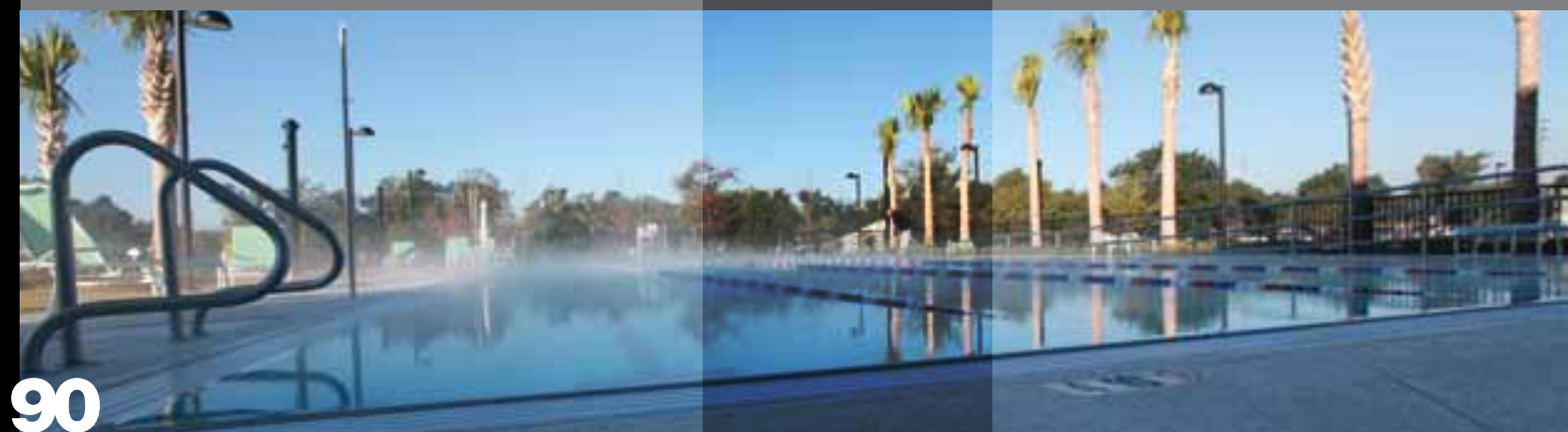
<b>Assets:</b>	<b>2011</b>	<b>2010</b>
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$4,814,306	\$13,824,429
Investments (Note 3)	160,706,811	183,736,984
Accounts Receivable (Note 4)	2,854,923	2,669,387
<b>Total Intragovernmental</b>	<b>168,376,040</b>	<b>200,230,800</b>
Accounts Receivable, Net (Note 4)	219,510	473,055
Property, Equipment, and Software, Net (Note 5)	294,059,087	278,228,715
<b>Total Assets</b>	<b>\$462,654,637</b>	<b>\$478,932,570</b>
<b>Liabilities:</b>		
Intragovernmental		
Accounts Payable	\$76,104	\$67,467
Other (Note 8)	2,007,140	2,180,671
<b>Total Intragovernmental</b>	<b>2,083,244</b>	<b>2,248,138</b>
Accounts Payable	4,244,190	3,599,622
Federal Employee and Veterans' Benefits (Note 6,7)	9,124,954	8,888,145
Other (Note 8)	2,183,670	2,040,679
<b>Total Liabilities</b>	<b>\$17,636,058</b>	<b>\$16,776,584</b>
<b>Net Position:</b>		
Cumulative Results of Operations - Earmarked Funds	\$445,018,579	\$462,155,986
<b>Total Net Position</b>	<b>\$445,018,579</b>	<b>\$462,155,986</b>
<b>Total Liabilities and Net Position</b>	<b>\$462,654,637</b>	<b>\$478,932,570</b>

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

**ARMED FORCES RETIREMENT HOME  
STATEMENT OF NET COST  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010  
(In Dollars)**

	<b>2011</b>	<b>2010</b>
<b>Program Costs (Note 11):</b>		
Program: Culture of Integrity		
Gross Costs	\$4,436,869	\$2,872,565
Less: Earned Revenue	(876,670)	(688,944)
<b>Net Program Costs</b>	<b>\$3,560,199</b>	<b>2,183,621</b>
Program: Exceptional Service		
Gross Costs	\$62,084,122	\$48,948,516
Less: Earned Revenue	(12,267,046)	(11,739,609)
<b>Net Program Costs</b>	<b>\$49,817,076</b>	<b>\$37,208,907</b>
Program: Financial Growth		
Gross Costs	\$248,272	\$181,425
Less: Earned Revenue	(49,056)	(43,512)
<b>Net Program Costs</b>	<b>\$199,216</b>	<b>\$137,913</b>
Program: Improved Processes		
Gross Costs	\$12,141,322	8,321,369
Less: Earned Revenue	(2,398,973)	(1,995,762)
<b>Net Program Costs</b>	<b>\$9,742,349</b>	<b>\$6,325,607</b>
Program: Learning and Growth		
Gross Costs	\$1,177,292	\$151,188
Less: Earned Revenue	(232,618)	(36,260)
<b>Net Program Costs</b>	<b>\$944,674</b>	<b>\$114,928</b>
<b>Net Cost of Operations</b>	<b>\$64,263,514</b>	<b>\$45,970,976</b>

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



**ARMED FORCES RETIREMENT HOME  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010  
(In Dollars)**

	2011	2010
<b>Cumulative Results of Operations:</b>		
Beginning Balances	\$462,155,986	\$461,016,485
<b>Budgetary Financing Sources:</b>		
Nonexchange Revenue	45,018,827	45,253,554
Donations and Forfeitures of Cash and Cash Equivalents	279,926	53,190
<b>Other Financing Sources (Non-Exchange):</b>		
Imputed Financing Sources (Note 12)	1,827,354	1,803,733
Total Financing Sources	47,126,107	47,110,477
Net Cost of Operations	(64,263,514)	(45,970,976)
Net Change	(17,137,407)	1,139,501
<b>Cumulative Results of Operations</b>	<b>\$445,018,579</b>	<b>\$462,155,986</b>
<b>Net Position</b>	<b>\$445,018,579</b>	<b>\$462,155,986</b>

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

*Pam Young (Director of Nursing, AFRH-W) earns the FY11 "CFO Stretch Award" for saving \$1.2 million.*



**ARMED FORCES RETIREMENT HOME  
STATEMENT OF BUDGETARY RESOURCES  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010  
(In Dollars)**

	2011	2010
<b>Budgetary Resources:</b>		
Unobligated Balance		
Unobligated Balance Brought Forward, October 1	\$102,830,308	\$44,406,117
Recoveries of Prior Year Unpaid Obligations	1,474,323	1,270,568
Budget Authority		
Appropriation	71,200,000	134,000,000
Temporarily Not Available Pursuant To Public Law	(142,400)	
<b>Total Budgetary Resources</b>	<b>\$175,362,231</b>	<b>\$179,676,685</b>
<b>Status of Budgetary Resources:</b>		
Obligations Incurred		
Direct	\$146,273,177	\$76,846,377
Unobligated Balance		
Apportioned (Note 2)	29,089,054	102,830,308
<b>Total Status of Budgetary Resources</b>	<b>\$175,362,231</b>	<b>\$179,676,685</b>
<b>Change in Obligated Balance:</b>		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$45,315,435	\$84,863,613
Obligations Incurred, Net	146,273,177	76,846,377
Gross Outlays	(93,119,060)	(115,123,987)
Recoveries of Prior Year Unpaid Obligations, Actual	(1,474,323)	(1,270,568)
<b>Total Unpaid Obligated Balance, Net, End of Period</b>	<b>\$96,995,229</b>	<b>\$45,315,435</b>
<b>Net Outlays:</b>		
Gross Outlays	\$93,119,060	\$115,123,987
Distributed Offsetting Receipts	(12,669,471)	(62,428,632)
<b>Net Outlays</b>	<b>\$80,449,589</b>	<b>\$52,695,355</b>

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



**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Armed Forces Retirement Home (AFRH) was incorporated on November 1, 1991, by section 411(a) of 24 U.S.C. The AFRH is an independent Agency in the executive branch of the Federal Government. The AFRH has two facilities. One is located in Gulfport, MS and the other is located in Washington, D.C.

The AFRH Mission is to fulfill our nation's promise to its veterans by providing a premier retirement community with exceptional residential care and extensive support services. We support our residents' independence, dignity, distinction, heritage, and future of continued life-enriching experiences. Together, the AFRH family of residents and staff create a place of caring and continual learning. We are committed to providing the best housing and support services possible and creating a true community of accomplished, independent residents, who are free to explore their talents, pursue their interests, and follow their dreams.

The 1991 Defense Authorization Act created an AFRH Trust Fund (Trust Fund). Governed by limitations determined annually by the US Congress, the Trust Fund is used to finance operating expenses as well as capital expenditures of the AFRH on an annual and no year basis.

The AFRH has rights and ownership of all assets reported in these Financial Statements. AFRH does not possess any non-entity assets.

**B. Basis of Presentation**

The Financial Statements have been prepared to report the financial position, net cost of operations, changes in net position, and the status and availability of budgetary resources of AFRH. The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of AFRH in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards approved by the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, Financial Reporting Requirements and AFRH accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control AFRH's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

**C. Budgets and Budgetary Accounting**

Congress usually enacts appropriations to permit the AFRH to incur obligations for specified purposes. In fiscal years 2011 and 2010, AFRH was accountable for Armed Forces Retirement Home Trust Fund appropriations. AFRH recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through the Department of Treasury General Fund warrants and transfers from the Armed Forces Retirement Home Trust Fund.

**D. Basis of Accounting**

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of Federal funds.

**E. Revenues & Other Financing Sources**

*Exchange Revenue*

Exchange revenues are inflows of resources to a Government entity that the entity has earned. Exchange revenue is derived from the rendering of services, the sale of resources, and the use by others of entity assets yielding interest or dividends.

The AFRHs exchange revenue consists primarily of resident fees, rental income, leases and sales, meal tickets, and interest earned on Treasury securities. Revenue from resident fees is recognized when services are provided and is invested for future funding requirements.

*Non-Exchange Revenue*

Non-Exchange revenues are inflows of resources the Government demands or receives by donation. Such revenue is recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that the collection is probable and the amount is reasonably estimated.

The AFRHs non-exchange revenue consists of military fines and forfeitures, monthly payroll withholdings from enlisted military personnel, bequests, and donations. Non-exchange revenue is recognized when collected.

*Financing Sources*

The AFRH receives the majority of funding needed to support operations and capital expenditures from the Trust Fund. The Trust Fund is financed by military fines and forfeitures, monthly payroll deductions from eligible enlisted military personnel and Warrant Officers, resident fees, sales and leases, interest earned on Treasury securities, and donations.

Congress enacts annual, multi-year, and no-year appropriations to be used within statutory limits for operating, capital, and grant expenditures. Additional amounts are obtained from service fees and reimbursements from other Government entities and the public.

Appropriations are recognized as a financing source when expended. Revenues from service fees associated with reimbursable agreements are recognized concurrently with the recognition of accrued expenditures for performing the services.

AFRH recognizes as an imputed financing source the amount of accrued pension and post-retirement benefit expenses for current employees paid on our behalf by the Office of Personnel Management (OPM).

**F. Taxes**

AFRH, as a Federal entity, is not subject to Federal, State, or local income taxes, and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

**G. Fund Balance with Treasury**

The US Treasury processes cash receipts and disbursements. Funds held at the Treasury are available to pay agency liabilities. AFRH does not maintain cash in commercial bank accounts or foreign currency balances.

**H. Investment in U.S. Government Securities**

Trust Fund balances may only be invested in interest bearing debt securities issued by the Bureau of the Public Debt. These securities are market based Treasury securities issued without statutorily-determined interest rates and consist of Treasury bills and notes.

The AFRH classifies these investments as held-to-maturity at the time of purchase. The investments are stated at acquisition cost plus or minus any premium or discount. Premiums and discounts are amortized over the life of the Treasury security using the interest method. The AFRH's intent is to hold the investments to maturity, unless securities are needed to sustain operations. No provision is made for realized gains or losses on these securities due to the fact that they are held-to-maturity. Interest is received semi-annually on the held-to-maturity investments. This interest is accrued monthly until it is received.

The AFRH may, from time to time, hold an investment in a one-day certificate issued by the Bureau of the Public Debt. The interest earned on the certificate is reinvested in the certificate on a daily basis. These investments are classified as trading securities. See Note 3 for additional information.

**I. Accounts Receivable**

Accounts receivable consist of amounts owed to the AFRH by other Federal agencies and the general public. Amounts due from Federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

**J. Property, Equipment, and Software**

The AFRH owns the land and buildings in which both Homes operate. The majority of the property, equipment and software is used to provide residential and health care to members and is valued at cost. Equipment purchased, transferred, or donated with an acquisition cost greater than or equal to \$50,000 per unit is capitalized. Routine maintenance is expensed when incurred. Construction costs are capitalized as construction-in-progress until the asset is completed then transferred to the appropriate property account. Depreciation expense is recognized on property, equipment, and software with the exception of construction-in-progress. Depreciation is recognized using the straight-line method over the assets' useful lives. Other equipment is expensed when purchased. Most AFRH heritage assets are multi-use facilities and are classified as general property, equipment, and software. The useful lives used when recording depreciation on property, equipment, and software are as follows:

Description	Useful Life (years)
Improvements to Land	10-20
Buildings and Improvements	20-40
Equipment	5-10

**K. Advances and Prepaid Charges**

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions, and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

**L. Liabilities**

Liabilities represent the amount of monies or other resources likely to be paid by the AFRH as a result of transactions or events that have already occurred. No liability can be paid, however, absent an appropriation or other funding. Liabilities for which an appropriation has not been enacted or other funds received are, therefore, classified as not covered by budgetary resources. There is no certainty that the appropriation will be enacted. Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as components requiring or generating resources on the Reconciliation of Net Cost to Budget.

**M. Accounts Payable**

Accounts payable consist primarily of amounts owed to other Federal agencies and the public for contracts for goods or services, such as leases, utilities, telecommunications and consulting and support services.

**N. Annual, Sick, and Other Leave**

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to OPM upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 50% beginning FY2010 and 100% in 2014.

**O. Accrued and Actual Workers' Compensation**

The Federal Employees' Compensation Act (FECA) administered by the US Department of Labor (DOL) addresses all claims brought by the AFRH employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees

that the AFRH terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

**P. Retirement Plans**

AFRH employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of AFRH matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. FERS offers a savings plan to which the AFRH automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay. For FERS participants, AFRH also contributes the employer's matching share of Social Security.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, AFRH remits the employer's share of the required contribution.

AFRH recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to AFRH for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. AFRH recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

AFRH does not report on its Financial Statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM.

**Q. Other Post-Employment Benefits**

AFRH employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGHIP) may continue to participate in these programs after their retirement. The OPM has provided the AFRH

with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The AFRH recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the AFRH through the recognition of an imputed financing source.

**R. Use of Estimates**

The preparation of the accompanying Financial Statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

**S. Imputed Costs/Financing Sources**

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. AFRH recognized imputed costs and financing sources in fiscal years 2011 and 2010 to the extent directed by OMB.

**T. Contingencies**

The AFRH recognizes contingent liabilities when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable. Liabilities are deemed contingent when the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. AFRH recognizes contingent liabilities in the accompanying balance sheet and statement of net cost when it is both probable and can be reasonably estimated. AFRH discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met or when a loss from the outcome of future events is more than remote. In some cases, once losses are certain, payments may be made from the Judgment Fund maintained by the US Treasury rather than from the amounts appropriated to AFRH for agency operations. Payments from the Judgment Fund are recorded as an "Other Financing Source" when made.

**U. Reclassification**

Certain fiscal year 2010 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

**NOTE 2. FUND BALANCE WITH TREASURY**

Fund balance with Treasury account balances as of September 30, 2011 and 2010, were as follows:

	2011	2010
<b>Fund Balances:</b>		
Trust Funds	\$4,814,306	\$13,824,429
Investments	160,706,811	183,736,984
Less: Accrued Interest and Unamortized Premium	(2,859,045)	(5,759,736)
<b>Total</b>	<b>\$162,662,072</b>	<b>\$191,801,677</b>
<b>Status of Fund Balance with Treasury:</b>		
Unobligated Balance		
Available	\$29,089,055	\$102,830,308
Unavailable	36,577,788	43,655,934
Obligated Balance Not Yet Disbursed	96,995,229	45,315,435
<b>Total</b>	<b>\$162,662,072</b>	<b>\$191,801,677</b>

**NOTE 2. FUND BALANCE WITH TREASURY (continued)**

The available unobligated fund balances represent the current-period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance as described in the following paragraph.

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations

incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the cash balance on hand. (See also: UNDELIVERED ORDERS AT THE END OF THE PERIOD, Note. 15)

**NOTE 3. INVESTMENTS**

Investments as of September 30, 2011 consist of the following:

	Cost	Amortization Method	Unamortized (Premium) Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental Securities						
Non-Marketable						
Market-Based	\$158,297,575	Interest	\$842,171	\$1,567,065	\$160,706,811	\$167,881,408
<b>Total</b>	<b>\$158,297,575</b>		<b>\$842,171</b>	<b>\$1,567,065</b>	<b>\$160,706,811</b>	<b>\$167,881,408</b>

Investments as of September 30, 2010 consist of the following:

	Cost	Amortization Method	Unamortized (Premium) Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental Securities						
Non-Marketable						
Market-Based	\$178,427,058	Interest	\$3,046,879	\$2,263,047	\$183,736,984	\$191,814,786
<b>Total</b>	<b>\$178,427,058</b>		<b>\$3,046,879</b>	<b>\$2,263,047</b>	<b>\$183,736,984</b>	<b>\$191,814,786</b>

Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. Investment maturity dates for fiscal years 2011 and 2010 range from December 31, 2011 to May 15, 2016 and February 15, 2011 to May 15, 2016, respectively, and interest rates for the same fiscal years range from 4.625 percent to 5.125 percent and 4.500 percent to 5.125 percent, respectively.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited in the US Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the AFRH as

evidence of its receipts. Treasury securities are an asset to the AFRH and a liability to the US Treasury. Because the AFRH and the US Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the US Government-wide financial statements.

Treasury securities provide the AFRH with authority to draw upon the US Treasury to make future benefit payments or other expenditures. When the AFRH requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

**NOTE 4. ACCOUNTS RECEIVABLE**

Accounts receivable balances as of September 30, 2011 and 2010, were as follows:

	2011	2010
<b>Intragovernmental</b>		
Accounts Receivable	\$2,854,923	\$2,669,387
<b>Total Intragovernmental Accounts Receivable</b>	<b>\$2,854,923</b>	<b>\$2,669,387</b>
<b>With the Public</b>		
Accounts Receivable	219,510	473,055
<b>Total Public Account Receivable</b>	<b>\$219,510</b>	<b>\$473,055</b>
<b>Total Accounts Receivable</b>	<b>\$3,074,433</b>	<b>\$3,142,442</b>

The Intragovernmental accounts receivable is primarily made up of fines and forfeitures from the Army, Air Force, Navy, Marine Corp. and the Coast Guard. Accounts receivable from the public is primarily made up of resident fees due from residents of the Home.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2011 and 2010.

**NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE**

Schedule of Property, Equipment, and Software as of September 30, 2011

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Buiding	\$390,168,413	\$129,970,497	\$260,197,916
Land and Improvements	11,006,567	10,434,665	571,902
Furniture and Equipment	11,664,814	3,602,283	8,062,531
Construction-in-Progress	25,226,738	-	25,226,738
<b>Total</b>	<b>\$438,066,532</b>	<b>\$144,007,445</b>	<b>\$294,059,087</b>

Schedule of Property, Equipment, and Software as of September 30, 2010

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Buiding	\$181,456,706	\$151,293,557	\$30,163,149
Land and Improvements	11,006,567	10,369,414	637,153
Furniture and Equipment	3,289,482	2,859,386	430,096
Construction-in-Progress	246,998,317	-	246,998,317
<b>Total</b>	<b>\$442,751,072</b>	<b>\$164,522,357</b>	<b>\$278,228,715</b>

**NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

The liabilities for AFRH as of September 30, 2011 and 2010, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2011	2010
Intragovernmental - FECA	\$1,750,357	\$1,946,681
Intragovernmental - Unemployment Insurance	643	11,203
Unfunded Leave	1,189,638	1,125,272
Actuarial FECA	9,124,954	8,888,145
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>\$12,065,592</b>	<b>\$11,971,301</b>
Total Liabilities Covered by Budgetary Resources	5,570,466	4,805,283
<b>Total Liabilities</b>	<b>\$17,636,058</b>	<b>\$16,776,584</b>

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on behalf of the AFRH and payable to the DOL.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

**NOTE 7. ACTUARIAL FECA LIABILITY**

FECA provides income and medical cost protection to covered Federal civilian employees harmed on the job or who have contracted an occupational disease, and dependents of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits under FECA for AFRH employees are administered by the DOL and ultimately paid by the AFRH when funding becomes available.

AFRH bases its estimate for FECA actuarial liability on the DOL's FECA model. The model considers the average amount of benefit payments incurred by AFRH for the past three fiscal years, multiplied by the medical and compensation liability to benefits paid (LBP) ratio for the whole FECA program. For the fiscal years ending September 30, 2011 and 2010, AFRH uses the overall average percentages of the LBP ratios to calculate the \$9.1 million and \$8.9 million FECA actuarial liabilities for those years, respectively.



“Be open to life. Get out and meet people. Tomorrow may be the most exciting day of your life.”

—Byron & Bettylu Dennis  
(Navy)

**NOTE 8. OTHER LIABILITIES**

Other liabilities account balances as of September 30, 2011 were as follows:

	Current	Non Current	Total
<b>Intragovernmental</b>			
FECA Liability	\$624,338	\$1,126,019	\$1,750,357
Unemployment Insurance Liability	643	-	643
Payroll Taxes Payable	256,141	-	256,141
<b>Total Intragovernmental Other Liabilities</b>	<b>\$881,122</b>	<b>\$1,126,019</b>	<b>\$2,007,141</b>
<b>With the Public</b>			
Payroll Taxes Payable	\$30,583	\$-	\$30,583
Accrued Funded Payroll and Leave	906,078	-	906,078
Unfunded Leave	1,189,638	-	1,189,638
Other	57,371	-	57,371
<b>Total Public Other Liabilities</b>	<b>2,183,670</b>	<b>\$-</b>	<b>\$2,183,670</b>

Other liabilities account balances as of September 30, 2010 were as follows:

	Current	Non Current	Total
<b>Intragovernmental</b>			
FECA Liability	\$319,855	\$1,626,826	\$1,946,681
Unemployment Insurance Liability	11,203	-	11,203
Payroll Taxes Payable	222,787	-	222,787
<b>Total Intragovernmental Other Liabilities</b>	<b>\$553,845</b>	<b>\$1,626,826</b>	<b>\$2,180,671</b>
<b>With the Public</b>			
Payroll Taxes Payable	\$28,376	\$-	\$28,376
Accrued Funded Payroll and Leave	837,260	-	837,260
Unfunded Leave	1,125,272	-	1,125,272
Other	49,771	-	49,771
<b>Total Public Other Liabilities</b>	<b>\$2,040,679</b>	<b>\$-</b>	<b>\$2,040,679</b>

**NOTE 9. LEASES**

AFRH leases several of its buildings for use as office space as well as parking areas associated with those buildings. Most of the leases run on a year-to-year. Future receipts due:

Fiscal Year	
2012	\$125,938
2013	\$31,240
<b>Total Future Payments</b>	<b>\$157,178</b>



**NOTE 10. EARMARKED FUNDS**

AFRH has earmarked funds that fall into the following categories: Capital Fund, Hurricane Katrina Fund and the Operations & Maintenance Fund. Governed by limitations determined annually by the US Congress, the Trust Fund is used to finance operating expenses as well as capital expenditures of the AFRH on an annual and no year basis, while the Hurricane Katrina monies were appropriated on an emergency basis to cover necessary expenses related to the consequences of Hurricane Katrina until expended.

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when liabilities are incurred, without regard to receipt or payment of cash. Budgetary accounting measures the appropriations and consumption of budget authority and other budgetary resources and facilitates compliance with legal constraints and controls over use of Federal funds.

**NOTE 10. SCHEDULE OF EARMARKED FUNDS AS OF SEPTEMBER 30, 2011 (continued)**

	Capital Fund	Hurricane Katrina Fund	Operations & Maintenance Fund	Total Earmarked Funds
<b>Balance Sheet</b>				
<b>ASSETS</b>				
Fund Balance with Treasury	\$(23,939,680)	\$797,536	\$27,956,450	\$4,814,306
Investments	-	-	160,706,811	160,706,811
Accounts Receivable	-	-	3,074,433	3,074,433
Property, Equipment, and Software	67,666,074	226,393,012	1	294,059,087
<b>Total Assests</b>	<b>43,726,394</b>	<b>227,190,548</b>	<b>191,737,695</b>	<b>462,654,637</b>
<b>LIABILITIES AND NET POSITION</b>				
Accounts Payable	437,345	534	3,882,415	4,320,294
Other	-	-	13,315,764	13,315,764
Cumulative Results of Operations	43,289,049	227,190,014	174,539,516	445,018,579
<b>Total Liabilities and Net Position</b>	<b>43,726,394</b>	<b>227,190,548</b>	<b>191,737,695</b>	<b>462,654,637</b>
<b>Statement of Net Cost</b>				
Program Costs	8,474,650	5,319,849	66,293,378	80,087,877
Less: Earned Revenues	-	-	(15,824,363)	(15,824,363)
<b>Net Program Costs</b>	<b>8,474,650</b>	<b>5,319,849</b>	<b>50,469,015</b>	<b>64,263,514</b>
Less: Earned Revenues Not Attributable to Programs	-	-	-	-
<b>Net Cost of Operations</b>	<b>8,474,650</b>	<b>5,319,849</b>	<b>50,469,015</b>	<b>64,263,514</b>
<b>Statement of Changes in Net Position</b>				
Net Position Beginning of Period	\$1,763,699	232,509,863	177,882,424	462,155,986
Net Cost of Operations	(8,474,650)	(5,319,849)	(50,469,015)	(64,263,514)
Taxes and Other Nonexchange Revenue	-	-	45,298,753	45,298,753
Other Revenue	-	-	1,827,354	1,827,354
<b>Change in Net Position</b>	<b>(8,474,650)</b>	<b>(5,319,849)</b>	<b>(3,342,908)</b>	<b>(17,137,407)</b>
<b>Net Position End of Period</b>	<b>43,289,049</b>	<b>227,190,014</b>	<b>174,539,516</b>	<b>445,018,579</b>

**NOTE 10. SCHEDULE OF EARMARKED FUNDS AS OF SEPTEMBER 30, 2010**  
(continued)

	Capital Fund	Hurricane Katrina Fund	Operations & Maintenance Fund	Total Earmarked Funds
<b>Balance Sheet</b>				
ASSETS				
Fund Balance with Treasury	\$(1,100,475)	\$6,118,186	\$8,806,718	\$13,824,429
Investments	-	-	183,736,984	183,736,984
Accounts Receivable	-	-	3,142,442	3,142,442
Property, Equipment, and Software	51,836,504	226,392,211	-	278,228,715
<b>Total Assests</b>	<b>\$50,736,029</b>	<b>\$232,510,397</b>	<b>\$195,686,144</b>	<b>\$478,932,570</b>
LIABILITIES AND NET POSITION				
Accounts Payable	\$72,805	\$534	\$3,593,750	\$3,667,089
Other	-	-	13,109,495	13,109,495
Cumulative Results of Operations	50,663,224	232,509,863	178,982,899	462,155,986
<b>Total Liabilities and Net Position</b>	<b>\$50,736,029</b>	<b>\$232,510,397</b>	<b>\$195,686,144</b>	<b>\$478,932,570</b>
<b>Statement of Net Cost</b>				
Program Costs	\$6,031,124	\$11,882	\$54,432,057	\$60,475,063
Less: Earned Revenues	-	-	(14,504,087)	(14,504,087)
<b>Net Program Costs</b>	<b>6,031,124</b>	<b>11,882</b>	<b>39,927,970</b>	<b>45,970,976</b>
Less: Earned Revenues Not Attributable to Programs	-	-	-	-
<b>Net Cost of Operations</b>	<b>\$6,031,124</b>	<b>\$11,882</b>	<b>\$39,927,970</b>	<b>\$45,970,976</b>
<b>Statement of Changes in Net Position</b>				
Net Position Beginning of Period	\$56,694,348	\$232,521,745	\$171,800,392	\$461,016,485
<b>Net Cost of Operations</b>	<b>(6,031,124)</b>	<b>(11,882)</b>	<b>(39,927,970)</b>	<b>(45,970,976)</b>
Other Nonexchange Revenue	-	-	47,110,477	47,110,477
Other Revenue	-	-	-	-
<b>Change in Net Position</b>	<b>\$(6,031,124)</b>	<b>\$(11,882)</b>	<b>\$7,182,507</b>	<b>\$1,139,501</b>
<b>Net Position End of Period</b>	<b>\$50,663,224</b>	<b>\$232,509,863</b>	<b>\$178,982,899</b>	<b>\$462,155,986</b>

**NOTE 11. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE**

Intragovernmental costs and intragovernmental exchange revenue represent goods and services exchange transactions made between two reporting entities within the Federal government, and are in contrast to those with non-Federal entities (the public). Such costs and revenue are summarized as follows:

	2011	2010
<b>Program: Culture of Integrity</b>		
Intragovernmental Costs	\$707,149	\$549,719
Public Costs	3,729,720	2,322,846
<b>Total Program Costs</b>	<b>4,436,869</b>	<b>2,872,565</b>
Intragovernmental Earned Revenue	(217,765)	(198,594)
Public Earned Revenue	(658,905)	(490,350)
<b>Net Program Costs</b>	<b>3,560,199</b>	<b>2,183,621</b>
<b>Program: Exceptional Service</b>		
Intragovernmental Costs	9,894,982	9,367,206
Public Costs	52,189,140	39,581,310
<b>Total Program Costs</b>	<b>62,084,122</b>	<b>48,948,516</b>
Intragovernmental Earned Revenue	(3,047,132)	(3,384,053)
Public Earned Revenue	(9,219,914)	(8,355,556)
<b>Net Program Costs</b>	<b>49,817,076</b>	<b>37,208,907</b>
<b>Program: Financial Growth</b>		
Intragovernmental Costs	39,570	34,719
Public Costs	208,702	146,706
<b>Total Program Costs</b>	<b>248,272</b>	<b>181,425</b>
Intragovernmental Earned Revenue	(12,185)	(12,543)
Public Earned Revenue	(36,871)	(30,969)
<b>Net Program Costs</b>	<b>199,216</b>	<b>137,913</b>
<b>Program: Improved Processes</b>		
Intragovernmental Costs	1,935,087	1,592,448
Public Costs	10,206,235	6,728,921
<b>Total Program Costs</b>	<b>12,141,322</b>	<b>8,321,369</b>
Total Intragovernmental Earned Revenue	(595,905)	(575,297)
Total Public Earned Revenue	(1,803,068)	(1,420,465)
<b>Total Net Cost</b>	<b>9,742,349</b>	<b>6,325,607</b>
<b>Program: Learning and Growth</b>		
Intragovernmental Costs	187,637	28,933
Public Costs	989,655	122,255
<b>Total Program Costs</b>	<b>1,177,292</b>	<b>151,188</b>
Intragovernmental Earned Revenue	(57,782)	(10,452)
Public Earned Revenue	(174,836)	(25,808)

**NOTE 11. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE (continued)**

Net Program Costs	944,674	114,928
Total Intragovernmental Costs	12,764,425	11,573,025
Total Public Costs	67,323,452	48,902,038
Total Costs	80,087,877	60,475,063
Total Intragovernmental Earned Revenue	(3,930,769)	(4,180,939)
Total Public Earned Revenue	(11,893,594)	(10,323,148)
Total Net Program Costs	\$64,263,514	\$45,970,976

**NOTE 12. IMPUTED FINANCING SOURCES**

AFRH recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal years ended September 30, 2011 and 2010, respectively, imputed financing was as follows:

	2011	2010
Office of Personnel Management	\$1,827,354	\$1,803,733
Total Imputed Financing Sources	\$1,827,354	\$1,803,733

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

The President's Budget that will include FY11 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2012 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>.

The 2012 Budget of the United States Government, with the "Actual" column completed for 2010, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

**NOTE 14. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED**

Obligations incurred and reported in the Statement of Budgetary Resources in 2011 and 2010 consisted of the following:

Category A apportionments distribute budgetary resources by fiscal quarters.

Category B apportionments typically distribute budgetary resources by activities, projects, objects, or a combination of these categories.

	2011	2010
Direct Obligations, Category A	\$68,560,187	\$62,090,099
Direct Obligations, Category B	77,712,990	14,756,278
Total Obligations Incurred	\$146,273,177	\$76,846,377

**NOTE 15. UNDELIVERED ORDERS AT THE END OF THE PERIOD**

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. For the fiscal years ended September 30, 2011 and 2010, undelivered orders amounted to \$91,482,133 and \$40,559,922, respectively.

**NOTE 16. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET**

AFRH has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

**ARMED FORCES RETIREMENT HOME  
RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	2011	2010
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$146,273,177	\$76,846,377
Spending Authority From Offsetting Collections and Recoveries	(1,474,323)	(1,270,568)
Offsetting Receipts	(12,669,471)	(62,428,632)
Net Obligations	132,129,383	13,147,177
Other Resources		
Imputed Financing From Costs Absorbed By Others	1,827,354	1,803,733
Net Other Resources Used to Finance Activities	1,827,354	1,803,733
Total Resources Used to Finance Activities	133,956,737	14,950,910
Resources Used to Finance Items Not Part of the Net Cost of Operations	82,059,335	22,553,839
Total Resources Used to Finance the Net Cost of Operations	51,897,402	37,504,749
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Net Cost of Operations	\$64,263,514	\$45,970,976



**ARMED FORCES RETIREMENT HOME  
REQUIRED SUPPLEMENTARY INFORMATION INTRAGOVERNMENTAL TRANSACTIONS  
AS OF SEPTEMBER 30, 2011**

Agency	Fund Balance With Treasury	Investments	Accounts Receivable	Total
Treasury	\$4,814,306	\$160,706,811	\$-	\$165,521,117
Air Force	-	-	510,782	510,782
Army	-	-	1,462,277	1,462,277
Marines	-	-	839,315	839,315
United States Coast Guard	-	-	42,549	42,549
<b>Total</b>	<b>\$4,814,306</b>	<b>\$160,706,811</b>	<b>\$2,854,923</b>	<b>\$168,376,040</b>

Agency	Accounts Payable and Accruals	Payroll Taxes	Other	Total
Treasury General Fund	\$-	\$64,103	-	\$64,103
Program Support Center	42,498	-	-	42,498
General Services Administration	16,578	-	-	16,578
US Government Printing Office	2,028	-	-	2,028
DRMS	15,000	-	-	15,000
Department of Labor	-	643	1,750,357	1,751,000
Personnel Management	-	192,037	-	192,037
<b>Total</b>	<b>\$76,104</b>	<b>\$256,783</b>	<b>\$1,750,357</b>	<b>\$2,083,244</b>

**ARMED FORCES RETIREMENT HOME REQUIRED SUPPLEMENTARY STEWARDSHIP  
INFORMATION FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

Federal agencies are required to classify and report heritage assets, in accordance with the requirements of SFFAS No. 29, "Heritage Assets and Stewardship Land."

Heritage assets are property, plant, and equipment that possess one or more of the following characteristics: historical or natural significance; cultural, educational, or aesthetic value; or significant architectural characteristics.

Since the cost of heritage assets is usually not determinable, AFRH does not place a value on them or establish minimum value thresholds for designation of property, plant, and equipment as heritage assets. Additionally, the useful lives of heritage assets are not reasonably estimable for depreciable purposes. Since the most relevant information about heritage assets is their existence, they are qualified in terms of physical units.

The AFRH has four buildings and structures that are designated as National Historic Landmarks.

In accordance with SFFAS No. 29, heritage assets that are used in day-to-day government operations are considered "multi-use" heritage assets that are not used for heritage purposes. Such assets are accounted for as general property, plant, and equipment and are capitalized and depreciated in the same manner as other general property, plant, and equipment. The AFRH has three buildings and structures that are considered to be "multi-use" heritage assets.

Like his namesake, Christopher Columbus Handy is no stranger to world travel. He served 21 years in the Navy as a physician's assistant and supplied medical support to Marines in Vietnam. Afterwards, he was stationed in San Diego, Bermuda, Guam, and Florida. "Once I started moving about in the Navy every few years, I just continued to move!"

He anticipates taking a "hop" to Europe soon—a privilege afforded to US service members, veterans, and retirees where unused seats on military aircraft are available for personal travel. This perk gives residents like Christopher the freedom to travel the world.

Like many residents, Christopher is active and independent. He's an avid swimmer in the new AFRH-G pool. Plus he makes the most of our wellness programs and fun activities to maintain

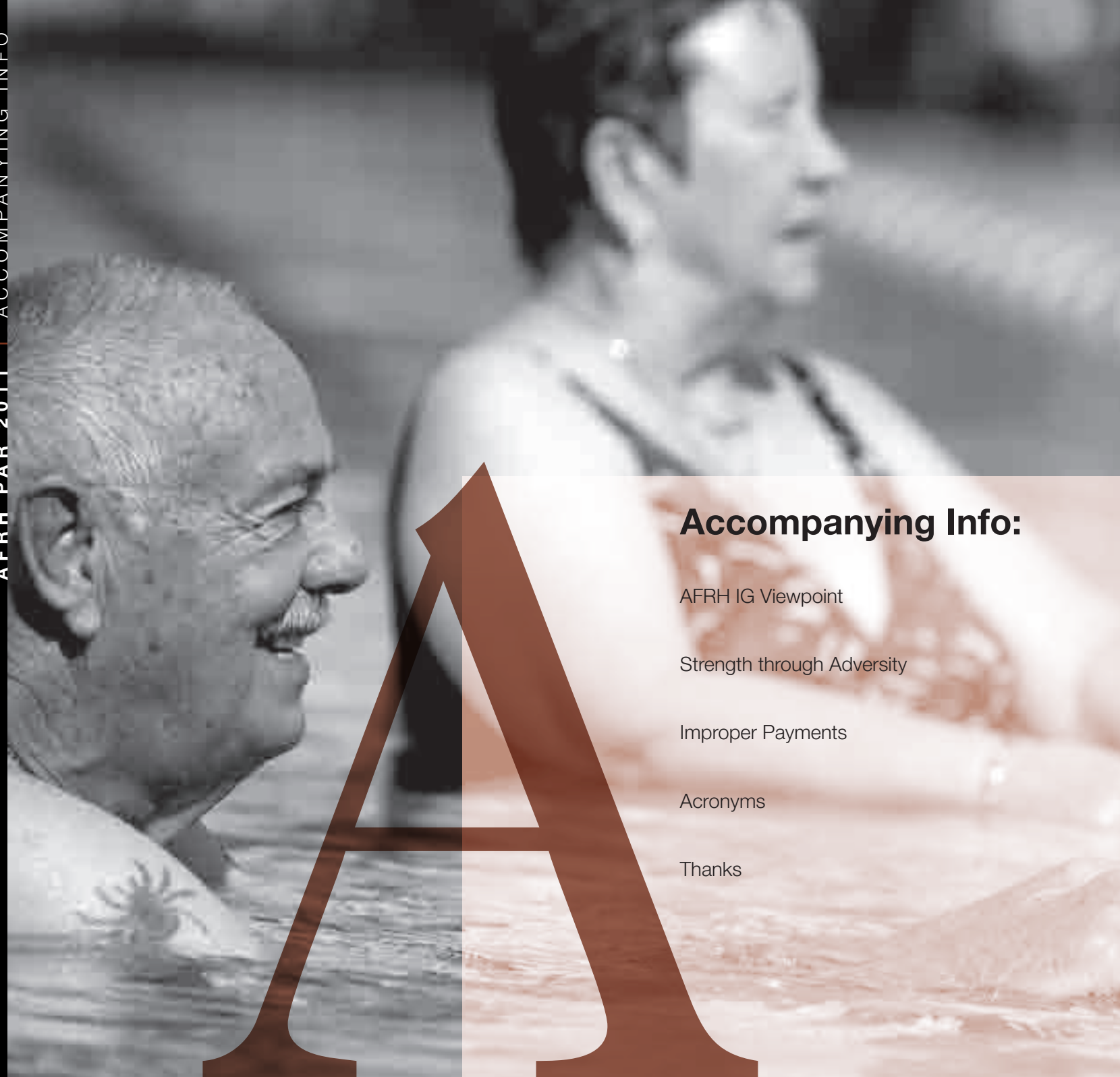
his vitality in-between journeys. Where does Christopher plan to explore next? "Germany, England, Italy, the Netherlands ... I'm just gonna roam around over there—and see what the culture's like."

**"I travel quite a bit.  
And I don't stay still  
very long."**

**—Christopher Columbus Handy**  
*(Navy)*







**Accompanying Info:**

- AFRH IG Viewpoint
- Strength through Adversity
- Improper Payments
- Acronyms
- Thanks

“I’ve known about the Home all my life. What more could you want?”

—Heather Baird (Navy)



“They don’t take away our liberty card. We still travel.”

—Charlie Baird (Navy)

Heather met Charlie in the Philippines in 1983. She was on sea duty as an Admin Officer and Charlie was deployed as an Aviation Machinist Mate. “We clicked right away. We had a common interest: sailing. They had boats to rent, so he taught me to sail.”

Their adventurous spirit endures. They officially retired in Spring 2011 and moved to AFRH-G. But, they still love to ship off and tour America in their RV. “We’re planning to take the grandkids through Arizona and up the West Coast to visit family”, said Charlie. Altogether, they’re thrilled with all the Home has to offer. “There’s nothing to complain about. This is an exciting new chapter in our lives.”

Most of all, they truly enjoy the independence AFRH affords them both. “This is our Long Term Care insurance. We have three children between us and they have their own lives—so we’re giving them a gift by not worrying about us”, says Heather.

*AFRH IG Viewpoint*

# REINFORCING ACHIEVEMENT

Throughout FY11, the AFRH forged ahead with various actions to fulfill essential needs and to meet organizational Goals. A summary of the Home's proactive response to those endeavors can be viewed in the MD&A section.

In this section, we present the major management and performance challenges from the perspective of the AFRH IG—and an outline of how we are overcoming those challenges.



*Maurice Swinton, AFRH IG*

DATE: November 1, 2011  
 TO: Steven G. McManus, Chief Operating Officer  
 SUBJECT: Management and Performance Challenges for FY 2012

*In accordance with Section 3 of the Reports Consolidation Act of 2000, each Federal agency IG must provide a statement outlining the most serious Management and Performance Challenges facing the organization. As in years past, I am focusing on the most vital challenges facing the AFRH.*

*Of late, the effective management and operations of the Agency have contributed to significant improvements in resident service and programs. What's more, there has been increased efficiency and productivity among staff members and the programs they administer. These successes are a demonstrated result of recommendations made by my office and other inspection and audit activities.*

*The Management and Performance Challenges outlined below offer additional guidelines for enhancement. In compliance with Federal guidelines, these challenges link directly to the President's initiative to improve performance on the Agency's high-priority goals.*

**MEMORANDUM:**

The AFRH has made tremendous strides in the rebuild and standup of its Gulfport facility. Similarly, it is making solid progress on the renewal of the Washington campus. In tandem with both, the Agency has embarked on a major effort to modernize and automate its medical records system.

While efforts are advancing, the AFRH faces new challenges that have surfaced from the unexpected earthquake in August 2011—which caused severe damage to the Sherman Building—the main location of the Agency's administrative offices.

With ongoing construction via the Scott Project, and unexpected repairs to the Sherman Building, the Agency must exercise diligent fiduciary management and oversight to ensure the AFRH Trust Fund remains solvent.

**Gulfport Standup:** Residents began returning to the facility in October 2010. Managers have worked ardently to admit eligible residents at an average of 10 new admissions per month. Thus far, AFRH-G provides services to the IL and AL populations, and began providing services for LTC in October 2011. Current residency stands at 490. The maximum capacity is expected to be 582 residents.

**Electronic Health Record System:** (EHRS): In October 2010, the AFRH selected a vendor to provide an EHRS to replace its existing legacy system. The selected EHRS is intuitive, web-based, and offers enhanced capabilities to:

capture and manage patient records, record and assign medical tasks, track medical history, review past visits, review and monitor patient medications, review and list patient allergies, issue and review physician orders, track patient therapy sessions and progress, review and record medical progress notes, write and review care plans, track patient dietary progress, record, review and track incident reports, generate and review lab reports, as well as provide reporting and tracking for a variety of other medical and non-medical support.

The AFRH plans to have the EHRS implemented on the Gulfport campus by the end of the first quarter in 2012, and on the Washington campus by the end of the third quarter of 2012.

**BELOW ARE THE VARIOUS AGENCY CHALLENGES I HAVE IDENTIFIED & PRESENTED TO MANAGEMENT:**

MANAGEMENT CHALLENGES	RECOMMENDED ACTIONS
<ul style="list-style-type: none"> <li>• <b>Rehabbing Sherman Building:</b></li> </ul>	repairing, reconstructing, funding & reinstating Corporate staff
<ul style="list-style-type: none"> <li>• <b>Maintaining Financial Solvency:</b></li> </ul>	keeping costs down and ensuring Trust Fund solvency as Trust Fund is expended for the Scott Project
<ul style="list-style-type: none"> <li>• <b>Enhancing Resident Services:</b></li> </ul>	establishing baseline contracts to support resident needs (for medical supplies, dental services, pharmacy, optometry and rehab at both AFRH-W & G), and implementing EHRS on both campuses
PERFORMANCE CHALLENGES	RECOMMENDED ACTIONS
<ul style="list-style-type: none"> <li>• <b>Evolving Resident- &amp; Staff-centered Care:</b></li> </ul>	cultivating this cornerstone philosophy at the Agency and continuing training for all staff and residents
<ul style="list-style-type: none"> <li>• <b>Advancing Professional Development:</b></li> </ul>	providing and encouraging staff to take advantage of growth training from no-cost or fee-based sources
<ul style="list-style-type: none"> <li>• <b>Developing Aging in Place</b></li> </ul>	reducing upper levels of care, thereby reducing costs-through rightsizing AFRH-W as well as ILP expansion on both campuses

Meeting the Challenges above will help the AFRH sustain the impressive progress it has made over the past few years. I am confident that the Agency will rise to the occasion of these Challenges and more via smart initiatives, dynamic programs and prudent management.

I can say without reservation that I am proud of this Agency's achievements in FY11. As I continue to serve as the dedicated IG, I will continually monitor the outcomes of the areas above and provide generous support as the Agency makes positive advances.

Respectfully Yours,

Maurice Swinton  
 Inspector General

Strength through Adversity

# CELEBRATING RESILIENCY



Our greatest challenge in FY11 was opening the Gulfport facility—and our entire staff rose to the occasion, which culminated in a spectacular grand opening. Our staff also rose to the tedious challenge of modernizing and automating the AFRH medical records system.

Yet, the most unexpected challenge was the August earthquake in Washington, which severely damaged the Agency's main administration building. As a result, our staff moved to interim offices—but business continued, despite the inconvenience. The earthquake also damaged three elevators in the main Sheridan dormitory. Plus, it forced the closure of "transition spaces" in the Sherman Building—which we moved to Sheridan, where additional renovations were completed in the dining area. Thankfully, nobody was injured.

Despite these setbacks, we forged ahead with construction in Washington under the Scott Project—on time and within budget. Through it all, the AFRH staff performed admirably.

## Outcome: Agency Challenges

MANAGEMENT CHALLENGES	2011	RESULTS
Return residents to Gulfport and initiate programs & services	✓	<ul style="list-style-type: none"> <li>Returned residents safely to AFRH-G in Oct 2010</li> <li>Matched services with AFRH-W (via One Model)</li> </ul>
Implement, manage & monitor Washington Scott Project	✓	<ul style="list-style-type: none"> <li>Deployed Project on time &amp; within budget</li> </ul>
Continue to educate, define, train & promote resident wellbeing to the AFRH community	✓	<ul style="list-style-type: none"> <li>Renewed emphasis on Person-centered Care</li> <li>Enhanced FY11-15 Strategic Goals</li> </ul>
UNEXPECTED CHALLENGE — Earthquake & Hurricane Irene	✓	<ul style="list-style-type: none"> <li>Safeguarded residents &amp; staff: no one injured</li> <li>Shored up Sherman with Hensel Phelps engineers</li> </ul>



PERFORMANCE CHALLENGES	2011	RESULTS
Implement Scott Project Construction	✓	<ul style="list-style-type: none"> <li>Completed transition projects for dining, IT, chillers &amp; recreation</li> <li>Demolished building on schedule (end of FY11: mostly complete)</li> <li>Maintained progress on time &amp; within budget</li> </ul>
Implement ILP pilot program	✓	<ul style="list-style-type: none"> <li>(AFRH-G): Commenced &amp; grew program to 43 residents</li> <li>(AFRH-W): Grew program to 45 residents; added staff</li> </ul>
Implement Human Capital Succession Plan	✓	<ul style="list-style-type: none"> <li>Identified &amp; defined leadership competencies in our Leadership Succession Management Plan</li> </ul>
Implement e-Records/e-Health Records Systems	✓	<ul style="list-style-type: none"> <li>Contracted HealthMEDX for AFRH-G</li> <li>Completed training at both AFRH-G and W; deployment: FY12</li> </ul>
Implement NBC Hosted IT System	✓	<ul style="list-style-type: none"> <li>Completed implementation in Oct 2010</li> <li>Maintained ongoing upgrades &amp; enhancements</li> </ul>
Expand visibility of military heritage	✓	<ul style="list-style-type: none"> <li>Opened Gulfport Hall of Honors in Oct 2010</li> <li>Designed Scott Project Hall of Honors</li> <li>Installed Historical artifacts around AFRH-W</li> </ul>
Adhere to timelines & participate in annual mandatory training	✓	<ul style="list-style-type: none"> <li>Scrutinized staff participation to yield better results</li> </ul>
Financial Management of operating costs & expenditures	✓	<ul style="list-style-type: none"> <li>Oversight of receivables enhanced</li> <li>Internal controls &amp; risks coordinated with Performance Improvement</li> </ul>

*Improper Payments*

# GUARANTEEING ACCURACY

The Improper Payments Information Act (IPIA) of 2002 (Public Law 107-300), as amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010, was enacted to provide for estimates and reports of improper payments by Federal agencies.

**IP Details:**

BPD catches erroneous payments and makes the needed corrections. Then, BPD notifies the AFRH Business Office, Contracting Officer's Technical Representatives (COTRs), and technicians. The four detected IPs in FY11 were reviewed and corrected.

On two invoices from Brown & Co. in August, a revised invoice was processed and validated before issues arose with travel charges. Once the mistake was discovered, BPD contacted Brown and the AFRH was credited the erroneous charges.

The other two invoices were improper payments to Magnum Opus Technologies. These were processed without the appropriate assign site in Oracle. The vendor contacted the technician regarding these payments and stated that they would take care of obtaining the funds. So, no action had to be taken by BPD's accounting staff.

**AFRH IP Trends:**

- FY05: 1
- FY06: 30
- FY07: 4
- FY08: 4
- FY09: 179\*
- FY10: 2
- FY11: 4

*\*172 by McKesson over 2 fiscal years (just detected in FY09)*

The Act requires that Federal agencies estimate improper payments and report on actions to reduce them. An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.

Each year, our partner BPD reviews each AFRH business program for improper and erroneous payments. Under the Prompt Pay Act, there were 24 invoices paid late during FY11. This was due to the reopening of the Gulfport facility that resulted in a 53% increase in the volume of invoices and the transitioning to a new staff.

It should be noted that the invoice approval process involves manual steps at both the AFRH and BPD. Effective in November 2011, the AFRH will be transitioning to the Internet Payment Platform that will eliminate those manual processes and greatly reduce inefficiencies in the approval process.

**"I heard a tremendous bang—and it felt like the elevator was falling."**

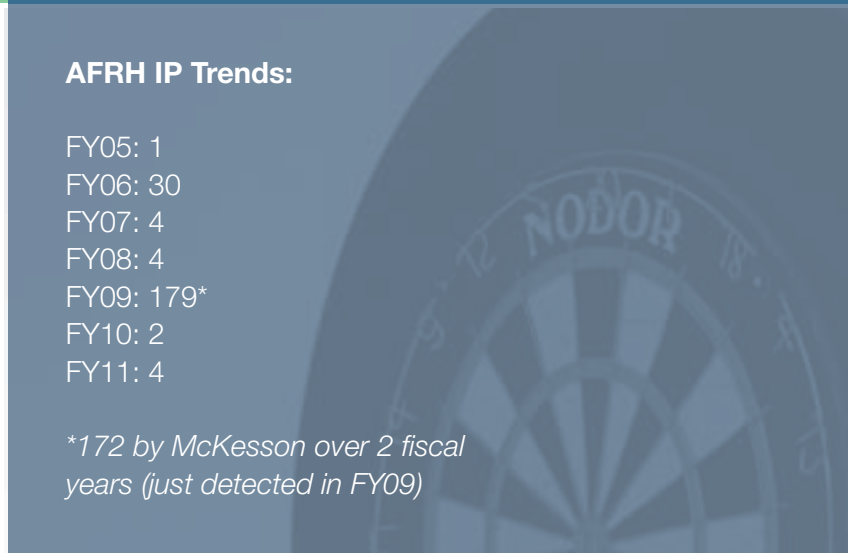
**—Nelson Jamison**  
*(Air Force)*

Nelson was riding an elevator in Sheridan when the August earthquake hit. "Suddenly I heard a tremendous bang—and it felt like the elevator was falling. I tried to jump off the floor before hitting the ground but I couldn't jump. I felt like a ball in a cage getting knocked around. I thought I was a goner."

Suddenly the elevator stopped. Nelson got off and sat down. He thought he was having a stroke. "It felt like vertigo...I was swaying around. Then I looked up and saw the building twisting. I couldn't believe it."

An inspection revealed the earthquake had dislodged the elevator counter weights. Each elevator holds 5,000 lbs. of weights to anchor the car. The weights were rattled, came off the cables, and plunged down and through the ceiling of two cars—directly to Nelson's left and right. Amazingly those cars were empty. "Typically, those cars are full of residents. It was a miracle nobody was hurt."

*1st Place in the 2011 Providence Hospital Golf Classic (Lakes Course).*



## Acronyms

## CLARIFYING TERMS

<b>AAFES</b>	Army and Air Force Exchange Service	<b>DFAS</b>	Defense Finance and Acquisition System	<b>IG</b>	Inspector General	<b>OSD</b>	Office of the Secretary of Defense
<b>ADA</b>	Americans with Disabilities Act	<b>DoD</b>	Department of Defense	<b>IL</b>	Independent Living	<b>OSHA</b>	Occupational Safety and Health Administration
<b>AL</b>	Assisted Living	<b>DOI</b>	Department of Interior	<b>ILP</b>	Independent Living Plus	<b>PART</b>	Program Asset Rating Tool
<b>ARC</b>	Administrative Resource Center	<b>DRMS</b>	Defense Reutilization and Marketing Services	<b>IPAC</b>	Intragovernmental Payment and Collection System	<b>PC</b>	Personal Computer
<b>AFRH</b>	Armed Forces Retirement Home	<b>EEO</b>	Equal Employment Opportunity	<b>IPIA</b>	Improper Payments Information Act	<b>PMD</b>	Power Mobility Device
<b>BPD</b>	Bureau of Public Debt	<b>EFT</b>	Electronic Funds Transfer	<b>IT</b>	Information Technology	<b>PPE</b>	Property, Plant, and Equipment
<b>C&amp;A</b>	Certification and Accreditation	<b>FAIR</b>	Federal Activities Inventory Reform	<b>IP</b>	Internet Protocol	<b>QIP</b>	Quality Improvement Plan
<b>CARF/CCAC</b>	Commission on Accreditation of Rehabilitation Facilities and Continuing Care Accreditation Commission	<b>FAR</b>	Federal Acquisition Regulation	<b>JCAHO</b>	Joint Commission on Accreditation of Healthcare Organizations	<b>RADM</b>	Rear Admiral
<b>CCRC</b>	Continuing Care Retirement Community	<b>FASAB</b>	Federal Accounting Standards Advisory Board	<b>JFMIP</b>	Joint Financial Management Improvement Act	<b>RFP</b>	Request for Proposal
<b>CFA</b>	US Commission of Fine Arts	<b>FECA</b>	Federal Employees Compensation Act	<b>KHC</b>	King Health Center	<b>RFQ</b>	Request of Qualification
<b>CFO</b>	Chief Financial Officer	<b>FEMA</b>	Federal Emergency Management Agency	<b>LEED</b>	Leadership in Energy and Environmental Design	<b>RIS</b>	Resident Information System
<b>CHCO</b>	Chief Human Capital Officer	<b>FEDInvest</b>	Federal Investment (software application)	<b>LPN</b>	Licensed Practical Nurse	<b>RN</b>	Registered Nurse
<b>CMMS</b>	Computerized Maintenance Management System	<b>FFMIA</b>	Federal Financial Management Improvement Act	<b>LRFP</b>	Long Range Financial Plan	<b>SAS</b>	Statement on Auditing Standards
<b>CNA</b>	Certified Nursing Assistant	<b>FISMA</b>	Federal Information Security Management Act	<b>LTC</b>	Long Term Care	<b>Seabee</b>	Naval Construction Battalion
<b>COO</b>	Chief Operating Officer	<b>FMFIA</b>	Federal Managers Financial Integrity Act	<b>MCOC</b>	Management Control Oversight Council	<b>SHCP</b>	Strategic Human Capital Plan
<b>COTR</b>	Contracting Officer's Technical Representative	<b>FTE</b>	Full-time Equivalents	<b>MEO</b>	More Efficient Organization	<b>SF</b>	Square Feet
<b>COTS</b>	Commercial-Off-The-Shelf	<b>FY</b>	Fiscal Year	<b>MS</b>	Memory Support	<b>SME</b>	Subject Matter Experts
<b>CRA</b>	Continuing Resolution Act	<b>GAAP</b>	Generally Accepted Accounting Principles	<b>NBC</b>	National Business Center	<b>SOP</b>	Standard Operating Procedure
<b>CWOA</b>	Chief Warrant & Warrant Officers Association US Coast Guard	<b>GPRA</b>	Government Performance and Results Act	<b>NCPC</b>	National Capital Planning Commission	<b>SSG</b>	Service Study Group
<b>DAPS</b>	Document Automation and Production Service	<b>GSA</b>	General Services Administration	<b>NAVFAC</b>	Naval Facilities	<b>STAR</b>	Systems Time and Attendance Report
<b>DAV</b>	Disabled American Veterans	<b>HCMR</b>	Human Capital Management Report	<b>NCOA</b>	Non Commissioned Officer Association	<b>TeamSTEPPS</b>	Team Strategies and Tools to Enhance Performance and Patient Safety
<b>DCOO</b>	Deputy Chief Operating Officer	<b>HSPD-12 PIV</b>	Homeland Security Presidential Directive 12 — Personal Identification Verification	<b>NDA</b>	National Defense Authorization Act	<b>TREA</b>	The Retired Enlisted Association
<b>DEIS</b>	Draft Environmental Impact Statement			<b>NFC</b>	National Finance Center	<b>U.S.C.</b>	United States Code
<b>DEOMI</b>	Defense Equal Opportunity Management Institute			<b>NLT</b>	No Later Than	<b>USSGL</b>	US Standard General Ledger
				<b>NPSG</b>	National Patient Safety Goals	<b>VSO</b>	Veteran Service Organization
				<b>OMB</b>	Office of Management and Budget	<b>WG</b>	Washington Gas
				<b>OPM</b>	Office of Personnel Management		

## Inspired?

Thank you for taking the time to experience life at the AFRH. You have seen how we have grown, changed, thrived, and responded to many challenging and inspiring events in 2011. If you enjoyed the stories about our residents and staff then please let us know—or if you have an inspired idea of your own for the Home, please get in touch. Also, we welcome your feedback on this Report and you may contact us anytime.



# Thanks!

### Armed Forces Retirement Home

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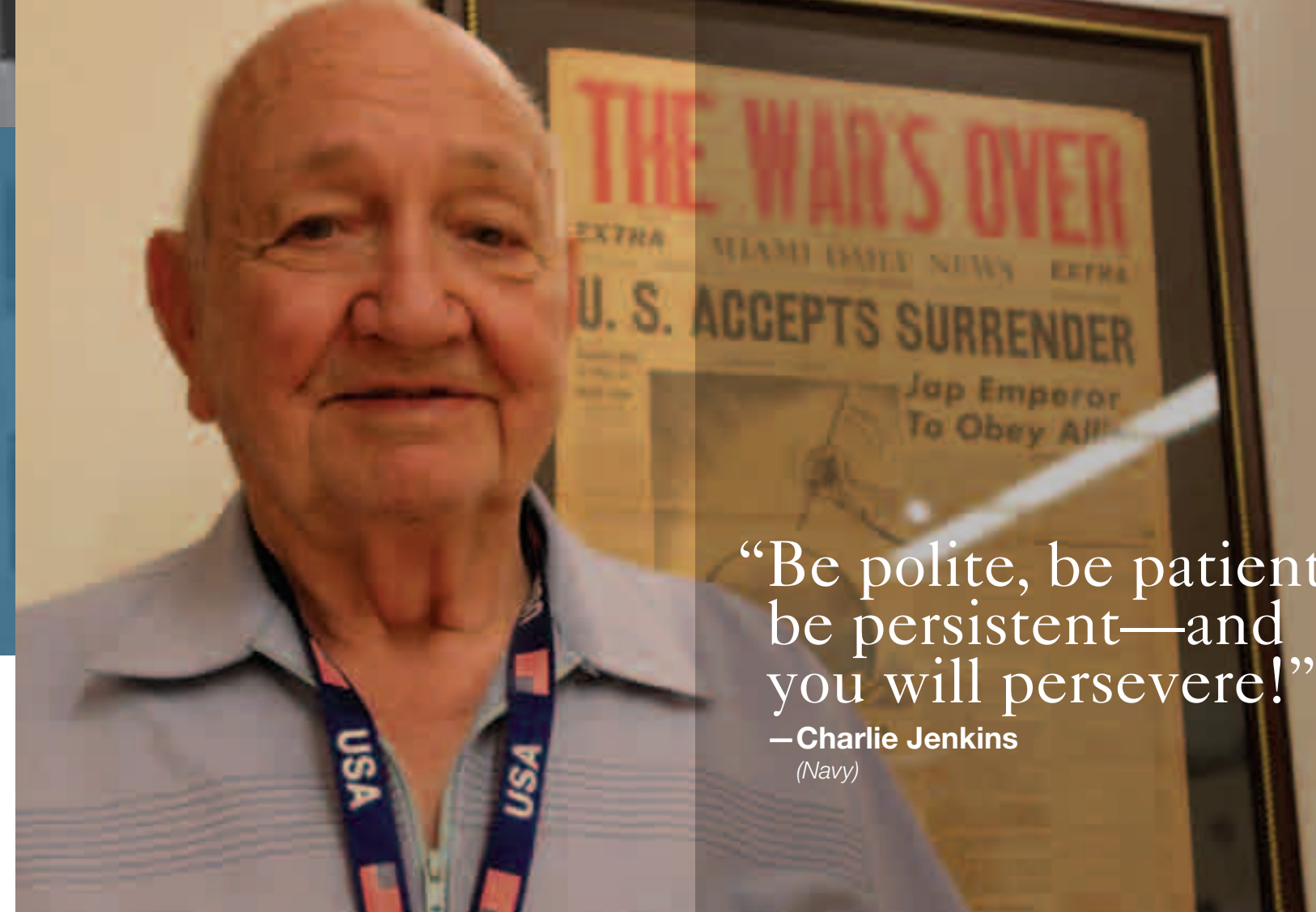
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A heartfelt thank you goes out to each stakeholder, volunteer, staff, contractor, and resident family member who helped motivate and support the AFRH in 2011. Our community is truly enriched because you have given us your time and effort. Our nation's heroes have inspired so many to greater deeds. With your ongoing support, the AFRH has been, and will continue to be, **Inspiring Independence.**



“Be polite, be patient,  
be persistent—and  
you will persevere!”

—Charlie Jenkins  
(Navy)

Charlie entered the Navy in May of 1945 to join his two brothers. After Basic, he trained intensely for an invasion that was to be made on Japan. But, President Truman

announced that the Japanese had agreed to surrender—and the dangerous invasion never was launched.

Charlie remembers that moment well: “My two

brothers and I would have been involved in that invasion. I was elated when I first heard about it”, he said. Still, he spent 27 years in the Navy on submarines and in administrative duty.

Later in life, Charlie cheated possible death again when a reckless driver struck him and left him with a serious brain injury. After extensive rehab and physical therapy, he went back to school to earn his Associate Degree, which took him seven years.

Today, Charlie enjoys staying active at AFRH-G and is a self-proclaimed “history buff”. He loves sharing his knowledge about America and his own personal philosophy of “The Four ‘P’s”.



A replica of Charlie's original uniform



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